

LEVEL 7 ASSESSMENT SPECIFICATION

Student name:	Lam Tsz Hin Chris	Student ID number:	2119642
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Change Management Report

Introduction

Nowadays the business environment is changing rapidly. More and more organizations are moving from a project-by-project perspective to embedding change management and building owned organizational capabilities. These efforts are aimed at deploying change management broadly across the organization to achieve goals as pre-defined. Following the traditional way is no longer a smart choice, whereas change does not depend on size and age, but occurs completely across all businesses and industries. The world is changing very fast, so organizations must change fast in order to grow and survive. Instead, it is important that how companies are able to adapt to the most updated business environment (Alvesson & Sveningsson, 2008). Many companies have failed to change their management style. That is the reason why key change management models are crucial to provide specific procedures for the organization such as how to plan and implement changes successfully according to Alvesson & Sveningsson (2008).

In this report, KPMG China will be the chosen company which is needed to change. There are several elements which are needed for undergoing review of change management from organizational metric including Measuring Improved Performance; Compliance with the Project Plan and Time Frames; Business Change Readiness, Measuring Key Performance Indicators (KPIs), Place of Implementation etc. This report is aiming to draw conclusions from reviews of change models to passage along a new formula for sustainable success.

Background of the Chosen Company

KPMG China is formed in 1987. It is merged by Peat Marwick International and Klynveld Main Goerdeler. It is a professional accounting firm of global branding providing Audit, Tax and Advisory services. KPMG's Global China Practice, headquartered in Beijing, plays a leading role in 'bringing China to the world' and 'bringing the world to China'. Given the increasing importance of China's outward direct investment (ODI) to China and host countries around the world, KPMG established the Global China Practice, with dedicated teams in nearly 60 locations around the world, including countries and regions along the 'Belt and Road'. KPMG are key about guiding and facilitating Chinese ODI in other meaningful ways, including by helping Chinese companies integrate into local business communities, and introducing them to potential partners in key overseas markets. Equally, the Global China Practice enhances KPMG's ability to serve foreign companies as they enter and grow in China. This work is underpinned by market-leading thought leadership from the Global China Practice, produced in conjunction with leading government and industry bodies in China.

With close to 230,000 people working in KPMG International's member firms around the globe, KPMG believe their actions have an impact on the world that are trying to build for future generations. The company vision and mission are to turn their knowledge and understanding of information into REAL values and bring it to the clients. It is also important for KPMG's employees to do what is right and never stop learning.

Current Issues of KPMG China

The current issues will be focusing on the office space of KPMG China for accommodation of over 300 employees in 6 floors over 120,000 square feet at Wong Chuk Hang in Hong Kong. This is a new office which is basically used for new employees further training and supporting departments and special projects etc. In April 2021, KPMG has been assigned a government project which is called reimbursement maternity leave payment scheme. In this project, KPMG are required to provide professional accounting services and regular detail reports to the government.

Due to the Covid 19 pandemic, the business environment is forced to change. Under the safety issues, many companies have controlled their flow of workers going back to the office. Some of the companies have allowed their employees to work from home. While some of the companies have divided their employees into two teams, they need to take turn to get back to the office regularly. Although this can be a way for the company to keep their employees away from the risk of getting Covid 19, this has also lowered the overall working efficiency and quality since the employees are now allowed to work from home, employees can work slightly slower and without urging. Furthermore, the reimbursement maternity leave payment scheme project is used to provide compensation for every individual company. All company applications have their own internal deadline based on their application date. However, the deadline has been removed due to the Covid 19 pandemic. Nowadays, the employees working attitude in the office have been loosen up. For example, some of the employees are late for work. The required time of arriving office should be 9:00 am, but there are several employees coming back to office at about 10:00 am. In long term, it will affect the overall company performance which will make our clients losing confidence to us.

On the other hand, the unbalance workload is also a key issue at Wong Chuk Hang. The office at Wong Chuk Hang is used for new recruited employees training. After the cases vetting progress is done by the employees, their team leaders are required to review them once again in order to approve their cases. On the other hand, the team leaders are required to communicate with the government about their daily issues every working day. The team leaders also need to have internal daily meeting and handle the office operation. It is really common to see the team leaders working overtime until 10 pm while most of the training workers are allowed to leave at 6:30 pm. The team leaders hard work can only earn the overtime working compensation without any further rewards or incentive scheme on the staff performance. The unbalance workload becomes a big problem which is needed to be solved at once or this will lead to high staff turnover.

Last but not least, the IT technology and support team are lacking at the Wong Chuk Hang office. No skilful IT officers working at the office. There are often some IT issues happening for example, unable to connect office Wi-fi, unable to send email, cannot connect Microsoft office etc. The above IT issues can only be solved by sending email to the IT office located in FoShan and they will remote control the office computer to solve the IT issues. This cost lots of time and should be changed in order to improve the working efficiency.

