

CHANGE MANAGEMENT-THE VITAL PERSPECTIVE

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ABSTRACT

As business leaders rush to implement cost-saving, productivity-boosting measures to survive the recession, daily news coverage shows that very few are thinking about the unintended consequences their change management actions will have on the relationships with those they count on most. But change management in any form sends powerful messages to key stakeholders, including customers, employees, business partners and investors in terms of whom and what an organization believes are most important. Whether your organization is leveraging existing Lean Six Sigma and productivity programs or reacting quickly with limited structure to shed costs, either method requires you to consider your change management approach carefully. You must consider in advance not only your long-term strategy and growth path, but also who and what you'll need to get there.

The epidemic of low trust among workers is well documented. Just recently, for example, the 2009 Edelman Trust Barometer found that trust in U.S. business dropped to a dismal 28 percent—the lowest in the Barometer's history, even lower than following Enron's collapse and the dot-com bust. For the business leader poised to make significant organizational changes, this means you are starting at a disadvantage. The majority of employees have already determined your words alone cannot be believed. Rather, they will want to see proof in the form of congruency between your words and actions before they give their support to whatever it is you're selling. In other words, if your company is cash strapped and you're pushing teams to drastically reduce costs quickly, employees will want to see that you too are making personal sacrifices to cut spending. Consider the public relations fall-out when the auto executives went to Congress to ask for public funds to plug serious immediate cash shortfalls and each arrived in

Washington, DC, in a separate corporate jet. To them, this was the standard course of business. But to the public, it reeked of insincerity and, thus, fanned the flames of mistrust. The lack of essential perception proved to be a major roadblock that hindered the right problem-solving approach.

Keywords: Cost-saving, productivity-boosting, stakeholders

1. Introduction and Literature Review

1.1 Brief Background :

Delivering efficiency, prioritizing employee needs without sacrificing productivity goals, inspiring loyalty, commitment and dedication while simultaneously gearing up to deal with over-qualification, under-qualification and a host of aspects that impact motivation, employee retention and favourable work-life balance has become a tight-rope walk for leaders and managers. The imperative role of HR has been thrown into greater prominence in living up to functional excellence in terms of deliverable modules. In the face of globalization that has cast upon us related challenges and confrontations, in an era that calls for economic dynamism, changing perceptions and environments that call for redefining concepts, re-inventing and innovating seamlessly to upgrade, revitalize and recharge, the focus is on strategy as a vital area that can re-inforce the essential changes.

1.2 Literature Review:

Recession is generally understood to be the slowing down of economic activities in a nation. Mansfield, Allen, Doherty and Weigelt (1990) defined recession as the phase during which national output falls. In December 2008, the National Bureau of Economic Research (NBER) declared that the United States has been in recession since December 2007 (Isidore, 2008). In view of the high volume of investment of many countries like the USA, their economic recession became a global recession. A challenge is a problematic situation with no easy options or solutions. Managers worry about how to make their organizations attractive to potential employees, while at the same time, watching staff costs. Larsen pointed out that not only managing human resources in an organization is very important, but there are simultaneously emerging challenges and paradoxes. Hence, chief executives and HR practitioners need to identify ways of balancing the paradoxes and dilemmas with strategic, operational and ethical actions.¹ Strategy can be defined as “a general direction set for the company and its various

components to achieve a desired state in future”. William F. Glueck defined strategy as “a unified, comprehensive and integrated plan that relates to the strategic advantage of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.”² International Strategies offer an attractive strategic alternative for firms and carries with it rewards in the form of lower costs, increased sales and higher profits. There are ample opportunities for economies of scale and learning. Yet, the cost of failures can be great. The disadvantages of international strategies lie in factors, such as, the risks related to uncertainty in economic and political environment in host countries, difficulty in managing cultural diversity, cost of coordination, communication and distribution and trade barriers. Global integration and strengthening of the international economic order, primacy of economic considerations over the political in international relations, emergence of regional trade blocs, emergence of the internet as a communication platform, higher levels of cultural diffusion and the establishment of bilateral and multilateral institutions such as the World Bank to regulate and manage trade relations are some of the significant pointers to the likelihood of international strategies becoming a favoured alternative for expansion.² This is where the role of HR in change Management becomes imperative. During times of increased turmoil, every major decision is a signal to employees of your strategic intent. No matter how big or small, every decision is a chance to show the direction you are taking the organization. Without trust, the cost of sustaining relationships is steep. As trust grows in leadership, employees’ defensive postures fade and productivity soars.

2. Hypothesis, Objectives and Research Methodology

2.1 Formulation of the Hypothesis:

Based on the background of the study and analysis of the external environment at both the national and international level, the hypothesis as formulated as follows: There is an increasing

need to discern the changing external environment and effectively strategise so that the required change in organizational working can be properly ushered by taking into account the various aspects that impact performance, tackle challenges and manage change.

