



Consulting-Outsourcing-Capability Building



**Safeguard your  
business success**

**with effective change  
management**

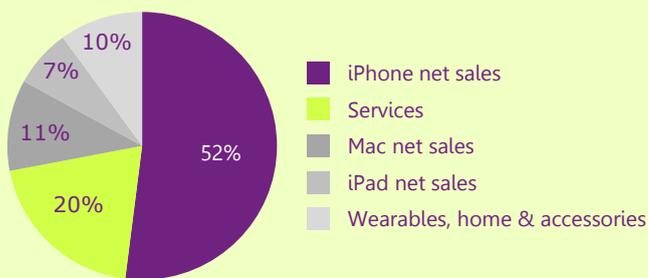
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# Why – change management is an integral part of business success in a VUCA business world

## We are in the business of change management

**V**olatility, **U**ncertainty, **C**omplexity, and **A**mbiguity (VUCA) features today's business world, and even intensifying further with business entering into digital world of mobile application, 5G, and Internet of Things (IoT) to name a few.

### Apple revenue from services increasing



Apple is now shifting to a service company, with their service segment revenue comes as 2<sup>nd</sup> after iPhone, with an amazing gross margin rate of 68% (Q4 2019) this bring gross margin contribution by service segment to about one third of the total business.

Source: Apple

Amazon, the largest e-commerce company, is now stepping into bricks-and-mortar retail. They launched their first physical bookstore, Amazon Books, back in 2015, shocking the market in 2017 with a \$13.4 billion deal to acquire Whole Foods, an organic grocer with over 450 physical stores present in US, Canada and UK.

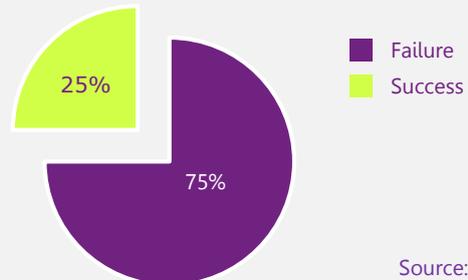


On the other hand, the largest bricks-and-mortar retailer, Walmart, is building up their e-commerce platform through various acquisitions such as Jet.com, Bonobos.com and Flipkart etc.

## Change is subject to high failure ratio and cost

With reference to the famous case of Kodak (digital camera) and Nokia (cell phone), the message is clear that no change is NOT an option. Also it is important to note that change initiatives which are not managed well can be costly.

### Three quarters of change programs failed



Source: Towers Watson

### Change failure is expensive for business

For example: IT projects in Europe costs over €140 billion a year.

Source: Gallup

KFC suffered a big loss in February 2018 when contracting DHL as their new distribution partner in the UK, consolidating the previous national network of 6 warehouses to just 1. Due to the poor management of this distribution transition, it resulted in large scale chicken shortage and over two thirds of KFC stores closing.

## Your change management capability will help define your business success

The only way for you to win over competition is to manage your change better in the ever changing business world. How well your organization can manage change defines how successful it can be.

### Change management capability defines your success

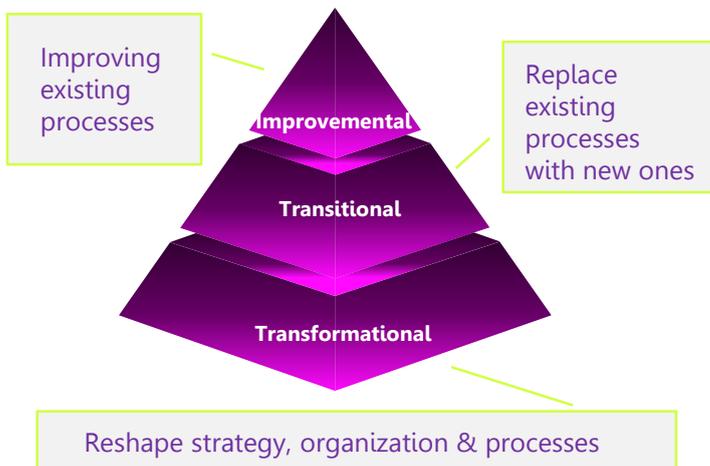


Source: Prosci

# What – understanding change management and the relevant change curve

**Change management is within the context of project management, it all works around people.**

In the context of project management, change is anything that transforms the processes, job functions, and structure of organization. In general, there are three types of change management in business, which include:

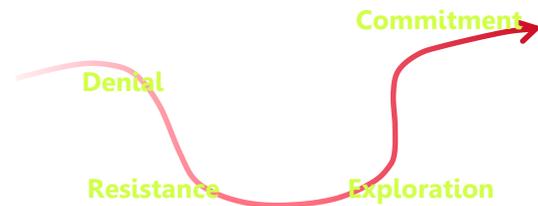


Change management, as an integral part of project management, refers to the discipline, i.e. tools and processes, that guides the project team how to prepare, equip and support impacted individuals to successfully adopt change and incorporate into their daily work to achieve project objectives.

