

LEVEL 7 ASSESSMENT SPECIFICATION

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Academic honesty/ referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

CHANGE & STABILITY MANAGEMENT

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HKBM 7015 Assignment II

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Introduction

The covid-19 pandemic has been continuously disrupted global consumption for over 2 years, the situation has forced people to give up on their old habits and adopt new ones. Lin Qingxuan, a Chinese cosmetics company has reported that 90% of their in-store sales has decreased since the outbreak. With very quick reaction, the company has turned their frontline beauty advisors into influencers on digital platforms, not only to do postings but also to do livestreaming to interact with their clients online. This was one of the successful examples of digital transformation that an organization reacted to adapt sales lost due to the big environment and changed their old habits forever. (Jacobides & Reeves, 2020)

The goal of this article is to discuss if change is necessary for organizations and whether change is beneficial or stability is either achievable in the new business ecology.

Why organizations change

According to Dr. Robert Swaim, basically there are 7 core reasons that an organization encounters and will react with change. (Swaim, 2014)

1. Crisis: Obviously covid-19 pandemic was an extreme scenario which has forced organizations to change if they want to survive.
2. Performance gaps: In order to close the gaps of an organization's objectives and the performance in reality, also other organizational needs that are not being fulfilled.

Changes will be required as reality does not allow stability.

3. New technology: While there are constant new technology in the market, changes will be needed to stay relevant.
4. Internal and external pressure: Internal pressure comes from either the management or employees or both that have desire to change and opt for a better business ecology and future. Opportunities from external can be identified through peer groups and in order to pursue, organization must change to increase relevancy and competitiveness to not let opportunities go to its competitors. While external pressures come from many parties, including competitors on the market, customers, shareholders and government regulations.
5. Management personnel changes: While a top management was newly on board, in order to prove his or her value, changes will be made for the sake of change to make a statement.
6. Insecurities: While the company goes through merger and acquisition, employees in dual functions will have a tendency of immediate change to avoid being redundant.
7. Observation: Seeing competitors have changed and doing so well is also one of the biggest reasons to change.

According to John Kotter's research (Kotter, 1995), revealed that on 30% of change programs are successful. In 2008, McKinsey has done a survey with 3,199 executives around the world and have reassured Kotter's research, only one business transformation in three succeeds. (Keller, 2009) If there are so many reasons for change and also so many

advantages. It leads to questions about what were the problems behind that only 30% of change programs were successful.

Company Overview

Dolce&Gabbana is an Italian luxury fashion house that was founded by designers – Domenico Dolce and Stefano Gabbana in 1985. Headquarter based in Milano with 8 office locations across 6 countries – Italy, Shanghai, Beijing, Hong Kong, United States, Japan, Brazil and Korea. With 222 stores worldwide in over 40 countries. The brand is one of the most recognizable fashion brands in the world and their designs have been worn by renowned international musician like Beyoncé and Madonna.

With a full range of product offers that including the entry price points licensing products – DG Beauty and eyewear. The core of the business, men's, women's and kids ready-to-wear and their high end business – Alta Moda, Alta Sartoria and Alta Gioielleria which are men's and women's haute couture, made-to-measure and high jewelleries respectively.

Controversial advertising campaign in 2018

In 2018, an advertising campaign has launched to promote Dolce&Gabbana's upcoming fashion show in Shanghai, one of the biggest investment the fashion house has made for overseas market initiatives – "The Great Show", that was originally invited over 1,400 celebrities and media as guests and to showcase a collection with over 300 looks. The campaign was a video that an Asian model eating Italian cuisines like pizza and spaghetti

with chopsticks, the model looked confused and embarrassed while attempting to eat the dishes. While the fashion house's intention was trying to engage with their audiences with a funny way, the Chinese social media users found it very offensive and disrespectful to Chinese culture. After the campaign went viral, co-founder of the brand, Stefano Gabbana posted screenshots of private messages that he received and responded them with derogatory and insulting comments towards China and Chinese culture on his own social media account. Even though the designers have apologized and announced that his account has been hacked and the campaign postings were unauthorized by the HQ, the China has an extremely impactful online cancel culture, the mentioning of the fashion house has surged by 2,512% on Weibo with 98% negative comments. The brand has finally cancelled the show, celebrities announced to boycott the brand and E-commerce platforms like Secco, YOOX Net-a-Porter has pulled down their products. (Hills, 2021)

