HKACE

Guide to Customer Service Excellence (7)

Managing Change

Hong Kong Association for
Customer Service Excellence

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FOREWORD

The Hong Kong Association for Customer Service Excellence (HKACE) was formed in February 2000 to promote customer service excellence in Hong Kong. To this end, we have initiated a series of publications on various subjects relevant to customer service professionals.

In September 2003, HKACE, in partnership with Dew-Point International Limited, organised two training workshops for its members with the objective of developing their competence in change management. Topics covered include understanding the role of a change agent and acquiring the knowledge and skills required in driving change initiatives and, in particular, influencing people's behaviour. This publication - "Guide to Customer Service Excellence (7) - Managing Change" assembles all the theories and practices discussed.

We are living in a time of constant change. With fluctuating market demand and ever-changing customer needs, the pressures on organisations to change will only increase and managers need to continuously update and upgrade their know-how and abilities in order to ride on the changes. We hope this publication will serve as a useful practical guide for them.

Allan Chiang

Chairman

Hong Kong Association for Customer Service Excellence

February 2004

Member Organisations (in alphabetical order)

Logo	Organisation	Logo	Organisation
CATHAY PACIFIC	Cathay Pacific Airways Limited	KMB 九巴服務 日日進步	The Kowloon Motor Bus Co. (1933) Ltd.
中原地產	Centaline Property Agency Limited	MOTOROLA	Motorola Asia Pacific Limited
中華電力 CLP Power	CLP Power Hong Kong Limited	PCCW 電訊盈科	PCCW Limited
DCH大昌	Dah Chong Hong (Motor Service Centre) Limited	PACIFIC CENTURY INSURANCE	Pacific Century Insurance Company Limited
hp invent	Hewlett-Packard HK SAR Limited	Shell	Shell Hong Kong Limited
香港賽馬會 The Hong Kong Jockey Club	The Hong Kong Jockey Club	Standard Chartered 渣打銀行	Standard Chartered Bank
Hongkong Post 香港郵政	Hongkong Post		

Honorary Patron:	The Honorable Mr. John TSANG Chun-wah, JP Secretary for Commerce, Industry and Technology
Honorary Advisor:	PricewaterhouseCoopers
Honorary Advisor:	Mrs. Sandra MAK

List of Executive Committee Officers (Years 2003-2004)

Chairman	Mr. Allan CHIANG	Postmaster General Hongkong Post
Vice-Chairman	Mr. KONG Wood Ning	Customer Services Manager CLP Power Hong Kong Limited
Secretary	Ms. Pauline CHAN	Assistant Vice President – Quality & Efficiency PCCW Limited
Treasurer	Mr. Patrick WONG	Director, Strategic Planning – HP Services China/HK Hewlett-Packard HK SAR Limited
Convener	Mr. Buston CHU	General Marketing Manager Dah Chong Hong (Motor Service Centre) Limited
Convener	Ms. P. Y. CHAN	Head of Customer Service Department The Kowloon Motor Bus Co. (1933) Ltd.
Convener	Ms. Angel MO	Manager – CRM Shell Hong Kong Limited
Convener	Ms. Christine IP	Head, Customer Experience & Quality Mgt. – Consumer Banking Standard Chartered Bank

Dew-Point International Ltd.
Training and Development Institute • Management Consultancy

We, Dew-Point International Limited, assisted the Hong Kong Association for Customer Service Excellence (HKACE) in developing and delivering both the workshops "Managing Change in Customer Service" and the guidebook entitled "Guide to Customer Service Excellence (7) - Managing Change".

We have been one of the leading providers of training and management consultancy services in Asia since 1973. We help our clients to develop real-world processes which empower people to identify and solve their own problems. Our results-oriented training programmes are filled with specific, practical ideas that can be applied to the job.

We can be contacted at: info@dew-point.com.hk
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or call 852-27301151.

CONTENT

I INTRODUCTION

◘ The frequency of change in the service industry has steadily increased over the years. Due to recent economic downturns, the pace of change has accelerated even more. Most service organisations have reorganised their business structures, and carried out cost-cutting and downsizing exercises. Employees from service centres are required to handle more sales promotion responsibilities; each business unit is constantly thinking of new strategies to provide value-added services to their clients, and many have to study and improve their service operations and reengineer their supply-chain management systems. The impact of change on organisations has become more and more severe, making change management skills an important weapon in a manager's armoury.