**Project benefits = Quality of solution x Adoption rate by people**

Managing your change well will help enhance the “adoption rate by people” in your benefit formula, which will determine how many benefits you can get out of the solution. Imagine you are implementing an ERP system, no matter how advanced the system is, if the frontline employees are not onboard with the change, the project benefits won’t be fully realized. This is where you need help from effective change management.

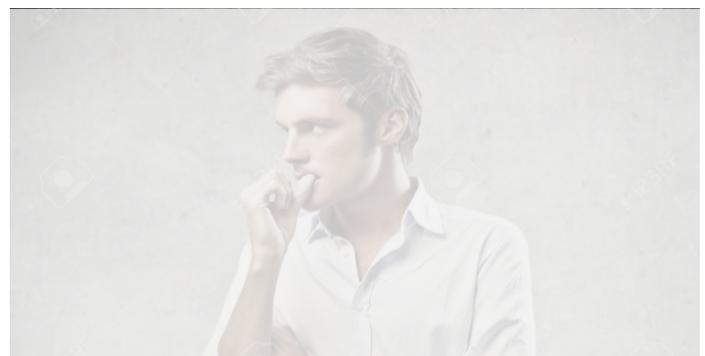
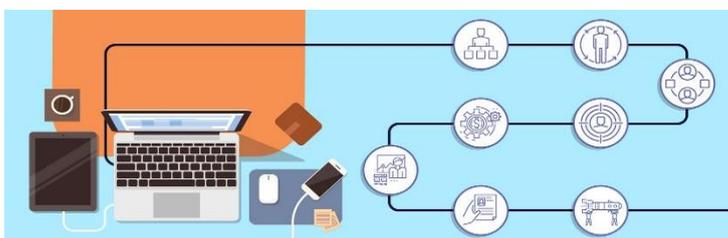
**Understand people’s psychological reaction to change is the foundation of effective change management**



- Denial stage: Denial to change is an unconscious behavior. Due to the fear of losing certainty, people feel bad and deny the importance of change.
- Resistance stage: After awareness of the change, employees start actively resisting the change. They don’t want the change to happen and try to switch back to their old way of working. Two typical behaviors at this stage are:
  - Sees everything wrong, complains instead of making it work
  - Uses criticism and blaming attitude in discussions, may responds aggressively
- Exploration stage: After coming out of the resistance stage, employees will start exploring the new way of working, but still with some skepticism. Employees also lack the clarity of the new way of working.
- Commitment stage: With the support on processes, tools, and relevant training, employees become comfortable with the new ways of working, and start to embrace and champion the change with commitment.

We will now explore two perspectives on how to improve effectiveness of change management:

- Macro perspective at **organizational** level: this will be addressed with our **4C** model
- Micro perspective at **individual** level: this will be addressed by stakeholder management



# How – the 4C model helps improve the change curve on organizational level

## 1 What people hear: **Communicate** it

This is to response to the **denial stage** to reduce the denial level. A well-prepared communication plan will help generate buy-in from employees. Weave would recommend exploring these communication elements:

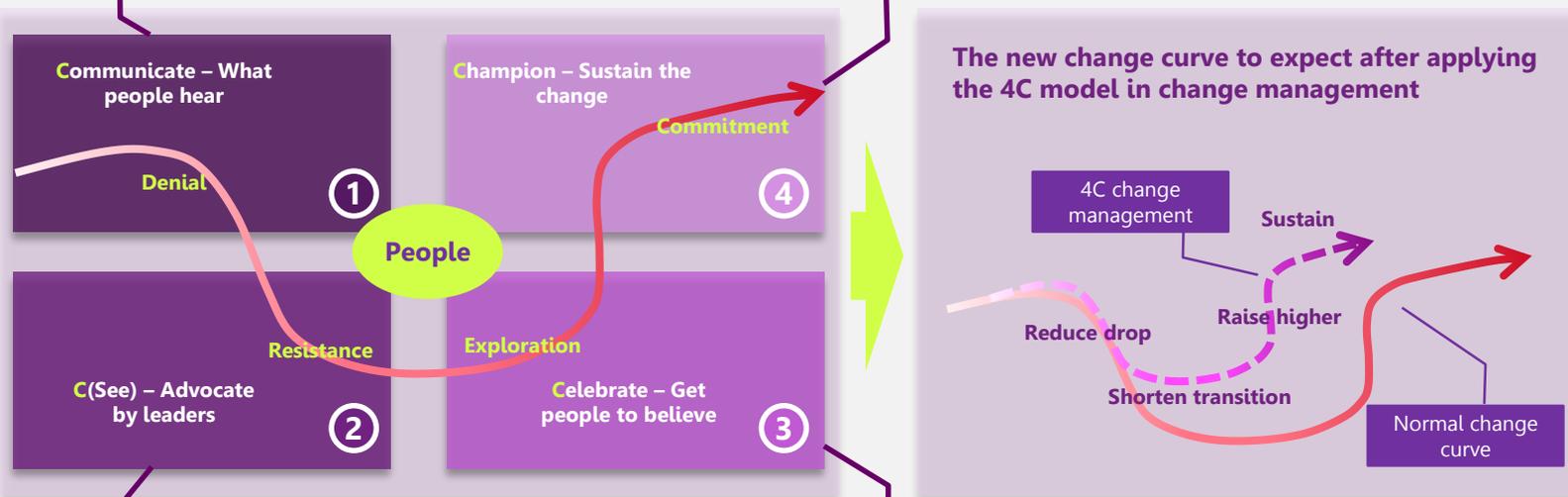
- The rationale of the change
- The desired benefits and future state
- The change roadmap
- WIIFM – ‘What’s In It For Me’
- How everyone can contribute to success