Current situation

Global revenue of the brand has been quite stable in the past 10 years (2011 – 2021), the range was from 10 billion to 15 billion euro. (Market Segment Premium, 2021) While Asia-Pacific region has represented an estimated 30% of Dolce&Gabbana's 1.3 billion euro revenue in 2017 and over 80% was contributed by China market. A report in 2018 has shown that after the crisis, sales for the fashion house has decreased 98% in China market compare to the same period last year. (Stevenson, 2020)

4 years to now after the controversy, Dolce&Gabbana's sales in China has rebounded 20% in 2020 comparing to 2018 – 2019 but it was still remain way lower than before the crisis. While we observed a silver lining in its business. The brand is still struggling to mend the relationship with China, Chinese celebrities and e-commerce platforms have continued to boycott the fashion house and whenever the brand posted anything on their official social media accounts, negative comments will appear. In contrast, sales in Americas have been increased to 16% from 13% in previous year, other major markets have remained a steady growth, Italy accounting for 23% revenues, Japan 5% and Europe 28%. It has shown that the brand is actually growing on a global level.

The need for change

To focus on the markets that the controversial incident affected the most – China and Hong Kong. There are several areas that China and Hong Kong branches need to be changed, or else these offices will be eliminated by headquarter and replace by vendors and agencies to maintain basic operations as it makes no difference to have in-house people or not at all.

Core reasons that led to the crisis happened in 2018 was either lack of local insights or lack of staff with strong ownership to voice out and alert headquarter from a local perspective that the campaign could be damaging and stop the launch.

Over 20% of the staffs have worked in China and Hong Kong branches for over 10 years and most of this 20% are either the management or senior level of the company currently

and they resist to change as they are too comfortable and fear of the unknown that might be harmful to their career. Therefore, they are either yes-man or have already become irrelevant and lost track to the external business environment.

A record of extremely high turnover rates of staffs from mid to senior level with around 6 – 12 years of experience has been observed, as these people are often treated as outsiders of the company and got suppressed whenever bringing up new ideas and plans. In result, these new blood will choose to pursue other opportunities with higher compatibility for their perspectives to be shown and considered.

A lack of expertise and talents are the fact that Dolce&Gabbana suffered since 2018, Hong Kong and China branches are struggling to fix the relationship with China market or to adapt external environment, with rapid growth of digitalization and importance of omni-channel development that required innovative mindsets and competencies.

Recommendation

John Kotter Leading Change

John Kotter Leading Change will be proposed to adopt as change programs to Dolce&Gabbana China and Hong Kong branches, with a vision of creating an innovative business ecology to adapt the external environment as a full picture and a chance to mend the relationship with China, one of the biggest consumer markets as a short term win, with an 8 steps program to apply for the company. (Kotter, 2006)

First, to create sense of urgency by delivering a strong message from the company that its desire to change in order to stay relevant and not get eliminated, also to show the importance of immediate act. To convince over 75% of the senior levels that it is dangerous to stick to the current situation than the unknown. An organization not changing might have a tendency of not developing.

Second, to build a guiding coalition that completely outside of the normal hierarchy, a board that was appointed by headquarter or external experts for change programs to guide through the whole process of the program.

Third and fourth, to develop a strategic vision for all stakeholders and communicate this vision to make sure all parties are well delivered and received. Let them know that this future will eventually turn into reality in order to give them motivation and hope for this change to work. By the previous steps, we can already observe who in the company are capable for change and who resist before we move into the next step.