◘ Most changes that organisations go through are vital for future success. If change is well managed, the organisation can be seen as an "industry leader" because they are the first to take charge of the situation. If change is managed badly, especially in the case of urgent and critical change, the organisation may fail, leading to bankruptcy or acquisition by another firm. Poorly managed change does not achieve the results hoped for because a window of opportunity for strengthening the organisation has been missed. This results in lower employee morale. While the organisation may survive this, it would be in a stronger position if the change had gone more smoothly.

◘ From the results of the "Riding Out Adversities" survey conducted by HKACE on 9 service sectors in Hong Kong during 2003, the benefits derived from well-managed change are plentiful, such as:

- Increased visibility and recognition of the companies which used change as an opportunity for service improvement
- Opportunities for service expansion (e.g. lower property prices meant access to prime locations)
- Creativity and innovation (e.g. new product/business lines to meet changed market conditions)
- Improved relationships (e.g. stronger bonds with employees, partners and customers since SARS)
- Increased loyalty to the organisation which generates sales and business growth

This guide book is intended to help our members to:

- Understand their roles as supervisors/managers in managing change in their organisations in order to cope with the ever-demanding business environment
- Acquire the knowledge and skills required for driving change initiatives
- Become aware of employees' reactions to change and help them through the various change stages
- Communicate about change effectively
- Get the commitment and involvement of their staff in the change process to ensure successful change implementation

01

II WHY CHANGE

THREE TYPES OF ORGANISATION

Those who make things happen !

Those who watch things happen !!

Those who wonder what has happened !!!

**Source
Michael Porter**
Harvard Professor

CHANGE IS INEVITABLE

Heraclitus
Ancient Greek Philosopher

There is nothing permanent except change.

Pogo comic strip

The certainty of misery is better than the misery of uncertainty.

In a changing environment a bias toward action is essential because ...

The biggest risk is the risk of doing nothing.

Anthony Hourihan
Harvard Business School Professor

SPEEDING UP THE CHANGE

- Organisation must change quickly, or it will fail in the rapid change environment
- Organisation can't wait until everything is clear and sorted out before it embarks on the change as time is critical, the process is expected to be difficult and there would be a lot of uncertainty and ambiguity
- Organisation can't go fast if its employees don't move fast enough

KEY ROLES IN MAKING CHANGES IN ORGANISATIONS

Change Sponsor — Isolated

Change Agent — Squeezed

Change Target — Resistant
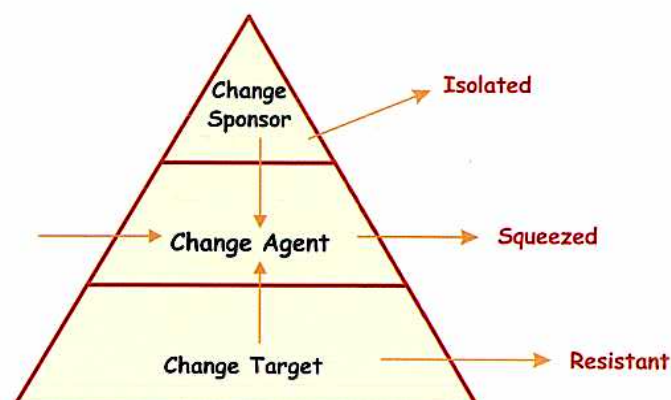
III UNDERSTANDING CHANGE

WHY PEOPLE RESIST CHANGE

People resist change when
- They are rushed
- The changes are too frequent
- They are not allowed to fall back on old ways
- They equate change with loss
- They don't know the purpose or reason clearly
- Things are imposed on them
- There is no motivation
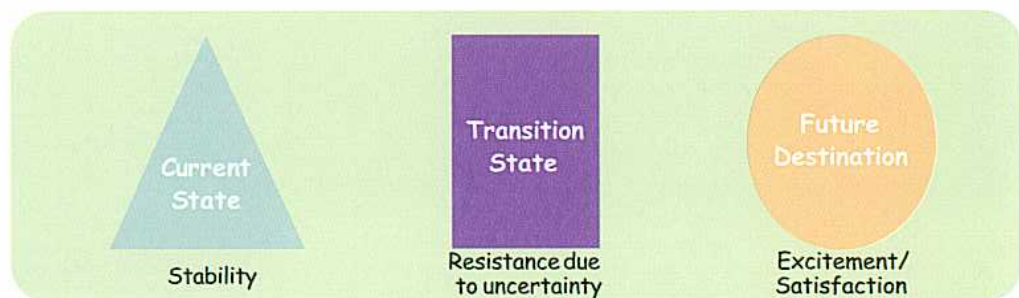
HOW PEOPLE CAN GET THROUGH CHANGE MORE EASILY

