

# Managing change

**Businesses face change all the time, driven by internal or external influences. The rhetoric of change includes words like growth, innovation, redundancy, offshoring or outsourcing, relocation and diversification. But most changes in business are minor and incremental.**

Making the necessary changes before they are forced upon you will bring competitive advantages. Creating a culture of innovation can transform your business.

This briefing outlines:

- How to identify key areas of change.
- Preparing for change.
- Implementing change.
- Creating a culture of change.

## 1 Driving change

Managing change means taking active control of any move from A to B, to achieve maximum advantage for your business.

### 1.1 Identify any need for change **early on**.

- Think ahead to where your business needs to be in one, three and five years' time. What do you need to do to get there?
- Monitor what your competitors are doing. Consider benchmarking your performance in key areas, such as customer loyalty and cost per sale. (See **Benchmarking**.)
- Look at parallels in other sectors. For example, if selling over the Internet works for other businesses, could it work for you, too?

### 1.2 Recognise that a key determinant of

business success or failure is the quality of your employees, and especially your **management** team. (See **Recruitment**.)

- Continuous training and development will make sure you get the most out of your team.
  - As a last resort, you may need to replace ineffective individuals (see **Dismissing employees**).
- 1.3 Try to get the impetus for change to come from your employees.**
- Employees at the 'sharp end' are often the first to become aware of or experience problems.
  - Encourage employees to offer suggestions that might improve working practices.
  - Employees are more likely to accept a

## Directors' Briefing

a book in four pages

More than 160 briefings are now available.

If you need further information or help, ask the distributor of this briefing about the services available to you.

proposed change if it was suggested by them in the first place.

Effective change management depends largely on your leadership skills (see **Leadership**).

## 2 Prioritising change

### 2.1 Decide which changes are most **important**.

#### The human touch

Even small changes can backfire if they are not handled sensitively. The key to successfully managing change is to keep staff informed.

**A Consult** with those affected before implementing any changes.

- You avoid the risk of trampling on peoples' feelings and being seen as a 'dictator'.
- Those involved may be able to suggest alternatives that deliver the same results more effectively or cheaply.
- People are more likely to accept change if they suggested it in the first place.
- By listening to and incorporating peoples' comments you encourage a feeling of teamwork and ownership.

Under EU rules, businesses with more than 50 employees have to notify and discuss, with their employees, any changes likely to affect their jobs. Penalties for non-compliance can be up to £75,000.

**B Provide advance warning** of the impending change.

- Give staff time to come to terms with the changes.
- Advance notice allows time to make any necessary preparations or adjustments.

**C Monitor** the impact of your changes.

- You may be alerted to problems that were over-looked during the consultation process.
- You can adapt and refine your changes to deliver improved results.
- You may receive suggestions for further changes inspired or necessitated by your initial changes.

See **Communicating with employees**.

- Focus on the changes with the biggest potential benefits, not the easiest ones to implement.

### 2.2 Programme **continual** smaller changes rather than a few large ones.

- Too many large changes are hard to digest and can interfere with one another.
- Small scale changes are easier to manage.
- Continual successful changes breed a positive culture of change (see **7**).

## 3 Preparing for change

### 3.1 Make sure the reasons for change are in line with your overall business **objectives**.

- Any support for the change will be minimal if people do not understand its purpose. For example, some health and safety initiatives might appear to employees to be pure bureaucracy.
- Check that the planned change is SMART — specific, measurable, agreed, realistic and time-limited. Keep it simple.

### 3.2 Obtain reliable **performance measures** in the area undergoing change.

- For example, sound data on sales or customer satisfaction will give you a clear picture of how much change is needed.
- Baseline figures will let you measure the effect of any change you then make.

### 3.3 Consider both personal and business **implications**. The end objective can seem so desirable that important details are overlooked.

Change usually involves extra work and extra expense.

- Is your cashflow strong enough, or will you need to borrow?
- Will the management structure need to be adjusted?  
Individual skills and experience may become redundant. New initiatives may need new teams to manage them.
- Will existing skill levels be adequate?  
You may need to recruit new employees or arrange training. For example, if you are setting up a website for the first time.
- Will your employees feel inadequate when faced with new technology?
- Will your employees' personal lives be disrupted by a change in hours?

### 3.4 Make sure that other systems and policies are **compatible** with the planned change.

- For example, if your priority is to improve quality, an existing incentive scheme which rewards cost cutting may undermine your drive for improvement.

**3.5** Change usually involves going into unknown territory, but others will have been there first. Take **advice**.

- Talk to business associates. Learn from the experience of anyone who has made similar changes.
- Many management consultants specialise in particular types of change, such as company mergers or downsizing. Some consultants are experienced in change generally and can provide a key additional management resource.

**3.6** If a change is risky, **pilot it** before full-scale implementation.

- Evaluate the results and make any adjustments needed.

**3.7** Set up a **timetable** for change, to focus people's minds.

- Phasing in change is preferable and allows any problems to be addressed early on.

### Factors driving change

There are thousands of influences making change in business inevitable.

