



ICM

JUNE 2018

MANAGEMENT OF CHANGE – PRE-ISSUED CASE STUDY & GUIDELINES

Important notes for candidates regarding the pre-issued case study

The case study is designed to assess knowledge and understanding of the Management of Change syllabus in the context of the relevant case study. The examiners will be marking candidates' scripts only on the basis of the questions that have been set. Candidates are advised to pay particular attention to the mark allocation on the examination paper and to plan their time accordingly.

Candidates should acquaint themselves thoroughly with the case study and be prepared to follow closely the instructions given to them on the examination day. Candidates are advised not to waste valuable time collecting unnecessary data. The cases are based upon real-life situations and all the information about the chosen organisation is contained within the case study.

As this case represents real-life situations, anomalies may be found in the information you have before you. Therefore, please state any assumptions you make that are reasonable when answering the questions. Remember you are going to be tested on your overall understanding of the case issues and your ability to answer the questions that are set in the examination.

In order to prepare for the examination, candidates will need to carry out a detailed analysis of the case material ahead of the examination. Candidates have sufficient time during the examination to answer all the questions, but this means that detailed analysis has taken place before commencing the examination. The examiners are looking for clear evidence that candidates have a good understanding of the case and can use the relevant course ideas from the syllabus to answer the questions.

The copying of pre-prepared 'group' answers, including those written by other third parties, is strictly forbidden and will be penalised. Thus, questions will demand analysis in the examination itself and individually composed answers are required in order to pass.

Candidates are only allowed to take up to two pages (four sides) of A4 notes into the examination room. These notes should be attached to the answer script at the end of the examination and returned.

A copy of the pre-issued case study material will be available in the examination. Candidates are NOT permitted to take into the examination the downloaded case study or any other notes. Candidates should not attach any other additional information in any format to their answer script. Any attempt to introduce such additional material will result in the candidate's paper being declared null and void.

The examination will be for **THREE HOURS** and will consist of **TWO** parts.

Part A comprises **FOUR** compulsory short answer general questions and is worth **40%** of the final mark. **These questions are not specifically related to the case study.** It is recommended that you spend approximately **ONE HOUR** on Part A.

Part B comprises **THREE** compulsory questions related to the pre-issued case study that you will have analysed before entering the examination room. This part is worth **60%** of the final mark. It is recommended that you spend approximately **TWO HOURS** on Part B, which includes planning and checking your answers.



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MANAGEMENT OF CHANGE CASE STUDY – CHANGE MANAGEMENT

Overview

Change management is the systematic approach and application of knowledge, tools and resources to deal with change. It involves defining and adopting corporate strategies, structures, procedures and technologies to handle changes in external conditions and the business environment. Effective change management goes beyond project management and technical tasks undertaken to enact organisational changes and also involves leading the “people side” of major change within an organisation. The primary goal of change management is to successfully implement new processes, products and business strategies while minimising negative outcomes.

This article discusses the management of large organisational changes that may have far-reaching impacts on the organisation and its workforce, including the following topics:

- The nature and extent of organisational change
- The business case for a systematic approach to change management
- The roles of management and HR during major change initiatives
- Steps to take in managing organisational change
- How to overcome common obstacles encountered during organisational change
- Legal and global considerations in managing change

Background

In an American Management Association/Human Resource Institute survey of approximately 1,400 executives, 82 percent of respondents said that the pace of change in their organisations had increased over the previous five years and 69 percent reported that their firms had experienced severe shifts during the past year.

To keep pace in a constantly evolving business world, organisations often need to implement enterprise-wide changes affecting their processes, products and people. Change is a fact of life in businesses today. It is difficult, and most people resist it. But to develop an agile workplace culture, organisations should follow a systematic approach to managing major change. Organisational development experts have established approaches for successfully navigating through change.

Organisational leaders must identify and respond quickly to market changes and unexpected challenges, but most are not in a position to create an agile culture. Yet agile leadership – from CEOs down to line-level managers – separates high-performing from lower-performing organisations. Companies that consistently outperform competitors in profitability, market share, revenue growth and customer satisfaction reported much greater agility than lower performers.

Business Case

The rate of major organisational change has accelerated dramatically in this decade. Experts have estimated that 30 years ago the largest companies typically had only one or two simultaneous enterprise-wide change initiatives; today, that number is 20 to 25 changes. Between 2008 and 2012, “managing change and cultural transformation” has consistently appeared among the top five HR topics assessed in the report *Creating People Advantage* by Boston Consulting Group/World Federation of People Management Associations. However, major change initiatives are not limited to big companies.

As change initiatives have become more frequent and widespread, the importance of managing individuals through change has gained credence. Major changes can affect organisations across all levels. Many corporate leaders have concluded that failing to manage employees through change can be costly: Employees who are dissatisfied with or upset by change are generally less productive.

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An employer that is serious about change management should develop a communication plan, a road map for change sponsors, integrated training programs and a plan for dealing with resistance. HR should be involved in major organisational changes from the beginning and can assist by influencing the following:

- Improving employees' understanding of change
- Increasing communication between management and employees
- Identifying and mitigating risks
- Enhancing employee satisfaction
- Boosting trust between management and employees
- Improving employee skills and proficiency through change-related training initiatives

The Roles of Management

Business managers who want to undertake major transformation to stay competitive must work with HR staff to gain employee acceptance and support.

Management's Role

Having the right leadership and buy-in from the executive team is critical to unifying the organisation behind a common strategic direction.

Another key is making sure all managers are equipped to coach their direct reports toward commitment. One-on-one conversations help individual team members analyse how the change will affect them, determine their level of commitment and choose how they will act. Questions managers should address with employees include:

- What is changing?
- Why is it changing?
- How will it affect your area?
- How will it affect each individual?