2.2 Objectives of the study:

- i) To analyse the external environment in the light of the changes that have impacted organizational working.
- ii) To gauge the impact of the changed environment with respect to strategies and working of organizations
- ii) To perceive the change management strategies needed by the organizations with specific focus on the role of HR in leveraging social technology, striking a work-life balance and other vital areas.

2.2 Research Methodology:

Apart from gathering primary data based on inviting viewpoints in direct capture through a relevant questionnaire as well as online interaction through various communication channels, various researched works, books, journals and reliable websites have provided the base for the findings, analysis and interpretation and conclusions.

3. Findings, Analysis and Interpretation

3.1 Change and the External Environment:

Uncertainty and risk have impacted the working of organizations. The repercussions are an unstable job market, less growth rate in companies/ industry as candidates anticipate that they will be fired more easily than they were hired. So they seem less inclined to offer their heart and

soul effort into the growth of the company. New HR policies seem to disown their employees. It is no longer "my company" it is becoming more relevant to say "the company where I work". The concept of life-long professional relations and team work is losing ground. Companies are competing to hire high quality candidates only for short term gains in KPI and are ever ready to fire such candidates creating a huge psychological disaster and professional identity crisis for the candidates. Although at the other end the companies also suffer heavy down growth but the corporate sector seems to be more and more impatient to make it big too soon. What they need to remind themselves is that a company with stable and satisfying jobs for period of years may show an initial growth lag but in the long term those are the companies that rise by the collective efforts of the staff that are professionally emotional about their companies which proudly own them and make them feel a part of the enterprise⁴

Moreover, 'Attrition' is so big a problem that it is not wise on the part of HR Managers to take one of the most important root causes so lightly.⁵

Some big companies will take a chance to reduce the unseemly salaries and perks of its top executives - very publicly, and will still see that the brightest and the best will apply for those jobs. And making workers a part of the plan rather than excluding and devaluing them - has already been shown to produce the best results in Germany. Simple minds and fixed ideas dominate the world - science tells us to learn from successful experiments - from evidence, not from our "theories", about capitalism or whatever.⁶

Indeed Industries may be identified on several parameters of working, efficiencies and futuristic perspective. The highly skilled may also sometimes find that it requires settling to a particular job profile which may not hold out a lot in terms of skill based knowledge requirements or may gradually stagnate intelligence if not regularly used.⁷

According to Atchison, Belcher and Thomsen (2000), Wage system has become more flexible. They weigh both skill and performance more heavily. The use of market wage data for more and more jobs is increasing. Botha (n.d.) commented that organizations and job evaluation systems have become simpler, less formal and have reduced their complexity. A survey on job evaluation

and market pricing practices conducted by World at Work (2009) confirmed that the use of market pricing is used as the primary base in making remuneration decisions by organizations in USA. Botha (n.d.) argued that the current recession will force the organizations to consider alternatives such as restructuring and consolidation of roles with consolidation of positions, which will impact relative job worth. Maintaining workplace harmony whilst facilitating change and optimizing cost will be a key challenge. Use of dynamic job evaluation system will help support the change, and at the same time, create an equitable work environment, which will play a critical role in staff retention. It may be mentioned that the United Kingdom (UK) National Health Service (NHS) job evaluation system for all health care jobs was proposed by the Department of Health in 2002 which was revised in 2004. NHS appointed Price Waterhouse Coopers to undertake work on job evaluation design for highly senior Managers in March 2010. (NHS 2004).⁸

The Indian Automobile Industry is one of the key drivers of the country's economy. At an estimated size of USD 28 billion, it accounts for close to 5% of India's GDP. As the population of the vehicles increase, the need for an efficient service network becomes important. In order to facilitate sales, many dealerships take up the sales and post-sale services for many car manufacturers. One of the key issues faced by the automotive service Industry is availability of skilled manpower. So it becomes more critical to retain the employees in the organization. The two major factors that are instrumental to employee-retention are employee-engagement and job-satisfaction. Not only does it influence the productivity, but also has an influence on employee retention.⁹

In the chemical industry, many of a company's product costs are directly related to the price of a barrel of oil. In the last few years, this critical price variable has been highly volatile, making it difficult to pass the cost on to customers. It has also made for a tempting scapegoat for mid-level management whenever profitability or customer retention issues arose. In other words, at some companies, managers became the victim of what was happening in the oil market. They chose to

see themselves on a dinghy in the middle of the ocean without an oar. But in other organizations, business leaders chose to take ownership of the problem. They used the market tension to propel their organizations forward by re-examining their product lines and supplier relationships. Some low margin products were quickly rationalized, suppliers were replaced and key customer account agreements renegotiated.

