Change Management

Factors to Consider When Implementing Change

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Introduction

A number of years ago I read the story of the quest for perfection embraced by Toyota. They would implement a change initiative and as soon as that was completed they would then initiate further changes to perfect the previous improvements.

Change is difficult for many companies particularly if things are going reasonably well. "Why fix it if it ain't broke?" And then for the business that is in chaos and change is definitely needed, multiple reasons surface as to why it should be delayed or not initiated at all. These might include:

- fear of employee responses
- lack of energy or motivation to drive the change
- fear that the intended change may not bring about the desired improvements
- allocation of people, time and financial resources
- busyness
- due diligence on project value/ROI not undertaken
- too comfortable

My observations would indicate that *change* is part of the cultural fabric of the more successful companies. They don't rest on their laurels and even when things are going well they know that things can change in an instant. Competitors can move in, economic conditions can change, key staff can leave, dishonesty and external predators can send a company down the chute in a short amount of time. The owners and managers of the astute companies are always moving ahead, ensuring that business is lean, profitable and driving forward in their quest to be the best. Change is part of life.

Following are some key factors for implementing change.

A. Phase One

Planning The Improvement Initiative

First – A Word On Leadership

It all starts with Leadership. Business owners and management need to embrace the motto that *change is here to stay*. Some personalities and behavioral styles lean toward risk and accept change easily. Others are more risk adverse. They opt for safety over risk, stability over change. If you are in this category, listing the benefits of change can be a helpful process in order see visibly, on paper, the outcomes that will be derived from stepping out of the comfort zone. A company I know of was led by a very safe, conservative person. When competitors moved in she stayed in the office, waiting for the phone to ring with the next order. The order never came but the gate closers did. They went out of business.

Change, and the ability to adapt to the ever shifting external and internal conditions; along with implementing continual incremental change within our organizations, is essential in staying ahead of the curve and keeping off the insidious plateaus that are the plight of most businesses at one time or another. When leaders and managers embrace change, when they sow the seeds of the rewards of new initiatives throughout their departments and people, the culture quickly rises to the level displayed by its leaders. The people you want will stay with those afraid or resistant to change eventually disembarking.

1. Where To Start - Identification

The key is in identifying where the main pain factors are and start there. Look for key areas of inefficiency; where loss is occurring in terms of time, money, quality; increasing levels of dissatisfaction in your team or customers; delays in delivery times and so forth.
If your company is doing exceptionally well, the identification process would more likely relate to where you want to be in five years time; what you perceive as the greatest risks to your current success; what opportunities exist that we can exploit; where do we need to innovate to stay ahead of the market.

2. Investing For Growth

Investing in one's business is no different to investing in the markets or real estate. We do it to get a return. Many business owners and their financial controllers erroneously perceive change initiatives as a cost when in fact they are actually an investment. Instead of purely looking at the initial cash outlay, future value projections need to be completed.

When it comes to deciding what to invest investigate the various options available while judging the costs of time, energy, focus, money, people etc. with the anticipated return. Here is a simple scenario of a serviced based company considering replacing its current paper based job management system with dedicated industry system.

BENEFITS - ROI	COSTS AND DOWNSIDE
Option 1: From Paper Based System To Excel	
• All staff will know where jobs are up to • No missing pieces of paper • Better system than before • Readily available and most can use it • Estimated time saving of two hours per week from administration. $80.00 / $4160 p.a*	• Financial Cost - negligible • Doesn't easily track the full process from job enquiry to resulting payment at job completion; limited reporting • No client login to ascertain job progress • Field technicians unable to update job progress
Option 2: Generalized Online System	
• More streamlined to track jobs from start to finish • Saving of four hours per week in administrative time. $160.00 / $8320 p.a* • Better reporting	• Financial Cost - $2800 • No accessibility for field staff • No inventory tracking • Limited reporting
Option 3: Dedicated Industry System	
• Full tracking and reporting • Full external access with GPS vehicle tracking • Everything accessible on one system • Streamlines payments and invoicing • Invoices sent 14 days earlier from job completion • Cash flow benefit of additional $120,000 per month from decreased invoicing time* • Administration time saving estimated at 20 hours per week. $800 p.w / $41,600 p.a* • Estimated one hour saving per day per for field technicians due to vehicle tracking and streamlining travel. Total 10 hours per day for team. Annualized at $240,000 in additional billings* • Full reporting thus greater control over the business with 'just in time' analysis and subsequent quick improvement changes • Increased customer satisfaction	• Financial Cost $15,000 • Initial and monthly ongoing financial costs • Redefining of employee roles • Some employees may leave • Time required for implementation and training of staff • Changeover period for full utilization – 6 months

Obviously the returns are commensurate with the investment.

* ROI is indicative only and these figures are based on a small to medium sized business. If you have a larger team you could expect a higher investment with much higher potential returns

4. Biting The Bullet - When To Initiate Change

If the return on investment is strong enough, thought should be given to implementation as quick as possible. Every day you delay is another day of missed benefits. Whether that be improvements of $500 per day or $1,000,000 per day; increased customer satisfaction or tolerating the current unhappiness; promoting that new product or giving your competitors the advantage. Choice is yours but if the value is demonstrated, the sooner you act the better off you will be.

