

Change Management

Topic Gateway No. 48



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Topic Gateways are intended as a refresher or introduction to topics of interest to CIMA members. They include a basic definition, a brief overview and a fuller explanation of practical application. Finally they signpost some further resources for detailed understanding and research.

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Definition and concept

'Change management is the process of managing transformational changes, which affect the culture, structure and performance of an organisation.'

Neil Crawford, BPIR.com Limited

Context

Change management is an important issue in all industries and organisations. It is of relevance to a wide range of situations at all levels, from individual, team and organisation to leadership.

CIMA students need to understand change management and may be examined on it in Paper P4, Organisational Management and Information Systems, Paper P5, Integrated Management and Paper P6, Management Accounting, Business Strategy.

Related concepts

Organisational development and behaviour; PRINCE2; project management

Alternative concept

Human resource management



Overview

Change is endemic and all around us. Organisations need to change in order to respond to the many pressures they face from their environment. These pressures include:

- global competition
- changes in customer demand
- technological advances
- new legislation.

Often these pressures require organisations to change the way they operate. This can include small incremental changes that redefine roles, eliminate ineffective processes or instigate new ways of working. At other times, these pressures require a major disruption within the organisation. This transforms the culture, reorganises people, process and systems, and radically changes the organisation's strategy.

Research indicates that organisations implement a major change approximately once every three years, while smaller changes happen almost continually.

A 2007 survey on change management involving over 400 senior HR managers in the US revealed the reasons behind the percentages of organisations implementing or planning change over the previous two years:

- new performance management process (58%)
- relocation or facility closure (57%)
- organisational culture changes (54%)
- new IT systems (51%)
- change of strategy (45%)
- new financial/accounting systems (41%)
- downsizing, layoffs (40%)
- operational changes resulting from new legislation, economic conditions or national/international events (30%)
- product rebranding (26%)
- acquisition (25%)
- offshoring or outsourcing (16%)

- merger (10%)
- corporate ownership change (8%).

There are many different types of change and different approaches to managing change. However, it is clear that it is those organisations that are most capable of managing change that ultimately survive and thrive. As Charles Darwin wrote in the 19th century: 'It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.'

Change management is a core skill that most leaders and managers need to be competent in. There are very few environments where managing change is not important. Managers need to be able to control and direct change in a way that meets organisational objectives. They need to ensure the commitment of their staff both during and after implementation, often while business continues as usual.

While research shows that change is happening at an ever-increasing pace, evidence suggests that most change initiatives fail. A recent UK survey by the Chartered Institute of Personnel and Development (CIPD) revealed that less than 60% of change initiatives failed to meet their organisational objective, which was usually bottom-line improvement. Fully 40% of initiatives failed to show any real improvement in performance, while only 40% were completed on time.

The impact of such failures can be high, including a loss of competitive advantage, market position, stakeholder confidence and resignations of senior managers and key employees, to name a few.

In this context, change management has a key role to play in ensuring that organisational change is managed effectively, minimising risk while maximising the organisational benefits of change.

Application

Change management is a range of tools, techniques and processes aimed at successfully implementing change. These tools and techniques can be employed in a variety of contexts, but often they support the implementation of other initiatives such as Six Sigma, CRM, Total Quality Management or enterprise applications such as SAP.

Typical tools and techniques that a change management practitioner might use during a change initiative include:

- questioning skills to gather information about the 'as is' and 'to be' status of the business process
- process mapping for both 'as is' and 'to be' processes
- gap analysis
- business case development
- project management
- problem solving
- requirements elicitation techniques
- negotiation skills.

In addition to these techniques, it is important that progress of the change initiative can be measured against the objectives set by the organisation. For this to happen, the organisation needs to set clear objectives and agree on key performance indicators (KPIs) that can be used to monitor and evaluate the change initiative against its objectives. These KPIs might include:

- reducing rework by x%
- improvement in stakeholder satisfaction, for example, customer/employee surveys
- reduced time to market
- enhanced speed of delivery
- the return on investment, that is, the total cost to implement the initiative versus total savings gained from the initiative per period.

Change management is a proactive process where success is judged retrospectively. Effective change management occurs if an organisation develops a change initiative, then implements it and achieves a positive outcome.

There are four key factors that can help organisations to achieve a successful change initiative:

1. **Strategic focus** – ensuring that the change initiative focuses on long-term benefits.
2. **Strong leadership** – providing clear and decisive leadership so that the organisation can respond effectively to the challenges of the transformation.
3. **Cross-functional working** – aligning people from across the organisation to achieve the required changes.
4. **Robust planning** – ensuring that sufficient effort is dedicated to planning the changes effectively and that the resources and support of the organisation are behind the plans.

However, resistance to change is natural. Often organisations must adapt the scope and direction of a change in order to accommodate considerations that were not envisaged during the original planning phase.

While this is a common situation, it is still important for the change to be planned carefully in advance. This plan should include the following steps.