Challenges force people off traditional modes of thinking and working. Mediocrity seeps into most organizations and Industries because everybody is doing the 'Industry Standard'. What differentiates radical innovators and orbit-shifters is that they create something new that makes a huge difference-new markets or new business models or new-to-the-world products or new-to-the-world processes.¹⁰

3.2 Gearing up to the Changed Environment:

Businesses are investing more money in HR, according to a global study of more than 1000 organizations.¹¹ One in three respondents (22%) plan to spend more on HR technology. Twenty three percent plan to increase spending by up to 20% and one in 10 plans to increase spending by more than 20%. Only 15% plan to spend less. "Despite cost cutting in some areas of HR, we are seeing a substantial spike in technology spending," says Mike DiClaudio, global leader of Towers Watson, which carries out the annual research. "Companies are realizing the value consumer-grade technology brings to HR & are willing to make smart investments that can grow & evolve with the business." That focus on 'consumer-grade technology' is borne out by discussions at various HR conferences and by research from ISG¹² "As the 'war for talent' heats up," suggests Debora Card, HR partner at ISG, "CEOs recognize their employees expect their interactions with HR departments to be as easy & engaging as shopping on Amazon". But read beyond the headlines of the Towers Watson report & it becomes clear many organizations are re-thinking the fundamental role of HR. Key HR processes are being re-engineered & streamlined, giving greater people management powers to line managers. This may have serious implications

for some HR staff. “Organizations are narrowing their focus on HR initiatives,” says DiClaudio. By “streamlining business processes” & “dramatically increasing manager self-service tools”, they are demonstrating “a commitment to running the HR function more like a business”. More than one in three organizations plan to make changes in their HR structures either this year or next. “Expectations of HR departments are rising,” agrees Andrew Steels, senior consultant at Towers Watson, “and HR is going up the value curve. By becoming more sophisticated & data driven, HR leaders can talk to other leaders in business terms & use analytics to demonstrate the value of HR.” But lower level administrative functions are being “automated and handled better” by technology, which is often handled by line managers rather than HR staff. Investment in HR technology is clearly seen to bring business benefits, which is great. But as processes are streamlined and automated, administrative roles within HR departments will clearly come under threat.¹²

Kettley and Reiley (2002) stated that a computerized human resource information system consists of a fully integrated, organization-wide network of HR related data, information, services, databases, rules and transactions. As per Sacht (2007), e-HRM tools are not yet available everywhere in the developing world; they are spreading rapidly and present a unique opportunity for developing countries to benefit most from the technological revolution now unfolding: low cost telecommunication systems can help countries to leapfrog ahead through distance education, distance health services, and provide much better access to markets and private sector partners abroad.¹⁴

According to Keebler and Rhodes(2002), the e-HRM technology should not only be designed to make the HR processes as efficient and cheap as possible, but the e-HRM technology should be made useable too, to increase the service experience of the Managers and employees. In this way, a client service improvement of the HR system can be achieved. According to Watson (2000), web-technology is the predominant method for delivering big HR-related services to employees and managers, and offers significant opportunities to improve communication,

knowledge-sharing, and HR Delivery systems. E-HRM also involves many more stakeholders besides personnel in the HR Department and the business, and also includes job applicants and employees from all levels.¹⁵

Oren Friedman, Learning and Talent Management Executive at Saba expresses the viewpoint that adopting technology is dependent on the needs of the organization, its 'social readiness' and the potential benefits it may realize by adopting social technologies.

3.3 Required Strategies:

The external environment being fraught with uncertainty and risk, arresting decline and ushering in a turnaround requires monitoring and control.

Decline is manifested in several symptoms. These symptoms are often reflected in the performance criteria of companies. Diminishing profitability, dwindling cash flow, falling sales, shrinking market share and increasing debt are some of the indicators of the onset of decline. An effective monitoring and control system can signal the impending danger and the malaise can be checked by a vigilant management. This is the state in which recovery is seen as a strategic option.