5. Dealing With Fear

There are two types of leadership I have seen that occupy both ends of the leadership continuum. At one end is more lackadaisical approach. "What will be will be" is the mantra. At the other end is the dictatorial model. "Get with it or get out." Some of the best leadership I have seen is where management sow the seeds of change in advance, patiently allowing the team members to come up with the idea themselves. These ideas of course are the seeds the leader has been sowing, watering and allowing to grow. It helps people get through the fear, increases self confidence due them thinking it was their idea and keeps the good people onboard – both the risk takers and the risk adverse. Good leadership is about allowing others to *own* the change process, to assist them in seeing the value of such and thus help them overcome their personal fears. Taking extra time prior to implementing a change initiative can yield positive benefits with increased speed of completion once the project is underway.

6. When People Resist

Employees can feel they are indispensable to an organization, particularly when strong leadership is lacking. Thus, they can effectively hold a company to ransom communicating in word or otherwise that they will leave if certain changes are made. When all communicative work has been done to keep these type of people onboard and yet they persist in their obstinacy, the best way I have seen this countered is when the leader says something similar to the following. *"We really appreciate and value your contribution to our company. I want to let you know that we are going to push ahead with our change process and I would very much like you to be 100% with us but I understand if you can't make that commitment. I want you to know that you are free to leave the organization if that is the case and I will give you all the support you need."* This simple but powerful statement takes the power away from the employee and gives them a choice. In or out. Total commitment or not at all. They realize they are dispensable, that you won't be held to ransom and effectively gives the leader the high ground.

7. Planning and Milestones

Time needs to be given to planning the project with corresponding milestones and deadlines for completion. Just as no one in their right mind would start the construction of a home without all the preliminary meetings and design work necessary, so too it goes for the change process. Being thorough in the planning phase is essential, giving careful thought to all that it will demand. The longer the planning process often the shorter the implementation time.

I would also recommend involving your people in this process. Not only does it aid personal ownership and speed of implementation, but gathering information from those at the coal face can provide insights that management never thought of. Giving team members certain tasks in the planning stage helps them feel more valuable to the organization and subsequently more committed in the project roll out.

8. Mitigating Risk

What if …

- this runs over budget?
- Sally (project driver) leaves mid way through?
- team members lose momentum?
- it takes twice as long as projected?

How do we…

- make certain that the team stays fully engaged through the process?
- ensure customers are not negatively affected?
- get management and stakeholder buy in?

Working through all possible risk factors with the corresponding mitigation plans is also essential for ensuring the project's success.

B. Phase Two

Driving the Change Process

1. The Role Of A Process Champion

Someone needs to take charge of the project roll out and fulfillment of such. To keep their eye on the goal, work toward milestone achievements, provide reports to management, ensure the team are all onboard, deal with employees who are struggling with the change and so forth. If no one person is appointed, projects can often lose their way, resulting at best taking considerably longer or at worst being shelved completely. Ideally the champion needs to be one who can keep people onside, drive the required tasks of the project and adapt to changes along the way.

2. The External Accountability Partner

Someone external to the organization, who understands the project initiatives, required milestones, reporting frequency etc. is an ideal reinforcement to ensure the project is completed and in a timely manner. External consultants and advisors won't get caught in company politics or lose their way because of the subjective influences of the initiative. They are objective with no emotional attachment that employees might potentially demonstrate. They are simply there to ensure the project's completion. The other advantage is that management can receive regular progress updates on the current status of things without bias. The external party does not know your organization which is exactly why you would choose them. They look critically from the outside and often the simple question of 'why would you do it that way?' creates immense clarity, cost savings and completion speed.

3. Baseline Measurements

It is important to establish baseline measurements in order to measure the ongoing progress against. An accounting firm that embarked on a change initiative to streamline its processes and increases its productivity brought me in as the external advisor as mentioned in the previous point. We initially documented the current results they were achieving in areas such as productivity per accountant and bookkeeper, write offs, reworks, error costs, client complaints and so forth. As the change initiative progressed we reviewed each of these areas results weekly to ensure the ongoing changes were making a difference. The 238% nett profit increase that resulted after seven months was the accumulation of the process redesign changes, milestone achievements and team collaboration effects. They were happy to say the least.

4. When The Wheels Fall Off

You've previously developed a risk mitigation plan, all is on schedule and then spot fires start to appear - momentum begins to wane. Customer complaints are starting to increase, the process champion has taken stress leave for a few days, external training requirements have doubled thus affecting budget. Things start to wobble.

Those who regularly tow a trailer or caravan have told me that when they sense they are starting to lose control, the way to correct the condition is to *drive* out of it. Instead of the instinctive braking and slowing down, it's foot down – pedal to the metal.