Step 1: Evaluate the changes required

This includes answering the following questions:

- Why is the change required?
- What external issues are driving this change?
- What internal factors can impact this change?
- What does success look like?
- How does this change support the strategic direction of the organisation?

Step 2: Ensure support for the change

Senior management support from the start is essential to the success of any change initiative. This step requires:

- Identification of project sponsors and key stakeholders who can authorise the changes, commit resources to achieving the delivery and provide direction for its development and implementation.

- Stakeholder analysis to understand how the change will affect each stakeholder and how much influence stakeholders have on its implementation. This information can be used to build a communications plan. Such a plan should provide details of the different audiences and types of communication required during the change.
- An understanding of what type of leadership style will be required to implement the change, for example, adaptive, connective or visionary.

Step 3: Develop an end state vision

It is essential that everybody affected by the change understands the rationale for the change, how it will affect them and what the end state will look like. Key activities during this step include:

- obtaining current performance data that can be used as a benchmark to measure the success of the change
- assessing levels of dissatisfaction with the current situation and using the analysis to explain to those affected why the change is necessary
- understanding how people react once the change is announced.

Step 4: Create a team

A team needs to be created to deliver the changes. Key activities in this stage are:

- identifying appropriate individuals to be involved in the team
- providing a clear remit and scope for the team
- assigning roles and responsibilities to the change team
- formulating a plan to identify all activities involved in developing and implementing the change
- allocating activities to team members based on experience and ability.

Step 5: Develop the change activities

During this step, the focus is on delivering the change activities. This may involve use of project management methodologies such as PRINCE2 to support the delivery of activities.

Step 6: Implement the change

At this stage, those directly impacted by the change should be engaged in the initiative. Activities might include:

- workshops and training sessions
- development of super-users
- help desk facilities
- user manuals
- drop-in clinics.

Step 7: Embed the change

The final stage is embedding the changes so that they achieve their long-term desired objective. This is likely to include transitional activities such as:

- communicating the changes that have taken place and reinforcing that the old ways of working are no longer applicable
- providing a forum for people to discuss any implications the changes have on them personally
- providing ongoing training and support to fill any 'gaps' in understanding or capabilities
- changing recruitment, promotion and reward policies to attract and retain the right people and reinforce the right behaviour.

The speed of change as a result of globalisation, rapidly changing technology, legislative change and consumer expectations challenges both large and small organisations to consider new ways in which to remain competitive and survive. Living with change and managing change is an essential skill in today's environment.

Case studies

Case study from the Office of Government Commerce on Change Management in the Rural Payments Agency (RPA). Available from:

www.ogc.gov.uk/case_studies_change_management_case_studies.asp

[Accessed 24 April 2008]

I-Change website has a number of case studies on recent client projects.

Available from:

www.i-change.biz/casestudy1.php

[Accessed 24 April 2008]

Case study on Dow Chemicals demonstrates change management issues associated with a move from a product centric to customer centric organisation.

Available from:

<http://whitepapers.silicon.com/0,39024759,60303144p,00.htm>

[Accessed 24 April 2008]

Five very useful case studies relating to managing change in the NHS.

Available from:

www.sdo.lshtm.ac.uk/files/adhoc/change-management-developing-skills.pdf [Accessed 24 April 2008]

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Further information

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Windsor, P. *Successful change management*. AIIIM E-DOC, November/December 2006, Supplement pp 82-84.

Books

Auster, E.R., Wylie, K.K. and Valente, M.S. (2005). *Strategic organisational change: building change capabilities in your organisation*. Basingstoke: Palgrave Macmillan

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Ezzamel, M., Morris, J. and Smith, J. *Accounting for new organisational forms: the case of subcontracting and outsourcing*. (PDF 350 KB). CIMA Research Full Report, August 2006. Available from:

www.cimaglobal.com/researchfullreports

[Accessed 23 April 2008]

Websites

Businessballs.com has a wealth of change management resources, including templates, models and an interesting section on change stories. Available from:

www.businessballs.com/changemanagement.htm

[Accessed 24 April 2008]

Change Management Monitor gives access to current thinking and practice about the management of change. The site includes book summaries, in-depth topic articles and reviews. Available from:

www.change-management-monitor.com

[Accessed 24 April 2008]

The Chartered Institute of Personnel and Development (CIPD) website has a useful fact sheet on change management, providing useful introductory guidance. Available from:

www.cipd.co.uk/subjects/corpstrtgy/changemmt/chngmgmt.htm?IsSrchRes=1 [Accessed 24 April 2008]

The Managing Change website provides a useful Change Management checklist as well as tips, articles and further links. Available from:

www.managingchange.biz/change_management_resources.html

[Accessed 24 April 2008]

The Management Issues website has a range of articles on change management covering hot topics and latest change issues. Available from:

www.management-issues.com/change.asp

[Accessed 24 April 2008]

The Mindtools website provides an overview of Lewin's Change Management Model – one of the cornerstone models of change management developed in the 1950s. Available from:

www.mindtools.com/pages/article/newPPM_94.htm

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