

Leading and implementing workplace change

(BMSW 6103)

Executive summary

The world has been paused by the Covid-19 pandemic and has been the biggest threat of the modern society. Change had to be implemented and many business had been reluctant to change or did not have the required resources.

It has been a case of adapt or die. H&M has had the resources to react to the business environment changes and has done his best to continue to be successful.

Change management is the process to implement organisational changes and good knowledge of the theoretical framework would ensure the most suitable approach for the business to use.

Table of contents

Introduction	4
Background of the organisation	4
Impact of the Covid-19 pandemic	5
PESTEL analysis	6
Leadership in H&M	9
The impact on the organisational culture	9
Areas of improvement	10
Change management models	10
Proposal and Implementation of Change strategy	12
Suitable leadership approaches	13
Change management plan	13
Estimation of the impact of the implementation of change	14
Conclusion and Recommendations	14
References	16

Introduction

This report will look into the leading and implementing workplace change and as an ex-employee, it has been selected H&M as the case study. H&M is a large company that activates in the fast fashion industry and has operations internationally.

This report will address different aspects related to the change management process in order to mirror a proposed change for the company such as: background of the organisation, impact of the Covid-19 pandemic, PESTEL analysis, leadership in H&M, the impact on the organisational culture, areas of improvement, change management models, proposal and implementation of change strategy, suitable leadership approaches, change management plan, estimation of the impact of the implementation of change.

Background of the organisation

H&M is a Swedish organisation and has been founded in 1947 by Erling Persson. It is based in Stockholm, Sweden and the current CEO appointed is Helena Helmersson. It has quite a long history in fashion retailing and it is a known and trusted brand internationally. The group has a large team of designers in order to have exquisite designs. It sells a variety of products to different segments and it offers in trend fast fashion at affordable prices. The group promotes quality and is formed from several brands such as H&M, H&M Home, COS, Weekdays, Arket, Afound, Monky (H&M, 2023).

According to Forbes (2023) business concept of H&M is to design and produce sustainably fashion and quality at the best price. That is why the organisation practices a hands on approach for its operations, being involved in all the operations from design and product development to distribution and marketing. The product offer is diverse and sells products for women, men and kids such as clothing, footwear, accessories, beauty products, home items and others.

Its existing history of dealing with changes involves adopting new regulations related to health and safety especially in the manufacturing centres. One of the changes in the form of “The Accord on Fire and Building Safety in Bangladesh” from 2013 which has been developed between the international trade union IndustriALL Global Union and more than 200 apparel brands and retailers to make fire, electrical and structural improvements in the Bangladesh ready-made garment industry. Through this agreement H&M has been appointed to “undergo independent regular fire, electrical and structural safety inspections.

These inspection reports, as well as the corrective action plans (CAPs) are then disclosed publicly to ensure full transparency and accountability” (Regner, Yildiz, 2020).

This change has helped the textile industry in Bangladesh which included a high number of more than 1500 factories with 2 million of persons working in manufacturing and progress towards improving the working conditions has been registered. This change has been initiated for a period of five years, it has been continued forwards, based on the success of the initiative. This change has determined H&M to be more inquisitive with its suppliers, to ensure adequate policies are put in place to support the industry and for this purpose has been pushing for change across the Bangladesh industry, even if they were not H&M textile suppliers. The latest agreement “Accord for Health and Safety in the Textile and Garment Industry “ has been formulate to continue legal binding the previous agreement and has generated continuity to the textile industry from Bangladesh. H&M has also focused on supporting communities and the textile industry from Pakistan.

H&M has continued to be driven for change and has increased collaboration towards CSR activity in order to improve the social conditions of truck drivers in the road transport and logistics sector across Europe. The first step of the change has included development of Social Guidelines to reflect the organisation’s joint commitment towards the working conditions of the drivers such as lack of rest, forced labour, low remuneration etc. This change needed a practical strategy and developing an industry-wide spot-check tool that has allowed the parties to hear the voice of the drivers.

Impact of the Covid-19 pandemic

Covid-19 affected the entire business world in a way or another and many business are still recovering after the pandemic. The Covid-19 pandemic has put the world in crisis and business were not prepared for such disruptions as it has never been faced before. Business had to adapt and try different strategies to see how they could resume activity. It was the same for Governments everywhere in the world trying to tackle pandemic.

H&M had to adapt to all the Governmental policies related to pandemic regarding sanitising, social distancing and most influential it had to close its stores. A great value of 80% of H&M stores were closed during pandemic and it has affected the economic gain (H&M Corporate, 2022).