Fifth, to remove all barriers and eliminate all possible obstacles that might create limitations through the process and allow flexibility that is needed generate actual impact. Also to empower certain talent to reinforce the act on the vision.

Sixth, to generate short-term wins that can be recognized and energize stakeholders to persist to the change program. By increasing the credibility through wins and we can move to the seventh step, to make sure everything sustain and accelerate the process of

improving systems, policies and structures. Constant initiate change after change and until turning the vision to a reality.

And the final step of the program will be anchor and institute the changes that have established through the whole process. Generate leadership development, recruit or promote talents to continue the succession of the change programs.

Change management challenges

With all the good that will do for companies with the Leading Change program by John Kotter, there are also pitfalls of each of the step. (Kotter, 1995)

Stage	Pitfalls
Create sense of urgency	- The desire to change will be paralyzed by risks - Underestimated the difficulties of forcing people to go outside of their comfort zones.
Build a guiding coalition	- Lack of authorities, as this coalition has been built separately and outside of the systematic hierarchy. - Overestimated the effectiveness of the coalition
Create a vision	- The vision is too idealized and it will be too vague
Communicate the vision	- Different people perceive things in different ways, how can we make sure the receiver has been delivered the

	exact same vision, lost in translations might cause confusion. - Overestimated the vision is attractive enough for resistors to accept and consider taking the risk for trying.
Remove barriers and empowerment	- Underestimated the easiness to remove powerful individuals who resist to change
Generate short term wins	- Difficult to establish solid and appropriate KPI at a preliminary stage of time, which have left the short-term wins up to chance.
Sustain and accelerate the process	- Declaring successes and try to accelerate the process too soon that caused no matter supporters or resistors think that the transformation process has ended.
Anchor and institute the changes	- While the framework of the organization has changed but left behind the social norms and shared values unchanged - Recruiting and promoting people too soon that particular candidates do not personify the new approach.

Apart from the above pitfalls and challenges that each step of the program will appear, a core fact that made transformation challenging is people do prefer stability for most situation in life either personal or professional, people typically believe things that are unknown will threaten their self-interests and resist to change. (Longhall Consulting, 2022)

For Dolce&Gabbana case, change is extremely difficult as most of the resistors are those in power, they would rather stay in the comfort zone instead of taking any risk. This critical issue will be the biggest barrier of performing transformation. Unless the change is required by headquarter from top down that either a drastic change will be observed or elimination, if no such actions from authority, transformation will never be up on the table.

Measure change management effectiveness

According to Prosci, the metrics to evaluate the effectiveness of change management, basically we can divided into 3 big categories including organizational performance, individual performance and change management performance. (Prosci, 2020)

Organizational performance

To evaluate the performance of the organization with overall improvements of execution speed and readiness, different project KPI and ROI measurements. In Dolce&Gabbana's case, if the change program is successful, the competitiveness of the company will increase, the company will have sufficient capacity and competency to cater the external business challenges and the rapid change of digitalization.

Individual performance

To evaluate the individual performance of employee with their engagement through the change program and feedback after. Awareness of change and their acceptance to it through observations of behavioral change and constant communications from management top down. With elimination of barriers through the process of change, assumed that all resistors are either gone or in acceptance of the new direction of the company. The level of openness for new ideas and new blood can be observed.