People can get through change more easily if...
- They can see a bright future after the change
- They are in great pain in maintaining the status quo
- They can manage their negative reactions and persist during the transition period when they face a lot of difficulties and uncertainties
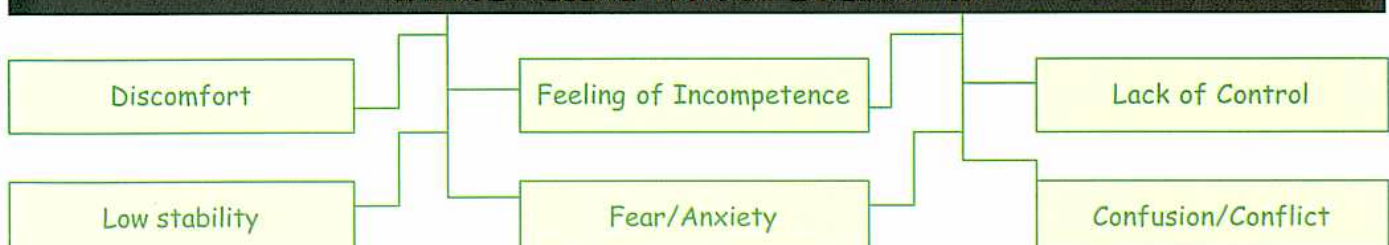
TIME TO TAKE ACTION

- Late resolution is to leave change until there is a real crisis situation e.g. serious concerns, crises, lost market share, ship is sinking
- Though the people will be more committed to change when they feel the pain, it will sometimes be too late to rescue the business
- Early resolution is to anticipate risk/opportunity and proactively make change where there is:
  - Paradigm shift
  - Technology revolution
  - Early warning e.g. deregulation, political change etc
  - Changing competition
- Organisations must operate with a strong sense of urgency and make their staff aware of the need for change at an early stage

CHANGE IS A PROCESS

Current State	Transition State	Future Destination
Stability	Resistance due to uncertainty	Excitement/ Satisfaction

The transition state is the most difficult period due to the level of uncertainty and resistance from people involved in moving from the status quo to future situations.

CHANGE = DISRUPTION OF EXPECTATION

Discomfort	Feeling of Incompetence	Lack of Control
Low stability	Fear/Anxiety	Confusion/Conflict

IV   MANAGING CHANGE AT WORK

MAJOR CHANGE PRODUCES

Resistance

- ▣ No matter if the change is perceived to be positive or negative
- ▣ Resistance: a natural attempt to slow things down to a point of manageability

RESPONSES TO POSITIVELY PERCEIVED CHANGE

- ▣ Uninformed Optimism – Feel positive and good at the beginning without thorough understanding of the new situation
- ▣ Informed Pessimism – Feel negative when fully aware of the actual difficulties
- ▣ Withdrawal – Feel hopeless and giving up
- ▣ Hopeful Realism – Analyse the situation rationally and think about what to do next
- ▣ Confidence – Try to adapt to the change situation and have increased self confidence that the change is achievable
- ▣ Fulfillment – Accept and support the change completely

RESPONSES TO NEGATIVELY PERCEIVED CHANGE

- ▣ Immobilisation – Feel shocked, confused and overwhelmed
- ▣ Denial – Do not want to face the reality
- ▣ Anger – Feel resentful
- ▣ Bargaining – Try to negotiate to minimise impact
- ▣ Depression – Feel helpless and hopeless
- ▣ Testing – Begin to try new alternatives
- ▣ Acceptance – Respond to change realistically

Source: Kuebler-Ross, 1969; Conner, 1992

04

KOTTER'S EIGHT COMMON ERRORS IN CORPORATION TRANSFORMATION
1. Allowing too much complacency
2. Failing to create a sufficiently powerful guiding coalition
3. Underestimating the power of vision
4. Under-communicating the vision by orders of magnitude
5. Allowing obstacles to block the new vision
6. Failing to create short-term wins
7. Declaring victory too soon
8. Neglecting to anchor changes firmly in the corporate culture