All business had to identify ways to trade in such unforeseen circumstances. The Covid-19 Pandemic has created uncertainty for the organisation. Developing online shopping was

the best option to increase revenue as in 2020 H&M lost 18% of their revenue because of pandemic. H&M had managed the situation efficiently because it had the resources for online shopping and it had also donated an amount of \$500,000 to World Health Organisation for helping with pandemic (H&M Corporate, 2022).

According to Retail Gazette (2022) Covid-19 has affected the entire fashion industry for approximative two years and in some cases even longer, but as many industries were impacted it had been observed a slow recovery. Despite that, H&M has managed to identify ways to maintain high levels of activity and has registered full-year profits post pandemic. Under new leadership H&M is determined to expand operations and continue its growth by 2030 with clear objectives set up whilst maintaining at high preoccupation the sustainability strategies. The organisation has introduced various changes post pandemic in order to ensure business profitability especially during pandemic such as investment heavily in online, speed and flexibility, have launched new technologies to enable customers to shop how they want to, including click-and-collect and scan and buy from their app. Therefore H&M customers have shifted to online shopping and that has meant that the changes introduced by the organisation to cope with the negative impact of Covid-19 pandemic have been successful (OSF, 2022).

According to Statista (2020) has been able to recover post pandemic due to its organisational culture oriented for innovation and change. H&M offered a range of services based on circular business models such as resell, remake, repair and garment rental, as well as the garment collecting in stores globally for textiles recycling. The H&M's innovation hub 'The Laboratory' is responsible for the development of various projects to make the business more digital and to comply with the organisation strategy towards sustainability.

PESTEL analysis

Political

H&M is an international brand which has stores opened in many parts of the world and which now has been able to develop a strong infrastructure for e-commerce also. That is why the organisation must take in considerations the political situation in the countries where it sells its products. Countries where political tension is high can generate unpredictable and unstable business environments. H&M practises franchising and countries where political instability is high, can have a direct impact on the organisation.

Although franchising was not H&M's first option it helps the business to curb regulatory disputes of different countries. International business like H&M have to adhere to the legislation to each country regarding trading and consumer protection.

Economic

Covid-19 pandemic has been disruptive for the industry and has been disruptive for H&M. It has imposed various changes in order to continue the sale of products. The pandemic has reduced the amount of sales and the organisation's profit. The global recession has affected the fashion industry because people were oriented to make purchases related to basic necessities rather than spending money on fashion. H&M and other organisations from the industry practice economy of scale in order to obtain a reduce cost per unit. Also it employs their own designs so they can maintain an efficient process and controlled inventory management system. The chain of suppliers has also been affected and that had put H&M in difficulty and has required efficient prioritisation of the resources and efficiency of the operations. Because the Covid-19 pandemic has generated an economic recession across the globe and for a period of time approximately 80% stores of H&M were closed down because of the imposed lockdown and pandemic related regulations. The organisation has taken an intelligent approach and has focused on the e-commerce side of the business which has kept them afloat.

Although it is considered that is done and dusted, Brexit had influence the sales and adversely affected the profits of the brand. After Brexit H&M had faced an increased Tariff and that had impacted its operations. The most current shift of the prices and the high increase the cost of living has been another impacting factor for the industry and for the organisation.

Socio-Cultural

The pandemic has determined changes economically, but has also influenced the way people valued and considered the surrounding, the environment and to be careful of their peers and society in general. To show support during the pandemic H&M foundation has donated a high amount of \$500,000 to World Health Organisation which has put great efforts in fighting the virus. The foundation has provided support to the workers from the textile industry from Bangladesh. H&M has had a close cooperation with International Labor Organisations in majority of the markets it has entered to support safe working conditions, hygienic and decent pay. The organisation is known for its social work towards society and its concerns to contribute positively towards it.

The society is more educated and knowledgeable and show higher levels of interest towards pressing problems such environmental issues. Many organisations are creating

more strategies to become sustainable, but H&M has taken sustainability very serious and their efforts have been acknowledged by their customers and in 2018 their sustainability report won them a place as the first runners-up for the best report award.

Besides sustainability, H&M put high accent on being an attractive employer for the right reasons, it ensures its employees are looked after and it promotes gender equality for example it gives the women the opportunity to work for them from lower levels of management to senior level positions. H&M has helped women and had empowered them to enter the industry, although at time it had received criticism for objectifying women. H&M is a very prominent brand on social media and have put in place separated pages for all the countries where they operate. The organisation's cooperation with celebrities is part of their strategy to remain relevant to different segments and to remain competitive. The best part of H&M is being budget-friendly for people who are fashion conscious (Regner, Yildiz, 2020).

