



Why communication is key to successful change management

Whether to gain a competitive advantage, survive the global economic downturn or improve operational efficiencies, most companies have embraced change management in one way or nother in recent years. What started out as a financial buzzword in the early “noughties” has become a fundamental business practice, with executives recognizing the need to keep pace with the competition in a rapidly developing corporate world.



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64% of respondents plan to use social media in 2012 to communicate workplace developments to staff

At an organizational level, change management is a structured approach to helping individuals and teams adopt new methods and embrace different ideals and values in the workplace. While the reasons for updating or reinventing the corporate strategy vary, increasing operational efficiency and boosting productivity are two of the most common.

Companies also implement change management strategies when looking to cut overheads, expand, enter new markets, launch products and services or integrate two corporate philosophies following a merger. In each scenario, executives realize the importance of modifying the operational and organizational structure to achieve their business targets.

When hitting the acquisition trail, for example, a company with interests in Europe may look to expand into Asia to generate new revenue streams. Having spent recent years consolidating the operations in one region, the business may now be considering takeovers to extend its international reach.

In this case, the role of management is to help employees adapt to a new business strategy that involves overseas expansion. Sales staff used to handling a few local clients, may suddenly have to deal with companies in Asia, while the accounting department could be charged with chasing invoices beyond Europe. Whatever changes are made, the workforce needs time to adjust to new processes, procedures and responsibilities.

Of course, handling change is easier said than done for most employees. Studies show that few people adapt easily to new situations within the workplace. The uncertainty that comes with changing circumstances often stirs fear in workers who have grown accustomed to doing things in a certain way.

Overcoming hurdles and handling aversion to change

So who is responsible for putting people's minds at rest and helping them overcome any doubts? Ultimately, it is up to the directors to address any issues or concerns when implementing change management strategies in the workplace.

In their book *Blue Ocean Strategy*, W. Chan Kim and Renée Mauborgne cite four hurdles to introducing new workplace rules, processes and procedures.

Dealing with people, managing their expectations and explaining why certain changes are being made is the first. The second is working with limited resources – reallocating staff, finance and technology from one project to another. Number three is motivating staff and getting them on board when introducing a change management strategy, and handling institutional politics is the final hurdle.

Convincing influential people to embrace new processes and procedures – and then highlighting their achievements so that others will follow their lead – is one way to overcome the hurdles. Appointing a highly respected insider to support you, assist with strategy and help build coalitions is also worthwhile.

In addition, Kim and Mauborgne say that it is crucial to make sure that people understand why strategic changes are necessary. Encouraging managers to answer calls from disgruntled customers, for example, is an effective way of demonstrating that something needs fixing.

The final suggestion is for managers to shift resources from “cold spots” – areas that require lots of money, technology or people but have a relatively low impact on the business – to “hot spots” – activities that need fewer resources but lead to bigger changes.

Informing staff of change management strategy

Making sure staff understand new developments, and the reasons for them, is an essential component of any successful change management strategy. A recent study carried out by HR consultant Towers Watson found that the top-performing companies employed various forms of communication to keep the workforce abreast of updates to working practices.

In its *Change and Communication ROI Study*, Towers Watson revealed that a third of highly effective companies were good at communicating employee value propositions (EVPs) to staff. In contrast, only 4% of less effective businesses were considered adept at making the EVP – telling employees what the company expects of them and how they will be rewarded for hitting business performance targets – clear to all personnel.



The study, involving 604 organizations from around the world, also found that 56% of the companies that shared information effectively, measured their communication output against strategic business goals. Some 62% said that their measurement findings would be used to plan future initiatives and make business decisions. In contrast, fewer than one in four low-performing companies adopted these measures as part of their business practices.

Elsewhere, almost two-thirds (64%) of respondents planned to use social media in 2012 to communicate workplace developments to their staff. In addition, 69% said they would rely more on social networking sites to deliver key messages throughout their respective organizations.

Only 28% considered social media cost-effective, however, with just 15% already using networking tools to disseminate information. Among the companies communicating in this manner, 63% had invested in social networks, while 58% relied on leadership journals or blogs.

The report also highlights the changing ways in which companies handle employee communication. Increased expectations from staff, diversity and globalization were the key reasons why businesses had taken a new, or adapted an existing, approach to sharing information.