KOTTER'S EIGHT STEPS TO MANAGING RADICAL CHANGE
1. Establishing a sense of urgency
2. Forming a powerful guiding coalition
3. Developing a vision and strategy
4. Communicating the vision
5. Empowering the employees to act on the vision
6. Generating short-term wins
7. Consolidating gains and producing more change
8. Institutionalising new approaches

LEADING PEOPLE THROUGH CHANGE AT WORK

~ The hardest part of the change is getting people to let go of their old ways and embrace new ways of thinking, acting and behaving ~

- ▣ **Play the role as a change agent**
  - ▪ Acquire all knowledge and skills required
- ▣ **Key skills for leading change**
  - ▪ Prepare staff for change
  - ▪ Communicate about change
  - ▪ Deal with resistance
  - ▪ Increase team involvement

IV MANAGING CHANGE AT WORK

YOUR ROLE AS A CHANGE AGENT

| 1 Catalyser | 2 Process helper | 3 Solution giver | 4 Resource linker | 5 Stabiliser |
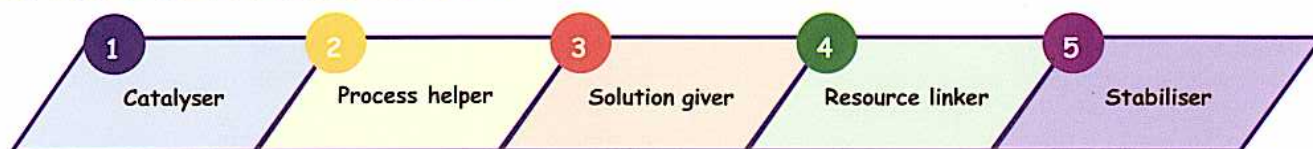
~ One of your major roles nowadays is to help your organisation change and continuously improve ~

PREPARING STAFF FOR CHANGE

- Increase staff's inner reserve and personal power to become more resilient to cope with change
- Each person's capacity to change is affected by his/her energy reserve available for coping with change
- Enhance your staff's energy reserve and personal power to prepare for constant change

INCREASING ENERGY RESERVE AND PERSONAL POWER

~ An ounce of prevention is worth a pound of cure ~

- Establish a positive attitude towards change
- Constantly develop new skills
- Create own security
- Create supportive network

05

ACTIONS FOR EACH STAGE

1. Denial ▪ Assure change will take place ▪ Tell more about the change and the new expectations ▪ Allow time to sink in	3. Adaptation ▪ Involve participation in implementing the change ▪ Coach the new skills/attitude needed
2. Resistance ▪ Show acceptance and support ▪ Listen, be empathetic and show support	4. Commitment ▪ Report progress and provide feedback ▪ Celebrate and reward success

COMMUNICATING ABOUT CHANGE

- Determine when is the good time to announce the change
- Represent the company
- Choose the right way to announce the news as it makes the difference
- Ensure the staff understand the reasons to change and the visions of the change
- Communicate through discussion
- Deal with the staff's feelings and concerns

COMMUNICATION DURING CHANGE

- Announce a change
- Provide new information and clarification
- Provide emotional support and encouragement
- Involve the staff in implementing the change and problem solving
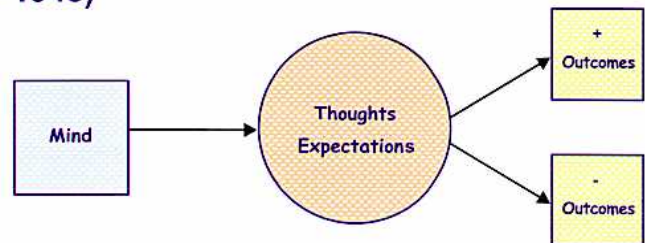- Inform of progress and provide feedback

IV MANAGING CHANGE AT WORK

ANNOUNCING A CHANGE

1. **Meet the whole group**
   - Meet the individual who will be negatively affected if appropriate
2. **Communicate clearly about the change**
   - What is the change
   - Reasons
   - Benefits
   - Likely impact
   - Details known
   - Details not known

3. **Set an open and positive climate**
   - Stay positive and be optimistic
   - Tell people the truth
   - Encourage 2-way communication
   - Acknowledge and handle feelings/responses
4. **Involve the team to plan and contribute to the change**
   - Invite suggestions in planning and implementing the change

SELF-FULFILLING PROPHECY (MERTON–1948)

- Create positive outcomes or successes by adopting positive thinking and expectations

GETTING YOUR MESSAGE ACROSS

1	**Situation**	**Results**	3
	What has happened? What issues do we need to address?	The change and the effect	
2	**Feeling**	**Needs**	4
	Your feeling about the situation	What outcome do you want to see? What do you want others to do?	