Technological

H&M has looked at developing their supply chain by making use of the technology and has intended to use technology to make the supplying chain more efficient. The culture of online shopping via smartphone especially has been pushed forward during pandemic. The organisation has developed its business by collaborating with local suppliers and has invested in own logistics to ensure smooth service for the online customers. As H&M produces fast fashion it has been a continuous preoccupation which culminated with the opening of a new high-tech logistics centre in 2020 in the United Kingdom. The organisation also makes use of the technology to improve customer satisfaction and expectations. Usage of mobile application incorporates a reward system which gives customers points on each purchase.

Environmental

H&M operates in the fashion industry and its clothing is created according to the season. The weather condition is an influencing factor for the type of products sold. H&M is paying attention into aspects like that also in order to avoid waste and to be able to prioritise stock being an international company.

An environmental factor which has great importance for the environment is related to the high levels of pollution from the textile industry through the production process. The textile is considered to be following closely the polluting industry after oil and petroleum because of the high levels of waste and water pollution. All the organisations from the industry are contributing to the pollution, but H&M is one of the advocates for making the business sustainable. It has different programs towards that such as recycling and it is a top priority

for the organisation. Their efforts to be sustainable were recognised by their customers, by different agencies and in 2020 were ranked the most sustainable consumer goods company from Sweden and was part of top 16 organisation to be using raw materials by the Material Change Index in 2019.

Legal

The organisation has to comply with different legislation related to the textile industry, Employment law, Data protection and any regulation and laws from each market where it sells its products. One of the scandals in H&M was related to a data leak of personal and private details of the employees in Germany and the Hamburg Commissioner for Data Protection and Freedom of Information has fined the organisation \$41.2 million. The organisation has received criticism for discrimination towards the customers. H&M is a transparent brand and has tried to emphasise that is not the norm for the company and has dealt accordingly (MBA Skool, 2019).

Leadership in H&M

The organisation has an appointed CEO who manages and deals with the every day activity and the leadership in H&M is focusing on responsibility, creativity, value driven and consumer focused. The organisational culture is inclusive and promotes teamwork which is good for the organisation, but it can be missed the innovative and originality if it is not promoted more. Within the organisation there is the concept of “H&M spirit” which incorporates their values (Capell, Khermouch, 2002).

The pandemic has influenced the sustainable activity because it has pushed the organisation to develop their digital capabilities and expand their e-commerce activity. The leadership and management had been adapted their operations to be compliant with the Covid-19 regulations and measures and during pandemic the stores obliged to all the restrictions and policies with social distancing measures put in place, asking customers to wear masks, having employees wearing masks, closing fitting rooms, offering stations with antibacterial gel.

The impact on the organisational culture

HM Group (2023) states that they intend to transform H&M into a sustainable company as much as possible, to be a leader for the change and to put all their resources in achieving results. The organisational culture is constructed around their vision to lead the change, to

promote innovation and digitalised the business. They are willing to take risks and do things differently and ensuring efficiency of the operations, improving accuracy and at the same time collaborating with other towards the same purposes. This involves also creating the legislative environment and infrastructure to transform and better the industry.

Therefore H&M the pandemic changes and the shift towards online shopping have been a positive strategy for the company and has been in accordance with their sustainable ambitions. Their mission statement emphasises their choices and the company highlights their focus “Our purpose is to make it possible for everyone to look, feel and do good. Our business idea is fashion and quality at the best price in a sustainable way. Our culture means that our colleagues, living our values, are the core to our success” (Glass Door, 2023).

Areas of improvement

Based on the above analysis the organisation has received encountered problems related to discrimination, not complying with different legislation. Few times the brand name has been tarnished but the organisation had a prompt and proactive attitude and has accepted responsibilities and consequences.

Pandemic did not help either, has challenged the business environment and has challenged H&M. The organisation has a strong position in the marker, a strong leadership and organisational culture and has managed to react accordingly and focus on solving the problems.

Working with a high numbers of suppliers is a necessity, but problems from external parties can impact the organisation internal and that can be improved.

Change management models

Change management is “a systematic approach to dealing with the transition or transformation of an organisation's goals, processes or technologies. The purpose of change management is to implement strategies for effecting change, controlling change and helping people to adapt to change” (Tech Target, 2023). To be effective, the change management strategy must take into consideration how an adjustment or replacement will impact processes, systems and employees within the organisation. An effective change management strategy aims to have rigorous planning and when possible a test of the

change, it has to communicate the change effectively, organising and scheduling and implementing change which has to be documented and evaluated if it had achieve its objectives. Documentation is a critical component of change management, not only to maintain an audit trail should a rollback become necessary, but also to ensure compliance with internal and external controls, including regulatory compliance.