Change management performance

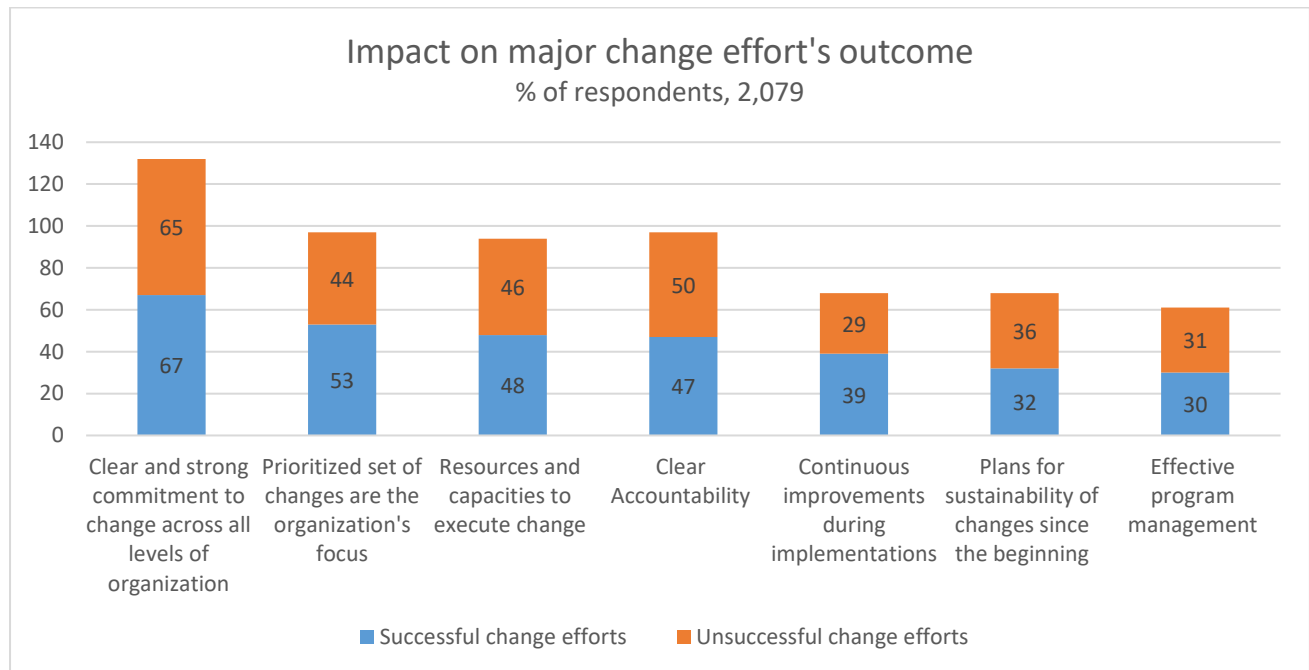
Has the change management performed and impacted as planned can be observed and analyzed through project KPI and ROI measurements, speed of execution to each project and communications deliveries are all elements to take into account as part of the metrics to measure the effectiveness of the change program.

Conclusion

According to a survey done by McKinsey with over 2,000 executives in 900 organizations in different industries. For any executives that has led a significant change program understand very well even for the most carefully planned programs can fail due to mediocre implementation and the effort and time that consumed during the change program will be in vain. While accepting that the change might only have 30% to be succeed, the level of ownership and commitment across all levels in the structure are key to determine change is worthwhile or not. Prioritized the set of changes are organization focus and resources that

the stakeholder willing to invest are also the essentials for a successful business

transformation. (Alasdair Johnston, 2017)



Change is beneficial to organizations as it creates an emergence that allows employees to reevaluate themselves if they are competitive and relevant enough to stay in the company and the business world. Change also encourages innovation that can lead to better business opportunities and improve the morale and synergy of the working environment. (McCullough, 2021) , the program regardless succeed or in vain, it has sent a shock wave to their employees. With principle of the survival of the fittest, only the employees that are competitive enough and willing to change will stay.

Companies that failed through change programs have identify over 72% employee resistance or management behavior as major barrier. Most of the enterprise put their focus on business model or metrics while undergoing the transformation process and 70% has

failed. As they did not consider what created the need for change at the first place. (Anita Baggio, 2019)

Organization's mindset and culture have a tangible business impact and is the major element that opens the door to successful transformation. It is fair to say that organization does not change but people do. Therefore, whenever organizations plan for change, people should be the top priority and focus of the process, only the core mindset has been changed that can lead to succeed.

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