The Chosen Change Models

From the above, we can see that there are issues in KPMG office which require change. In order to make sure a successful changing, key change management becomes important as it can provide specific procedures about how to plan and implement changes successfully. In this report, **McKinsey 7S Change Model** and **Lewin's Change Management Model** are the chosen Change Management Models for review.

McKinsey 7S Change Model

McKinsey 7S Change Model is a common model and often used for changing. It is developed by Robert Waterman and Tom Peters. It consists of 7 crucial categories that companies should be aware of when implementing change. Strategy, Structure and Systems are considered as hard elements while Shared Value, Style, Staff, Skills are considered as soft elements explained by models C (2022). In this model, Shared values at the centre of the model affect all other elements in the model that are interconnected. The rest of the other elements stem from the root cause of the organization's existence, the vision formed by the creators of the values in the organization. If the value changes, the rest of the other parameters also change. It is considered as one of the longest-lasting change management models.

However, there are still some limitations for the McKinsey 7S Change Model. It ignores the importance of the external environment and only the most critical elements of the model are described to account for the interdependencies of key processes and factors within the organization as shared in Blog.smarp (2022). There isn't any clear explanation about the concepts of organizational effectiveness or performance. The empirical evidences are lacking to support the explanations. It is often to be criticized by missing out on complex or more refined areas where actual gaps in strategy conceptualization and execution may arise.

Lewin's Change Management Model

Lewin's Change Management Model is created by Kurt Lewin. It is one of the most popular accepted and effective change management models. It creates a sense of need to make changes by moving toward a new level of behavior, then consolidate it into a norm (Altadonna, N, 2022). This change management model contains 3 main stages which is **Unfreeze, Change** and **Refreeze**.

For the **unfreeze stage**, this is the first stage of this change model. The first stage of change involves preparing the organization to accept that change is necessary, which involves breaking the existing status quo before you build a new way of operating. The key to this is sending a convincing message to the employees about why the current way of doing things cannot continue (Lewin's Change Management Model: Understanding the Three Stages of Change, 2022). This is easiest to construct when people can point to tangible factors like rising of IT issues, poor financial performance, declining of customer satisfaction surveys, etc. The first step of making change is always difficult. It is suggested to use company's vision and mission as a background to support why change has to take place.

The second stage is **change**. After the unfreeze stage creates uncertainty, the change phase is where people start to address the uncertainty and find new ways of doing things. People begin to believe and act in ways that support the new direction. The transition from unfreeze to change does not happen overnight: it takes time for people to embrace new directions and actively engage in change. A related model of change, the change curve, which focuses on the specific issue of individual transformation in a changing environment, helps to understand this aspect in more detail (Lewin's Change Management Model: Understanding the Three Stages of Change, 2022). In order to embrace change and contribute to its success, people need to understand how it will benefit them. Not everyone will do it just because the change is necessary and will benefit the company. This is a common assumption and a pitfall that should be avoided. Time and communication are the two keys for change to happen successfully. People need time to understand these changes, and they also need to feel highly connected to the organization throughout the transition. When the company manage change, it can take a lot of time and effort, and actual management is often the best approach.

The last stage is **refreeze**. Organizations are ready to refreeze when change is taking shape and people have embraced new ways of working. External signs of a refreeze are a stable organizational structure, consistent job descriptions, and more. The refreeze phase also needs to help people and organizations to internalize or institutionalize changes (Lucidchart.com, 2022). With a new sense of stability, employees feel confident and comfortable with the new way of working (Lewin's Change Management Model: Understanding the Three Stages of Change, 2022). The rationale for creating a new sense of stability in our changing world is often questioned. Although change is constant in many organizations, this refreeze phase is still important. Without it, employees fall into a transition trap, where they are unsure of how their work should be done, and therefore can't give their all. The company should celebrate with their own employees when the refreeze stage is done by thanking them for enduring a painful time at last.

SWOT analysis of KPMG

Before applying the models in KPMG, it is important to do a **SWOT analysis** to know more about the company in different dimensions. For the strength, KPMG is a strong brand with a strong brand identity is considered as one of the Big 4 in the industry with excellent reputation. They also have an extensive geographic reach with about 230,000 employees across 150 countries. According to their vision and mission, KPMG operates in a customer focused strategy by providing a good environment for employees and a culture shift under the direction of management. Their clients become loyal with the customer focused strategy.