Other findings included:

- ▶ Communication is a crucial element of change management, with companies skilled at sharing data and introducing new strategies being two and a half times more likely to outperform less effective peers.
- ▶ Effective firms were nearly five times as likely to create an integrated communication and change management strategy, and more than eight times as likely to employ new skills and adapt their behavior after making changes.
- ▶ Managers took on more responsibility when communicating with employees, according to two-thirds of respondents; however, only 28% of staff evaluated how effective their bosses were at sharing information. In addition, most firms trained managers in communication and change management, but few believed it made much difference to how they disseminated data.

The Lanxess AG example

In 2004, bosses at Bayer AG, a health care, nutrition and high-tech materials group, took a strategic decision to focus on core businesses and divest other interests. Among the operations to go was the company's chemicals division, which later became German spinoff Lanxess AG.

In the eight years since breaking away, Lanxess has developed into a global business with chemical plants in 50 countries, 70,000 employees and sales of €9b per annum – an impressive achievement considering the hurdles management had to overcome.

One of the major challenges was taking on an accounting team that had spent years working for Bayer. Accustomed to their former company's corporate ethos and procedures, the team was suddenly thrust into a new business environment.

Most concerning to the Lanxess board was the low morale among the team following its transfer from Bayer. Determined to improve the mood, the bosses devised a change management strategy that would establish more collaboration and cooperation between the former Bayer employees and themselves.

They organized a series of workshops for several departments, including accounting, during which employees could discuss their respective roles, suggest ways to improve internal processes and procedures, and talk openly about any concerns.

Among the suggestions made by the accountants, flexible working hours for single parents and staff who cared for elderly relatives were the most popular. They also requested regular meetings to talk about developments within their own department and other company divisions.

Taking their staff's comments on board, management agreed to the proposals in a bid to boost morale and establish clearer lines of communication. The directors also replaced the accounting department's old, complex IT system with a simple modern platform to increase efficiency and reduce costs across the division.

The approach had the desired effect, with productivity and efficiency increasing steadily since the team's requests were granted. Today, Lanxess directors still hold regular meetings with "change agents" – selected members of accounting staff who represent and report back to their colleagues – to discuss



company developments, take in suggestions and outline change management strategies.

Change management: lessons learned

As Lanxess' story demonstrates, establishing clear lines of communication and engaging staff in discussions about the business are absolutely critical to implementing change management successfully. It is, after all, the employees who will be doing most of the legwork to make a new strategy work, so they must understand the aims and objectives. They must also be clear on why the plan has been introduced, how it will be implemented and what is expected of them.

Most people fear the unknown, particularly in the workplace, where staff grow accustomed to certain processes and procedures. Gaining more responsibilities and taking on new or additional tasks can be extremely daunting for employees, no matter how well briefed they are.

Overcoming this hurdle and putting people's minds at ease requires regular dialogue and support from influential team members who can encourage colleagues to embrace new developments. Motivating staff, dealing with institutional politics and demonstrating why changes need to be made are equally important.

Ultimately, employees want to be kept in the loop and informed of any internal developments. Managers who get this right will find it much easier to gain confidence and support when making strategic changes.



Towers Watson and Capital One bosses tailored the change management strategy schedule to ensure that the target company's employees were ready to embrace new ideas

Integration strategy for merging banks

When acquiring Chevy Chase Bank in late 2008, Capital One's management had to uphold the vendor's values to guarantee a smooth takeover post-deal. Like most M&A deals, integration was key to its success or failure; one false move could have seen it quickly unravel.

Getting Chevy Chase's employees on board would require a relatively smooth integration of the banks. Success also hinged on Chevy Chase's personnel embracing change and adjusting to life in a top 10 bank, as they had spent their days working for a regional chain prior to the transaction. Having entrusted global professional services company Towers Watson to assist with post-deal integration, Capital One turned its attention to preparing Chevy Chase's associates for a new business environment.

The strategy for a smooth integration was simple: Chevy Chase's 3,600 associates would receive training in Capital One's IT systems and technology, processes, policies and procedures, customer approach and working culture. The first step for Capital One was to identify the changes that were required at regional, district and branch level and how they would affect staff in both banks.

Capital One then put together a meticulous timeline that detailed which changes would be made and when. As part of that strategy, Capital One wanted to tap into Chevy Chase's dedication to building long-lasting relationships with its customers. The plan was to sell Capital One products to the target bank's customers by enlisting sales support from Chevy Chase's associates.

Capital One also carried out an assessment of Chevy Chase's associates to see whether they were ready to adapt to a new business culture and different processes and procedures. Armed with this information, Towers Watson and Capital One bosses tailored the change management strategy schedule to ensure that the target company's employees were ready to embrace new ideas.

The hard work paid off, with Chevy Chase associates managing to hit their performance targets after undergoing a relatively smooth integration.