There are different change management models that have pursued to provide a conceptual guide towards the process which help the organisational change to be accepted and applied. Managers are using the change management models to ensure best practices and to facilitate the change projects.

Kurt Lewin's Change Management Model is a very popular methodology because it has three main phases that makes the process of change more manageable: unfreeze, change, refreeze. The unfreezing phased has an analytic character of how a targeted aspect can be improved so that the employees understand the need for change. The change itself is the transition period for making the change and coordinating the employees throughout the process. When the change is deployed and employees have taken on board the change and have put it into practice the next phase is to refreeze it by solidifying the change and applying the new status quo in regular operations.

Although this model has a reduced number of phases it does not mean that the process should be fast, the management must pay attention to all details, must provide training and take adequate actions to overcome resistance.

Another change management model is McKinsey 7-S Model which in comparison with the previous model provides more details and is more complex. It can be more helpful for implementation of more complicated organisational changes and preset seven elements that should be addressed in report to how it affects and as follows: strategy, structure, systems, shared values, style, staff and skills. The elements such as strategy, structure and systems are the "hard" elements and are identifiable by the management and can be influenced directly. The elements such as shared values, style, staff and skills are "soft" elements and are in a more difficult area to be defined and identified. These elements have a more fluid character and can be moulded and be sensitive to continuous change and impacting variables. Securing a harmony of the elements can be difficult, but it is needed in order to have a successful change management and have a constructive interaction. Addressing and assessing the influence of each element is maintaining the balance in the organisation and can indicate how to address the identified problem and need for change (Mind Tools, 2023).

John Kotter's (1995) Theory has been developed around eight stages such as: creating a sense of urgency, building the change team, forming a strategic vision, communicating the vision, removing barriers to change, focusing on short-term wins, maintaining momentum and institute change. The model can be very helpful as it can serve as a check list, but a criticism to the model is that it does not have a stage specifically to deal with the feedback from the employees and that can increase the risks for resistance to change. It can be very useful for a large company that needs to have a general approach to the change and can not have a personalised approach due to its size, but in a small company implementation of this model can lead to employee resentment and alienation.

Proposal of Change strategy

HM Group (2023) has a high number of employees over 150000 and more than 1 million textile workers. Their culture is constructed around respecting their employees and that also involves working in a safe environment. The group ambition is to be a Fair and Equal company, especially because they do not own their own factories and have to outsource the services for manufacturing. With Covid-19 Pandemic their suppliers which are in a high number of over 600, have been impacted also like any organisation. Having limited control over their suppliers also the organisations can have limited perspective or the working conditions from their factories. Not owning their factories can be a limitation for them in terms of speed of delivery, being able to sort any issues their way, having a different culture, having limited access to the impact on the environment, avoiding waste and different other aspects when having to outsource an important process for their business.

An area that H&M could improve is response to the latest changes in the environment is to own a number of factories like its main competitor Zara. This would improve H&M's position in the market being able to respond to latest fashion trends very quickly and have a fast reaction to any changes. This would give a competitive advantage to the business reducing the period of time for launching collections. The change will also mean that the organisation would be able to enforce better their culture, their vision and their sustainable projects. This process should be done gradually as it request big investment, but the organisation could use it as a model of work for their suppliers and enhance performance. This change will be a positive step towards promoting sustainability as the organisation can have complete control over operations, over selection of the workforce, promoting their culture and using the technological advancements to make operations efficient.

According to LinkedIn (2021) H&M is a strong example of adapting to the environment and adopting an entrepreneurial mindset would encourage other organisations from the industry to achieve development. Creating the right environment and encouraging others to learn to lead and develop themselves takes a new kind of management approach.

Suitable leadership approaches

H&M's leadership is focusing on empowering its employees to perform, to inspire, to provide constructive feedback on both parts management and staff, to delegate and provide motivation. H&M believes in team work and their people have a great importance for the run of the organisation. It also promotes the entrepreneurial spirit and desire to strive for continuous improvement. These values are incorporated in the "H&M spirit" and is promoted across the organisation.

The leadership in the organisation takes in consideration the diverse workforce and different background and are focusing and creating good relations internally and externally. Benefiting of a transformational leadership creates commitment and willingness to put efforts and energy. This is a suitable leadership style to implement changes and H&M has proved that has the ability and resources to do that.

Change management plan

The proposed change relates to a strategy change and involves acquisition of a number of 3 factories to trial their fast response to the latest trends and reduce the time of production for launching new collections. H&M is a fast fashion provider and this change of strategy would create competitive advantage. The change will also contribute towards strengthening and building on the organisational culture, will help them be aware of any aspects related to the products and be at the centre of their operations.