For the weakness, the current industry has a vigorous competition. KPMG has no clear distinguishing factor from the other Big Four. They are considered as the weakest firm among the Big Four. KPMG needs high fee and expertise to be a top consulting brand. In addition, the employees are having a relaxed morale under the

pandemic which affect the working quality and efficiency. KPMG has been unable to compete with industry leaders in innovation and R&D. As a mature firm, it is important update the company technological level in order to improve the working efficiency.

For the opportunities, everyone wants to work for a company that provides a pleasant work environment, and KPMG can use this to select the best human resources available. The Big 4 Label can help them seize opportunities and secure global growth in emerging markets. KPMG has a wide range of products and services to cater to a wide range of clients, which is why it targets mid-market companies. This will open up countless opportunities for the company.

For the threats, they are vulnerable to cybercrime since much of KPMG's work is based on technology and the Internet. Clients may lose their confidence with the declining performance level. Also, there is an intense competition with more smaller firms evokes in the industry.

How the Models have been and will be used in KPMG China

From the above analysis, we are able to identify things which need changes and thing which against the change. Internally, the declining of working efficiency and team morale are clearly can be observed. In order to convince people, the company can show the stats to the employees and to remind the company vision and mission that they are a customer focused firm that aims to provide the best financial support to every client. In addition, the office at Wong Chuk Hang can report the number of IT issues to KPMG China. This can create awareness about the current company problem by showing that the current operation is below standard. Plans and strategy should be implemented aiming to catch up the working speed before the pandemic and increase the company competition level against the rivals.

Externally, there is a volatile and uncertain operating environment under Covid 19. It is difficult to predict when the pandemic will come to an end. To keep every employee safe, work from home is the only solution. The company should think about how to help their employees to work like they are working in the office.

How the Models have been and will be used in KPMG China

First, a performance review should be done every three months in KPMG. Performance review is two-way, personalized conversations between managers and employees about performance impact, development, and growth. It is an important part of an organization's overall performance management strategy. Traditionally, performance reviews are conducted annually and focus on evaluating past performance. In order to improve employees working efficiency, performance reviews should be done quarterly or monthly in KPMG and should focus on driving and improving future performance as in-depth implementation as criticized by Rosabeth Kanter, Barry Stein and Todd Jick (1992). The employee with the worst monthly performance will be getting warned (Cio.Pages, 2022) so that monthly or quarterly review can be a way to change the current situation as suggested by Thomas G. Cummings and Christopher G. Worley (2009). Furthermore, rewards or incentive should distribute to the employee with the best performance from leading change further emphasized by John Kotter (2012).

Second, skilful IT workers should be recruited in the office of Wong Chuk Hang. This can help to smoothen the daily operation. KPMG should invest money in working on an online working system which the employees can review clients' documents even they are not physically in the office. As all don't know when will the pandemic come to an end and when another pandemic will come out, preparing an online working system has no harm to KPMG according to Mindtools.com (2022). It can help to automate the vetting progress for every

cases. It can help reducing staff cost in long term. It can only be reviewed by using the company computer in the office. The online working system should focus on how employees can look for their documents at home. Providing company laptop to employees and setting up unique password for each document can be a way to go.

Third, the company should balance the workload between each worker in the office of Wong Chuk Hang by using the above performance review. The team leaders can choose their best performance employee to share some work to him. This can train him to be a team leader in the future and also reduce their huge workload. In addition, the team leader can check each team members availability, every team member should have equal availability so that team lead can easily assign them a balanced workload. However, many different things can affect employee availability, resulting in increased workload for team members. For example, if an employee is on vacation or sick for a few days, they won't be able to complete their work. In this case, the rest of the team needs to take on extra work to reach the department's goals as reiterated by Process Street (2022). While this may seem like an imbalance, in the long run it tends to be balanced. Team leaders should explain to members that their co-workers pick up their work when they go on vacation or get sick.

Overall, the above change can improve the company overall performance in a certain level, However, this doesn't mean that KPMG will become the strongest accounting firm in the industry, as I am sure that other competitors may face the same situations. In this industry, it is difficult to create uniqueness since most of the big-name company should have their own preferred accounting firm as back up. The above change is to help KPMG stay competitive and give their clients confidence that meets our company vision and mission to be a customer focused accounting service firm.

Conclusion

To conclude, Change cannot be by one guy or two in a company. It requires cooperation of different people in the company. KPMG China should determine the way going forward after undergoing in-depth review from change models including but not limited to remain in a high competition level. KPMG needs to ensure all employees are being engaged through periodic engagement survey and by setting high transparency performance objectives and KPIs in all levels according to Peter Senge (1990) and Peter Seng and et al. (1999). Measurable performance goals should be set up to achieve from departments and individuals to be aligned with a high transparent and quantitative reward and incentive scheme for employees of all levels by driving high performance level. Last but not least, change management is essential for a successful company in order to achieve the public expectations as a global branding.

(word count: 3,129)

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