**A** Factors from **outside** the business include:

- Technological progress, such as advances in IT, email and the Internet.
- Changing market conditions, such as supplier price increases and demand from customers for new services.
- Legislation, such as age discrimination and the smoking ban.

**B** Factors from **inside** the business include:

- Personnel changes, such as key employees leaving and new senior appointments.
- New management processes or production techniques, such as customer service initiatives or offshoring.

There is a constant need to cut costs and improve efficiency to remain competitive.

## 4 Selling the change

Whatever the area of change, you will need the co-operation of your employees.

► If you use a consultant, a good brief is vital. See **Using a consultant**.

**4.1 Resistance** from employees is the biggest stumbling block to successful change. Sources of resistance include:

- Natural wariness of change. Do not underestimate people's fear of change. For example, acknowledge that employees may not want to give up familiar and long-established working patterns.
- Cynicism about 'flavour of the month' changes. Most employees have had experience of initiatives that caused considerable extra work but eventually came to nothing.
- Misunderstanding, when employees are not told enough or think there is a hidden agenda.

**4.2** You are implementing change for a **good reason**. You should be able to sell your idea to the people affected.

- Explain the benefits.
- Make people understand the cost of not changing. For example, losing customers or keeping costs artificially high — and eventually laying off employees.
- Point to examples of successful change in the past by you or your competitors.

Avoid overselling the benefits. Stick to what is achievable, to maintain your credibility.

**4.3** Set up a thorough **communication** process. Rumours will develop quickly if there is a lack of information.

- Give important news in person, followed by confirmation and details in writing.
- Start communicating early, as people take time to come to terms with change. But avoid communicating half-formed ideas, as this may simply cause confusion.
- Allow time for feedback and reasoned objections. Listen to the views of any sceptics — they may help you avoid costly mistakes.
- Be prepared to be unpopular. If the change is for the good of the business, employees will benefit eventually.

Be positive, even where change is driven from outside. Employees will take their lead from your attitude.

**4.4** Talk to **everyone** who will be affected.

Resentment will grow if people feel left out.

- For example, inform customers and suppliers, as well as employees.
- Make sure everyone knows his or her role in the change process.

Encourage employees to get actively involved and 'own' the change.

**4.5** Address people's **concerns**. Spell out the implications of change for everyone.

- For example, revisions to job descriptions, increased workloads or any redundancies.
- Be clear about how the change will affect individuals, teams and the whole business.

**4.6** Your biggest allies can be your **cynics**.

Do not be put off by their style — they often know the pitfalls and difficulties. If you can persuade them, persuading other employees becomes easier.

- Get help from the early converts in selling to the cynics.

**4.7** Do not leave any **doubt** that the change will happen.

- Once people are certain that it is going ahead, they begin to come to terms with the inevitable.

Any change usually creates winners and losers. One person may be made redundant, while another is promoted. Change may lead to stress, tears, resentment, accusations etc. Professional and sensitive communication will reduce the impact this has on the business.

See **Stress management** and **Communicating with employees**.

## 5 Implementing change

**5.1** Make some bold **early moves** to let people know that change is really happening.

- For example, if you are upgrading standards in customer service, you might implement a new scheme to reward staff delivering exceptional customer care.

**5.2** Assign **responsibility** for change.

- Major changes should be the responsibility of the managing director.
- Make everyone aware of what is expected of them. Include 'contribution to change' in employees' performance appraisals.

(See **Performance appraisals**.)

- Consider using a new appointee to take responsibility for the change programme. A new face can act as a catalyst for change and can bring in key new skills.

**5.3** Continue communicating the **reasons** and **benefits** of change.

- If the change strategy is right, these should become more and more clear.

**5.4** **Monitor** progress against the original plans.

**5.5** **Tackle problems** or obstacles as soon as they arise.

- If individuals are slowing the change process, find out why and take steps to resolve the problems.

**5.6** Be **consistent** and make sure all management actions support the change.

## 6 Making change stick

**6.1** Be **resolute** in carrying changes through.

- Keep monitoring and reinforcing the change.

**6.2** Point out the **benefits** achieved from the change and how the business has moved on.

- Employees will see the value of change.

## 7 Create a culture of change

If change is seen as the norm, employees are less resistant to it.

**7.1** Recognise that any system or process can be **improved**.

- For example, the amount of paperwork can almost always be reduced

**7.2** Encourage continuous **input** from employees.

- Ask for suggestions on new areas for improvement.
- Give feedback and credit for any ideas implemented.
- Reward people for their contribution to success. Tie the rewards explicitly to the achievement of the planned changes. See **Incentive pay**.

### Further help

There are other Directors' Briefing titles that can help you. These briefings are referred to in the text by name, such as **Recruitment**.

© BHP Information Solutions Ltd 2008. ISSN 1369-1996. All rights reserved. No part of this publication may be reproduced or transmitted without the written permission of the publisher. This publication is for general guidance only. The publisher, expert contributors and distributor disclaim all liability for any errors or omissions. Consult your local business support organisation or your professional adviser for help and advice.