DELIVERING THE BAD NEWS

- Ensure the room setting is fit and safe
- Control your emotion
- Use a calm tone
- Show empathy
- Ensure the staff understand it is a final decision if it is non-negotiable
- Reiterate the job is eliminated due to restructure
- Keep the discussion focused
- Allow the staff to vent his/her negative feelings
- Offer help if available

RECOGNISING DENIAL

- **The staff may lack awareness or feel confused and show no response**
  - Confront the staff with information
  - Explain what is expected for the change
- **Help the staff to express his/her feelings**
  - Postpone - allow time to digest, schedule another meeting to talk over again
  - Ask open-ended questions on what the staff thinks of this change
  - Repeat the questions if the staff doesn't respond
  - Share your feelings about the change and ask the staff about his/her feelings
  - State other people's reactions and encourage the staff to talk about his/her feelings
  - Use "Broken Record" approach: Repeat again

IV MANAGING CHANGE AT WORK
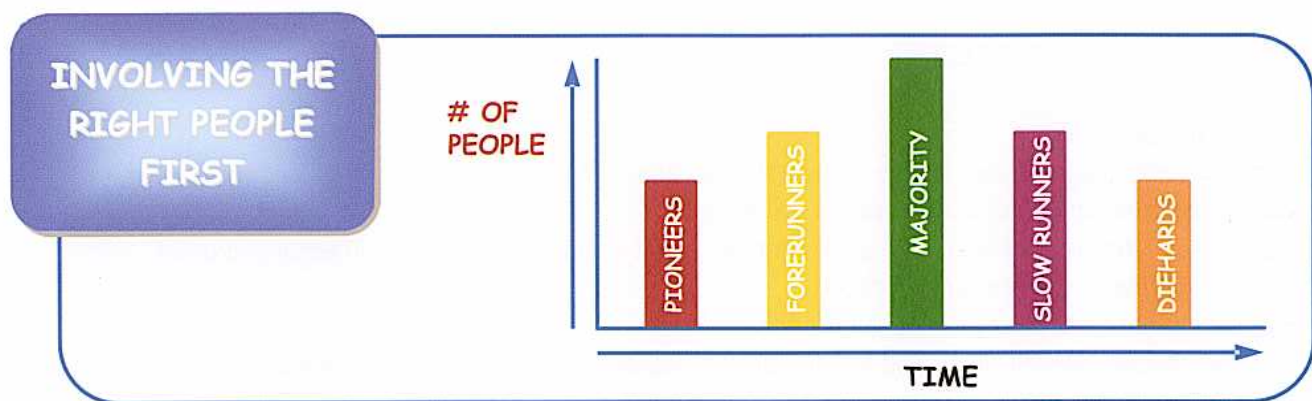
RECOGNISING SIGNS OF RESISTANCE

- Increased errors or accidents
- Increased workers' compensation claims
- Increased absenteeism
- Sabotage

- Increased medical claims
- Increased number of grievances
- Lowered productivity

RESPONDING TO RESISTANCE

1. **Surface the resistance**
   - Encourage and welcome the staff to express his/her feelings freely
2. **Honour the resistance**
   - Listen carefully and attentively
   - Acknowledge and affirm the staff's right to resist
   - Appreciate him/her for stating his/her opinion

3. **Clarify the resistance**
   - Check if it is a real resistance
   - Probe for the reasons behind the rejection
4. **Answer the resistance**
   - Reinforce the urge for change
   - Emphasise the positive sides
   - Show support and encouragement to help the staff through the change