Slatter has pointed out that there are essentially four types of recovery situations:

- i) Realistically non-recoverable situation where there is little chance of survival as the company is not competitive, the potential of improvement is low, there is a cost disadvantage and the demand for basic products or services is a terminal decline.
- ii) Temporary recovery situation where there could be initially successful retrenchment but no sustained turnaround. This could happen when the repositioning of the product is possible, new forms of competitive advantages can be found, or cost reduction and revenue generation are possible.
- iii) Sustained survival situation where a turnaround is achievable but little potential for future growth exists. The industry may be in a process of slow decline. A company facing such a

situation could either divest or go in turnaround if it foresees a comfortable niche in the Industry where it perceives chances of being the Industry leader.

iv) Sustained recovery situation where a genuine and successful turnaround is possible owing to new product development and/or market repositioning and if the Industry is still attractive enough. Possibly the decline was caused more by internal factors than external conditions.¹⁶

Looking at the current wave of globalization, Nobel Laureate Eric Maskin of Harvard University arrives at a different conclusion. Maskin theorizes that while average income has been rising as a result of more trade and global production, so has inequality within countries. Globalization today, says Maskin, is a phenomenon wherein the very production of goods and services has become international, as in the case of the iPhone, which is designed in Palo Alto, but physically manufactured in a range of countries, including China, Japan and Germany. How skills match between workers, says Maskin, lies at the crux of understanding why globalized production leads to an increase in inequality. The better the match in skills between workers, the less remains the inequality. Furthermore, whether that match happens within a country or across countries, matters.

If an individual with a higher skill level (let's say someone working in a food processing plant) matches better with someone with a lower skill (a farmer), the lower-skilled worker will benefit (for example, through the transfer of ideas and work ethics) from working with the higher skilled worker.

However, if the higher skilled worker is better suited to work with an even more advanced worker (let's say a product designer) located in an advanced economy, that worker will be incentivized to look across his or her borders. As a result, the farmer with lower skills gets knocked out of the globalization process.

More worryingly, this situation potentially has an impact on the wages the lower skill worker can command. The higher skilled worker, as a result of rising international demand for his or her skills, experiences a rise in wages. The opposite can happen for the low-skilled worker.

This poses a conundrum for those concerned about inequality (and at first blush, ammunition to those cynical of the benefits of globalization). How does one reconcile the visible benefits of globalization with the apparent downside? ¹⁷

Moreover, Work-life balance is extremely important, and yet it's become harder and harder to keep the professional from encroaching on the personal. The 2012 OECD Better Life Index found the United States scored close to the bottom of developed countries when it comes to work-life balance. We're working harder, working longer, and having a more difficult time pulling the plug at the end of the day. In fact, a study by Accenture found professional men and women ranked work-life balance as the number one factor determining whether they have a successful career. This ranks ahead of salary and recognition, showing the struggle for balance is nearly universal from head honchos to entry level workers. Whether you're the boss or an employee, ignoring work-life balance is likely to lead to burnout, not achievement. Also, we need to think crowd sourcing feedback for performance management, improving collaboration through creating reward systems that influence solo busting behavior. ¹⁸

Wilson Owens, Royalty Exchange, opines, "I've always struggled to widen this gap until I actually started scheduling nighttime events more than six hours in advance. This may sound obvious, but it can really help a person who is too focused on work to "draw a line in the sand." I'm not someone who will cancel anything, so it really helped me maintain my sanity and enjoy my free time". ¹⁹

Katherine SgROI, Human Resources Manager, opines, "I understand the employer's concern, especially when there is a cut in pay involved. Will they stay? Will they leave as soon as they find something with more money?, Etc. However, today there are many individuals looking to scale back and balance work and life; and these may be the main reasons they are looking for a specific spot -- it could be to be closer to home or to have less responsibility. It could be something they really want to do. ²⁰

The aspect of emoluments as a key factor that determines employee retention while simultaneous factors such as a value-based organization, recognition factor and long-term perception having an important bearing as well, need to be studied and applied to ensure a win-win situation.

4. Conclusions:

Inefficiencies need to be ironed out with building up of the human value-chain and ensuring that inequalities in earning levels, developing and rewarding skills, downsizing, etc are effectively tackled. Sustainable human capacity development in organizations needs to be synchronized with the need for continuously upgraded training and development programmes coupled with motivation-building to boost the willingness to learn. Adaptation to changing job contents, requirements and dynamic nature of environment necessitate awareness-building, attitude management, skills development, strategic deployment of workforce, self-directed learning mechanisms, planned budgetary allocations and the overall development of a learning organization.

Reinventing for work-life balance, facilities and amenities, enabling technology to leverage the organizational networking channels and identifying lacunae in budgetary and realistic allocations as well as becoming a level playing ground for a diverse work-force is a challenging set of tasks that HR and organizations as a whole must take in their stride.

Freedom for innovation and creativity in jobs will become a sine qua non for successful undertakings. When it comes to implementing change management, mid-level leadership must be well mobilized. This is because they direct, command and influence the people who will be responsible for carrying out change-related activities. It must also be ensured that conflict is effectively tackled in handling change. The team must basically realize the ability to gear up to the change effectively, and the leadership moulded so as to take charge of the direction in which the organization will steer course. The required communication systems by leveraging on

technology and seamless innovation can make things happen in favour of overall growth and development.

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