The selected model to be applied is Kottler's model of change because of the type of the change which involve elements related to structure, systems and strategies. The first stage in the model is to create a sense of urgency. The pandemic has contributed towards this conclusion as it has seen business separated from the suppliers, people having to isolate, taking a step back and having reduce control over some operations related to their suppliers. The second stage of the model is to build the change team. For this change the change team should consist of management who has the experience, the knowledge and

expertise to research how this change could be formulated and what aspects should take in consideration. The third stage of the model is to form a strategic vision. These will mean that the change team has identified the the solution to reducing the time of production and maintaining sustainability is to acquire three factories owned by H&M, to have their own employees, their own culture and working together to towards the same objectives. The next stage to communicate the vision involves in the first stage the leadership and the management who can be informed of how the change will take place, how will improve its operations. The next stage is to remove the barriers to change and that means to have all the business departments on board with the change and maximise the use of this new strategy, solving any legal procedures. The next stage is to focus on short-term wins and being the advantages of having own factory and improving the process and the speed of delivering new trends can be rewarding for the organisation. Maintain momentum and institute change are the last stages of the model which refer to building on the change and and continue with a new change could be based on the benefits of the change to the business and proposal of acquiring more factories in order to be more independent and rely less on external suppliers.

Estimation of the impact of the implementation of change

It is estimated that the proposed change will contribute to the organisation strategies to grow and become more sustainable. It also enables the organisation to share its organisational culture and maintain their work ethics and values on a part of operations that had limited control previously.

It also means that it can stay ahead of competitors and increase its capabilities to bring on the market fast fashion and do things their way.

Conclusion and Recommendations

In conclusion H&M is one of the market leaders and has great resources to achieve its objectives of growth and of sustainability. BBC (2020) states that post pandemic H&M's focus is to keep the pace with the growing online demand and that the pandemic has made the organisation stronger and more resilient. The proposed change will help towards their objectives and will help them create competitive advantage.

Recommendation for the fast fashion provider is to ensure it maintains high levels of quality, it applies the same values to the new side of business that will have to manage like they have across all their organisation.

References

- Capell K., Khermouch G. (2002) "Hip H&M: the Swedish retailer is reinventing the business of affordable fashion" Business Week Journal, Issue 11
- Kotter, J. P. (1995) "Leading Change: Why Transformation Efforts Fail". Harvard Business Review OnPoint (March-April), 1-10.
- Regner P., Yildiz H. E. (2020) "H&M in fast fashion: continued success?", Exploring Strategy: text and cases, 12th Edition
- BBC (2020) "H&M" [Online]. Available at: <https://www.bbc.com/news/business-54369802> Accessed 18.04.2023
- Forbes (2023) "H&M" [Online]. Available at: <https://www.forbes.com/companies/hm-hennes-mauritz/?sh=2049f62f727b> Accessed 18.04.2023
- Glass Door (2023) "H&M" [Online]. Available at: https://www.glassdoor.co.uk/Overview/Working-at-H-and-M-EI_IE11918.11,18.htm Accessed 21.04.2023
- HM Group (2023) "H&M" [Online]. Available at: <https://hmgroup.com/sustainability/leading-the-change/> Accessed 18.04.2023
- Linkedin (2021) "Adapt or die: why successful organisations like H&M are investing in learning as part of their transformation" [Online]. Available at: <https://www.linkedin.com/pulse/adapt-die-why-successful-organisations-like-hm-learning-nick-villani/> Accessed 18.04.2023
- MBA Skool (2019) "H&M" [Online]. Available at: <http://www.mbaskool.com/pestle-analysis/companies/17954-h-and-m.html> Accessed 18.04.2023
- Mind Tools (2023) "change models" [online]. Available at: <https://www.mindtools.com/aicks4s/the-mckinsey-7-s-framework> Accessed 21.04.2023
- Retail Gazette (2022) "H&M" [Online]. Available at: " <https://www.retailgazette.co.uk/blog/2022/01/three-ways-hm-has-recovered-from-the-pandemic/> Accessed 18.04.2023
- OSF (2022) "H&M" [Online]. Available at: <https://osf.io/7yhxg/> Accessed 18.04.2023
- Statista (2020) "H&M" [Online]. Available at: <https://www.statista.com/statistics/1133661/h-and-m-sales-growth-coronavirus-crisis> Accessed 18.04.2023
- Tech Target (2023) "change management" "[Online]. Available at: <https://www.techtarget.com/searchcio/definition/change-management> Accessed 21.04.2023