Project wobbles are really no different. When the potential of a jack knife is in the wings, the best way forward is to drive out of it. This involves:

    a) Identifying the wobbles e.g. increased customer complaints
    b) Identify the *cause* of the wobbles
    c) Quickly bring correction and adjust the plan going forward
    d) Foot down - action
    e) Ensure daily communication on developments, results etc.

Projects fail when leaders sit back, deliberate unnecessarily or do nothing. The key is quick and decisive action.

C. Phase Three

Driving the Change Process

You've planned the new project initiative, implemented it and now the new processes and systems are up and running. It is essential you keep your finger on the pulse as the last thing anyone needs is for things to regress, which it will if you're not careful. Some thoughts on this phase.

1. Monitoring Against The Previous Baseline.

I previously mentioned the importance of taking baseline measurement. This data provides the foundation from which you can check performance of the new way of doing things against the original (pre-project) results. I would recommend that as you progress you establish new improvement goals and a new baseline. This way you are checking the progress against things both prior to implementation, against the new baseline and then against the improvement goal to check forward progress.

One administration assistant I was working with as part of a change initiative had an original baseline error rate on her invoicing of 16%. We set an improvement goal, adjusted the process for her and got her almost immediately to 9%. This then became the new baseline from which we measure further improvements against.

The beauty of this process is that you can quickly see if things are getting off track or maintaining the line of sight and subsequent milestone achievements toward those goals. If things are returning to their prior state you can quickly make adjustments, incorporate a new process and see if that changes things.

The process is as follows:

a) Establish baseline measurements
b) Set improvement goals
c) Initiate changes
d) Manage changes
e) Measure results against previous baseline
f) Re-establish baseline
g) Review improvement goal and adjust as necessary

2. Right People In The Right Roles

I have seen party people in data entry roles, shy introverted types who have been recruited into dynamic customer service roles and everything in between. The party people start to climb the walls of their cubicles after a month and the shy ones get so stressed they often depart the company early (or request the empty cubicle of the previous party person.)

Matching a person's behavior and innate qualities to the role (along with personal enthusiasm and teach-ability) is part of ensuring the longevity of success for any new improvement program. I have seen companies with great systems and documented procedures get this mismatch and the outcomes are often very average and in some cases dismal. One of the KFC outlets comes to mind. They have streamlined systems, their people do the job taking your order but tables and floors are often dirty with rubbish bins overflowing (and that's at 11.00am). They might have be matched to the role but definitely lacking on the enthusiastic side of the equation.

You will notice I haven't talked about technical/skill levels above. From over twenty five years of working with people and leaders, I would employ someone any day who has the right behavioral qualities to match the role *along with* enthusiasm and teach ability over a highly skilled person who is arrogant and mismatched behaviorally. You can upskill quickly the enthusiastic and teachable but much harder to make a dreary obstinate person enthusiastic.. It's like trying to make a slow dog go fast. Just doesn't work.

Here is what I would be looking for behaviorally in a person according to various roles.

Role	Behavior / Qualities
• Data Entry • Customer liaison • Job scheduler • Business Development Manager	• Task and routine oriented. Slow paced. Precise. • Open. Friendly. Listener • Adaptive. People oriented. Accurate • Assertive. People Orientated. Visionary. Organised

3. Managing For Continuous Improvement

As far as you can tell, you've got the right people at the right process points and things are going reasonably well. Improvement is happening and progress toward the goals is pleasing. The critical thing at this point is the *continual* management, support and oversight of forward progress otherwise, similar to a ball thrown in the air, gravity will suck you back from where you came.

Here are some effective methods used by many of the companies I have worked with to ensure ongoing success.

- Have regular meetings with all team members to:
  - Update them on key performance data and progress
  - Celebrate the wins
  - Identify current or potential challenges
  - Create an environment of trust and high accountability. This helps keep everyone on board and sensing that they are in this together. It also provides the added advantage for management in that you are gleaning information and insight from those working at the interface of the business and the customer, worker etc.
- Establish personal and team performance goals
- Revisit position descriptions that contain Roles, Responsibilities and Performance Measures that relate to the new way of doing things.
- Make ongoing incremental improvements
- Ensure that key performance data is always updated, checked and responded to immediately where there is any deviation from the goal

In closing, the content of this article has come about from my change management work with many companies and organizations over the years. It is based on what I have seen firsthand as opposed to theory. Those who apply these principles, significantly raise their chances of success. It is one thing to wish for or, in ad hoc fashion bring change to an organization but is quite another to plan carefully and then systematically drive the process forward. If we don't intentionally adapt and bring change on a continual basis we are really left to the winds of the day.

Contact Information

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<u>About Ray Hodge</u>

Ray Hodge speaks and consults to businesses and organisations, a notable event being the Department of the Australian Prime Minister and Cabinet. His emphasis is on improving critical efficiencies to dramatically increase key results. He has coached and provided consulting services to leaders and teams for over 25 years.

Please don't hesitate to get in touch with Ray if he can be of service