PILOTING THE CHANGE

- **Build the critical mass**
  - When 5% of the staff adopt a change, the change is imbedded
  - When 20% adopt the change, the change is unstoppable
  - Get the Pioneer and Forerunner on board first
- **Don't waste too much effort on certain staff who are hard to change (around 10%)**
  - Some people are never able to change
  - Some staff are already occupied with their own personal problem which must be dealt with first

INVOLVING THE RIGHT PEOPLE FIRST

OF PEOPLE

PIONEERS | FORERUNNERS | MAJORITY | SLOW RUNNERS | DIEHARDS

TIME

INCREASING TEAM INVOLVEMENT

- The staff will accept change more readily if they are involved in the process
- Get the staff involved in setting goals, solving problems, sharing responsibilities and resources and planning actions
- Coach the staff in new values, skills and behaviours required for the change
- Focus your team effort on the controllable
- Participation can take many forms:
  - Quality Circles
  - Task Forces
  - Focus Groups
  - Hotlines
  - Opinion Surveys
  - Suggestion Systems
  - Brainstorming Meetings

V PROBLEM-SOLVING DURING CHANGE

USING AN ACTION APPROACH TO FOCUS YOUR TEAM EFFORT

- ▣ To gain control is to take action on things you can control in order to improve the situation
- ▣ To waste energy is to try to affect things beyond your control, you'll never feel a sense of accomplishment
- ▣ To give up is not to take action on things you could control, you act helpless and feel like a victim
- ▣ To let go is to not try to influence things beyond your control, and not feel guilty or resentful

	Cannot Control	Can Control
Take Action	Waste Energy	Gain Control
No Action	Let Go	Give Up
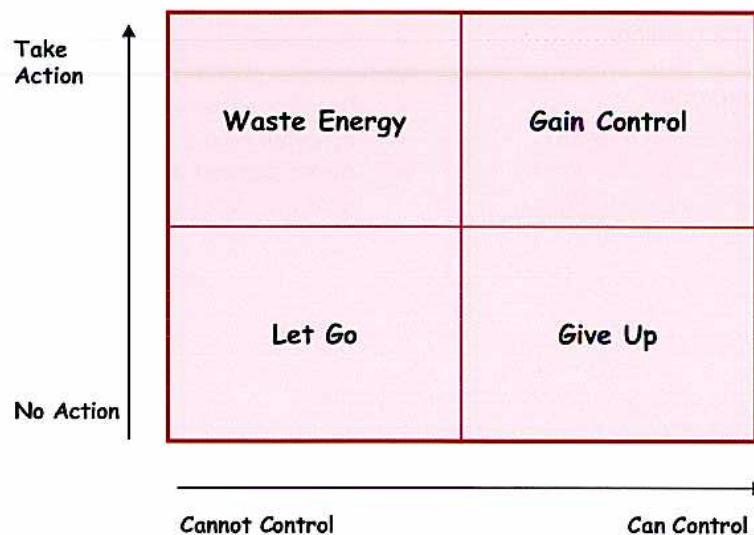
PROBLEM SOLVING STEPS

- ▣ Identify the problem
- ▣ Use Fishbone Diagram (see P.9) to find out all the causes to the problem
- ▣ Identify the root causes and the possible solutions
- ▣ Use Force Field Analysis (see P.9) to find out the positive and negative forces in achieving goals
- ▣ Set an objective in developing solutions
- ▣ Brainstorm all possible ways to overcome the barriers
- ▣ Choose the best way by rating and ranking all alternatives according to the set criteria
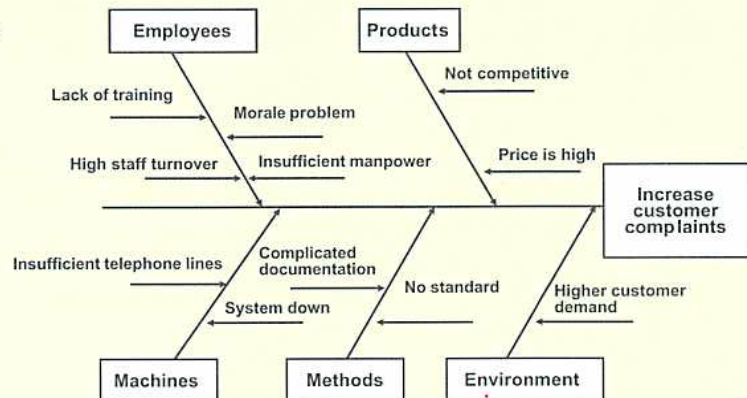
IDENTIFYING THE PROBLEM