Unfortunately, many managers are not adept at change management. The lack of change management skills among managers can make change initiatives difficult to achieve. A 2013 Towers Watson Change and Communication ROI Survey found that 87 percent of employers train managers on effective change management; however, only one quarter of those employers found the training to be effective.

Steps in the Change Management Process

Organisations should systematically prepare for and implement major organisational change. John Kotter, a Harvard Business School professor, developed a well-known and widely adopted approach for managing organisational change. This approach, updated in Kotter's book *Accelerate*, involves the following eight stages:

1. **"Create a sense of urgency."** Successful transformation efforts usually begin when leaders examine the market for changes that may lead to new competitive realities for the organisation. These changes can stem from demographic shifts, social trends, new technology, market or competitor changes, or new government regulations. The leaders should explain that a potential crisis or major opportunity is imminent, and they should encourage frank discussion throughout the organisation. Creating a sense of urgency that the status quo is no longer acceptable is essential to gain the workforce's energetic cooperation.
2. **"Build a guiding coalition."** Once employees feel a sense of urgency, leaders should establish a group with enough power to lead the change. Members need substantial authority based on position, expertise, credibility and leadership, as well as effective management skills and proven leadership abilities. This coalition must learn to work together based on trust and set a common goal. Many guiding coalitions build trust through offsite meetings, joint activities and conversation.
3. **"Form a strategic vision and initiatives."** The guiding coalition should craft a clear vision for the future, motivate people to take appropriate actions and coordinate their actions. An effective vision is imaginable, desirable, feasible, focused, flexible and communicable, according to Kotter. Creating an effective vision takes time and can be a challenging process, but the end product provides a clear direction for the future.

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4. **“Enlist a volunteer army.”** Once the guiding coalition has developed the vision, its members should provide extensive communications about how the change will improve the business and how those improvements will benefit employees. Key elements in effective communications include simplicity, use of examples, multiple forums, repetition, explanation of apparent inconsistencies and two-way communication. The group should model the behaviour expected of employees.
5. **“Enable action by removing barriers.”** To empower workers to support change and act on the vision, change leaders should identify and remove obstacles. Four categories of important obstacles are:
 1. Formal structures that make it difficult for employees to act.
 2. A lack of needed skills.
 3. Personnel or information systems.
 4. Supervisors who discourage actions toward implementing the new vision.
6. **“Generate short-term wins.”** Successful and enduring change takes time, which can be discouraging to employees at all levels of the organisation. To maintain urgency, leaders should create conditions that support early successes and visible improvements. The key is to actively search for opportunities to score early achievements and to recognise and reward those who made these accomplishments possible. Good short-term wins have unambiguous results, are visible to many people and are clearly related to the change effort.
7. **“Sustain acceleration.”** Until major changes are embedded in an organisation’s culture (which could take up to a decade), they remain vulnerable to resistance and regression. It is important to use the early successes as a foundation for larger challenges and to change all systems, structures and policies that do not fit the change vision. HR can consolidate gains by hiring, promoting and developing employees who can implement the transformation vision. Additionally, the change process can be reinvigorated with new project themes and change agents.
8. **“Institute change.”** The final stage in Kotter’s model for successful change is linking the changes to two key components of corporate culture – norms of group behaviour and shared values.

Overcoming Common Obstacles Encountered in Implementing Change

Organisations can have a clear vision for changes and a technically and structurally sound foundation for making changes, but the initiatives can still flounder due to obstacles that arise. Employee resistance and communication breakdown are common obstacles faced during major organisational change.

Employee Resistance

Successful change starts with individuals, and failure often occurs because of human nature and reluctance to change. Employees may also lack the specific behaviour traits needed to adapt easily to difficult changing circumstances, which could decrease their engagement and effectiveness and put organisational productivity at risk. How organisations treat workers during a change initiative determines how successful the change – and the organisation – will be.

There are six states of change readiness: indifference, rejection, doubt, neutrality, experimentation and commitment. Organisations about to embark on a transformation should evaluate workforce readiness with assessment instruments and leader self-evaluations to identify the areas in which the most work is needed.

Communication Breakdown

Sometimes decisions about major organisational changes are made at the top management level and then trickle down to employees. As a result, why and how the company is changing may be unclear.

To avoid this problem, HR should be involved in change planning early to help motivate employees to participate. Effective communication promotes awareness and understanding of why the changes are necessary. Employers should communicate change-related information to employees in multiple forms (e.g. emails, meetings, training sessions and press releases) and from multiple sources (e.g. executive management, HR and other departments).

To avoid communication breakdowns, change leaders and HR professionals should be aware of five change communication methodologies – from those that provide the greatest amount of information to those that provide the least:

- **“Spray and pray.”** Managers shower employees with information, hoping they can sort significant from insignificant. The theory is that more information equates to better communication and decision-making.
- **“Tell and sell.”** Managers communicate a more limited set of messages, starting with key issues, and then sell employees on the wisdom of their approach. Employees are passive receivers, and feedback is not necessary.
- **“Underscore and explore.”** Managers develop a few core messages clearly linked to organisational success, and employees explore implications in a disciplined way. Managers listen for potential misunderstandings and obstacles. This strategy is generally the most effective.
- **“Identify and reply.”** Executives identify and reply to key employee concerns. This strategy emphasises listening to employees; they set the agenda, while executives respond to rumours and innuendoes.
- **“Withhold and uphold.”** Executives withhold information until necessary; when confronted by rumours, they uphold the party line. Secrecy and control are implicit. The assumption is that employees are not sophisticated enough to grasp the big picture.

Leaders should explain the change and why it is needed, be truthful about its benefits and challenges, listen and respond to employees’ reactions and implications, and then ask and work to achieve individuals’ commitment.