It is important to note that, other than staff, your communication should also cover other key stakeholders as appropriate, such as customers and business partners.

## 4 Facilitate people to **Champion** the change

This is in response to the **commitment stage** to sustain the adoption rate at a high level. The focus will be on institutionalization and capability building, which will help employees become comfortable with the new way of working, as well as start to embrace & champion the change with commitment. The following are tips from Weave:

- **Process** – establish new or refine existing processes, engage employees for inputs
- **People** – update R&R for impacted positions, close capability gap with trainings
- **Tools** – provide required tools to make new ways of working easy and effective
- **KPIs** – refine to incentivize the change



## 2 What people **C(See)**: advocate by leaders

This is in response to the **resistance stage** to shorten the time of transition from resistance to exploration stage. It is critical for the management team to embrace and advocate the change, this in turn will encourage employees to start their new way of working journey. The following are some typical leadership behaviors recommended by Weave:

- Visualize change momentum in office
- Walk the talk, be a role model
- Actively reach out to do reality check, listen and collect feedback
- Identify and resolve frontline challenges
- Coach subordinates on any doubts

## 3 **Celebrate** success: get people to believe

This is in response to the **exploration stage** to raise the adoption rate to a higher level. The focus for the management team will be on facilitating employees to adapt to the new way of working, meanwhile reinforcing the positive trend which will help employees fully believe in the change. Some tips from Weave are as follows:

- Guide staff on the new way of working
- Provide timely and positive feedback
- Create short term wins with tangible impact
- Celebrate success with your team
- Provide regular updates on change progress through executives message or townhall

# How – stakeholder management helps deal with people challenges on individual level

**Change management is all about people. The key is to effectively engage each type of stakeholder throughout the change.**

There are 4 types of stakeholders to engage in a project to ensure smooth execution:



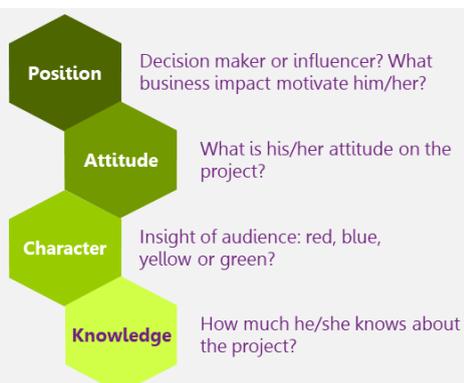
## 1 The project team members

The project team is the core party to coordinate and engage other stakeholders to drive the change. There are two main areas of attention:

- Build a team with a combination of competence, efficiency & individual development
- Establish appropriate engagement cadence to ensure alignment, below are some references:
  - Team: daily check in/out, weekly debrief
  - Sponsor: weekly 1:1 debrief and alignment
  - Steer-Co: monthly progress debrief

## 2 The governance authority

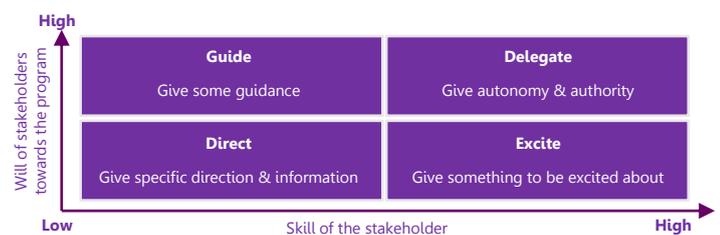
The governance authority include those key decision makers who own and steer the project such as sponsor and members of the steering committee. The project team's key focus is to engage and get buy-in from the governance authority so they advocate the project throughout the organization. The "PACK" model will guide your preparation and engagement with them to secure buy-in and support:



- **Position:** understand their authority impact on the project, and adapt your communication with the right elements aligned to their interest and motivation.
- **Attitude:** maintain regular alignment with the supporters and seek for guidance; for those skeptical we need to understand and clear their main concerns. One tip is to mobilize people with influence around them, e.g. a Sales VP with concern on quality, you can approach through the Quality Director and build up the confidence around the Sales VP.
- **Character:** tailor your engagement style for stakeholders with different personality colors - Insight Discovery® red, yellow, green and blue to ensure effectiveness
- **Knowledge:** make sure they understand the context and rationale behind. Adapt your communication to their knowledge level of the project

## 3 The internal stakeholders

This refers to those you need to work with to implement the change. We can utilize a Skill-and-Will Matrix to guide your engagement strategy with these stakeholders to enhance the effectiveness



## 4 The external stakeholders

This includes those parties who have immediate concerns of the project. The focus will be on the following:

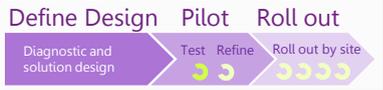
- For suppliers, we need to articulate, agree on and manage the expected inputs
- For customers, we need to gain their buy-in through articulating the benefits for them and collecting their concerns and preferences

### Tips:

- Many companies hire external consultants for change management because of:
  - Expertise in change management
  - Bring different perspectives as they are not bound by the firm's culture, politics, or traditions



# Case sharing – Weave assists clients to implement S&OP

COMPANY	APPROACH			IMPACT
A >HK\$1B leading company in intimate manufacturing	<b>1 ESTABLISH THE FOUNDATION FOR THE IMPLEMENTATION</b>			<b>Forecast accuracy up</b>
<b>CHALLENGES</b>	Define S&OP process and governance	Set up supporting tools with sustainable improvement plans	Develop in-house capability	 <b>~40%</b>
<ul style="list-style-type: none"> <li>High forecast error with multiple forms of forecast</li> <li>Lost sales &amp; high cost of production due to lack of cross-function alignment</li> <li>Poor OTIF performance</li> </ul>	<b>2 EXECUTIVE INVOLVEMENT THROUGH PROJECT</b>	<b>3 3 PHASES TO DRIVE NEW WAY OF WORKING</b>		 <b>15%</b>
				 <b>15%</b>

Implementing S&OP will bring big change to the organization. These changes will transform the business processes as well as ways of working, from silo to collaboration across functions. It poses high demands on change management to govern the whole journey to ensure success.

## Communicate – What people hear

A detailed communication plan was developed to ensure the successful launch of the change. The CEO was engaged to deliver the project launch speech, the message highlighted the burning platform of current planning practices, as well as the business impact of eroding customer service levels and profit margin. This created an urgency to change. The employees were also updated with the expected benefits for both the organization and individuals in their daily work. Meanwhile, a complete implementation roadmap was shared with employees, so that they were well informed of the upcoming changes of what and when to reduce their uncertainty. Individuals are also called on for their contribution during relevant engagement interactions throughout the change course.

## C(See) – Advocate by leaders

After the implementation launch, to promote the project throughout the organization, a well designed project charter was created and posted in the office to visualize the change momentum, such as roadmap of milestones and deliverables. The charter was updated on a weekly basis with progress. Meanwhile, the management team are engaged to spend time with their subordinates in the following areas:

- Walk the talk, be a role model to embrace the change, and incorporate the change into daily work

- Stay close to frontline staff to collect their feedback, understand their challenges as well as how they think at the resistance stage
- Provide support & coaching to subordinates to alleviate their concerns towards the change

## Celebrate – Get people to believe

S&OP implementation is a complex journey. In order to be successful, a basic model pilot with selected product families was chosen to validate the solution design. Tangible impact was visualized in the office with improvement on main KPIs, (i.e. forecast accuracy), which enabled demonstration of validated success to the organization and lay down a solid foundation for a full rollout. During the course of the implementation, the management team were engaged to reinforce frontline employees' positive behaviors in a timely manner, as well as provide sufficient guidance on the new ways of working. All these helped win people's trust to change.

## Champion – Sustain the change

After successfully gaining trust with the quick win, the focus shifted to institutionalize the S&OP ways of working for full rollout. With the learnings captured from the pilot and frontline inputs, the previously designed processes and tools were fine tuned. Roles and responsibilities of impacted functions were reviewed to adapt to the new business processes, with KPIs adjusted and incentives linked to driving improvement of forecast accuracy, OTIF and profit.

For those employees impacted by the new ways of working, a competency analysis was conducted to understand the gap, with tailor-made training workshops on forecasting, coaching, and meeting effectiveness were delivered to enhance their ability to cope with the change.



# READY FOR YOUR NEXT PROJECT

## with effective change management?

### Contact Weave to enhance your change management capability

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