- ▣ A gap is a variation between what is needed or expected and what is actually delivered or occurring, that impacts the customer, the process, or the profitability of the company
- ▣ As a guide to identify the problem, focus on the *ENTIRE* process and analyse the current related data
- ▣ Questions to ask
    - ▪ What is the effect of the problem?
    - ▪ How often does the problem occur?
    - ▪ How much does the problem cost?
- ▣ Data should be collected to help understand the background and the effects of the problem
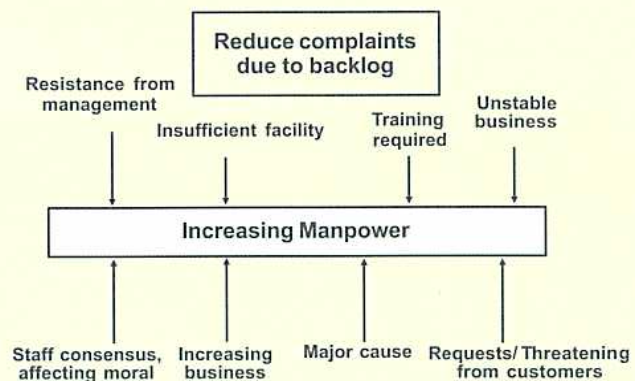
V PROBLEM-SOLVING DURING CHANGE

Fishbone Diagram

- The diagram visually categorises causes into related groups that contribute to a problem for easy analysis

- Evaluate potential causes of a problem

- Organise and relate causes to one another

- Provide structure and focus for brainstorming potential causes

Employees
- Lack of training
- Morale problem
- High staff turnover

Products
- Not competitive
- Insufficient manpower
- Price is high

Machines
- Insufficient telephone lines
- System down

Methods
- Complicated documentation
- No standard

Environment
- Higher customer demand

Increase customer complaints

Force Field Analysis

(Kurt Lewin, late 1940s)

- List on one side all the barriers that may prevent the implementation of the solution

- List on another side all the factors that favour the implementation of the solution

- Identify the greatest barrier and the most favourable factor to implement the solution

- Think and create solutions that you can use to overcome the barriers

Reduce complaints due to backlog
- Resistance from management
- Insufficient facility
- Training required
- Unstable business

Increasing Manpower

- Staff consensus, affecting moral
- Increasing business
- Major cause
- Requests/ Threatening from customers

BRAINSTORMING

- A total group effort to develop new ideas by collecting spontaneous, unrestrained contribution s by members
- Set a topic and establish guidelines and time
- Encourage participation from everyone by taking turns
- List all contributions on a flip chart to avoid duplication and to enable members to build on each other's ideas
- Members are asked to voice any ideas they can think of no matter how impractical it may seem
- No criticism, evaluation or judgment
- Quantity is more desired than quality

VI PUTTING THINGS INTO ACTIONS

A CHECKLIST FOR IMPLEMENTING CHANGE

Check the following statements to find out the areas you would need to do more in order to make the change progress better.

- ☑ Staff understand the purpose of the change
- ☑ Staff can describe the benefits of the change
- ☑ Staff believe the change is really needed and will be implemented
- ☑ Staff have a channel to express their feelings on the change
- ☑ Staff are optimistic about the impact of the change
- ☑ Staff believe their managers are truly supporting the change
- ☑ Staff are satisfied with the quantity and quality of communication about the change
- ☑ Staff are actively involved in the change process
- ☑ Staff are aware of their new roles and expectations on them
- ☑ Staff are equipped with the new value, skills and knowledge for the change
- ☑ Staff are rewarded for their outstanding performance on contribution to the change

ACTION PLANNING

- ☑ Work out a cooperative plan with the people involved, encourage their commitment
- ☑ Distribute copies of the plan to everyone involved
- ☑ Plan for contingencies

Action (in sequence)	Person Responsible	Resources Needed	Monitoring Means	Completion Date

REWARDING GOOD PERFORMANCE

- ☑ **Set up a reward system to**
  - ▪ Reward the staff who have good achievement in meeting the change
  - ▪ Reward the staff who have made good effort to make change happen
- ☑ **Celebrate success in progress**
  - ▪ Boost team morale by holding some public ceremonies to recognise their success or breakthrough in key stages of the change process