Winning Over Your Internal Customers

Effective Change Management for Retailers

The only constant in the retail and consumer products industry today is change. As competition increases to cater to an increasingly finicky consumer, organizations are constantly transforming their strategies and operations to meet new needs.

But many companies sink significant time and money into organizational, process and technology changes, only to have them fail to deliver their promised returns.

Why? A lack of focus on change management. Implementing a process shift, new system or organizational change is one thing, but getting employees on board to ensure the process really takes root is quite another.

The evidence is clear: When an effective change management program is in place, projects have an 80% chance of success, according to Prosci, a leading change management research firm. But with only a poor change management program in place, that number falls to 17%.

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So what sets effective change management apart? Successful change management programs have three common traits:

1. They prepare for change by linking it to industry-specific trends and key business objectives, which helps put the change into context and bring employees on board.
2. They plan for the worst and anticipate hidden issues.
3. They place a strong emphasis on institutionalizing the change and tying it back to larger strategic goals.

Prepare: Put the change into context

Call it one of the basic tenets of human nature—people are always more willing to change when they feel in control and understand the reason for the change and how it impacts everything else happening around them.

But when undergoing significant internal changes, many retailers often focus on the change itself and not on what's driving it. In fact, showing how the change connects back to corporate strategy and broader industry trends is essential.

Without that context, the change will feel random and the individual employees will feel as if they have no control in the process.

For example, many companies are implementing omnichannel strategies that require revamping DCs, inventory tracking systems, e-commerce platforms and a host of processes across the organization. It can be difficult for employees in each functional silo to realize how these new processes or systems support the larger goal, but making that connection is critical to their buy-in—and the strategy's ultimate success.

The key here is not only developing clear linkages between change impacting a functional area and the corporate strategy, but articulating that vision, reaching alignment among key stakeholders and continuously communicating that vision to the larger employee group. It's essential to communicate the "what's in it for me" message to every employee, personalized by role, as early in the process as possible. It's also important to clearly articulate how the change in that employee's role is a critical part of the larger vision.

For example, Kurt Salmon recently worked with a $4 billion regional department store retailer who was suffering from poor inventory turns and lower margins relative to its competitors. Their competitors were making significant investments in advanced assortment analytics like localization. So when this retailer decided to implement a new strategic direction with significant merchandising and planning process and organization changes, they communicated these changes to employees in the context of the competitive and industry shifts. As a result, the organization's employees were more engaged in the process, and because they understood the pressing need for change more clearly, they were able to bring additional ideas to the table. Effective change management helped this retailer roll out and sustain these process changes. The project is on track and the retailer anticipates a 50-basis-point increase in sales and margin, producing a $21 million EBIT improvement over the next two years.

For another example, consider a multibrand footwear retailer and wholesaler implementing standardized product development and sourcing tools and processes based on industry best practices. The goal of the initiative was to increase product

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development and sourcing efficiencies. This company was struggling with an industry-wide shift of retailers and wholesalers mixing business models; its retail brands were acting more like wholesalers by selling its private-label brands to other retailers and its wholesale brands were acting more like retailers by selling directly to consumers. One of the most important reasons this implementation succeeded was leadership's relentless communication to employees and stakeholders of the reasons behind the change. Putting the change within the context of an industry shift (that would have required change sooner or later) helped this organization come to agreement and standardize new processes across the company.

Additionally, it's also essential to factor in the organization's willingness to accept change as part of the planning process. This readiness to change often starts at the top; the importance of enthusiastic, empowered sponsors cannot be overstated. One specialty apparel retailer conducted workshops with senior leadership and key business stakeholders to educate them on the changes and their benefits. This exercise prepared them to be more effective champions of the changes by establishing a shared vision and communication strategy which helped them effectively lead their employees through them.

Manage: Anticipate the worst

Of course, all changes have positive organizational aims—new tools, more automated processes to increase efficiency and a more specialized organizational structure, to name a few. But especially with positive changes, many retailers are often overconfident in how the changes will be received by their organizations and often fail to realize what issues could arise.

Identifying points of potential resistance starts with a deep examination of functional roles and the organization's culture. This will help identify and design what a company needs to put into the change management plan, including communication, training and coaching.

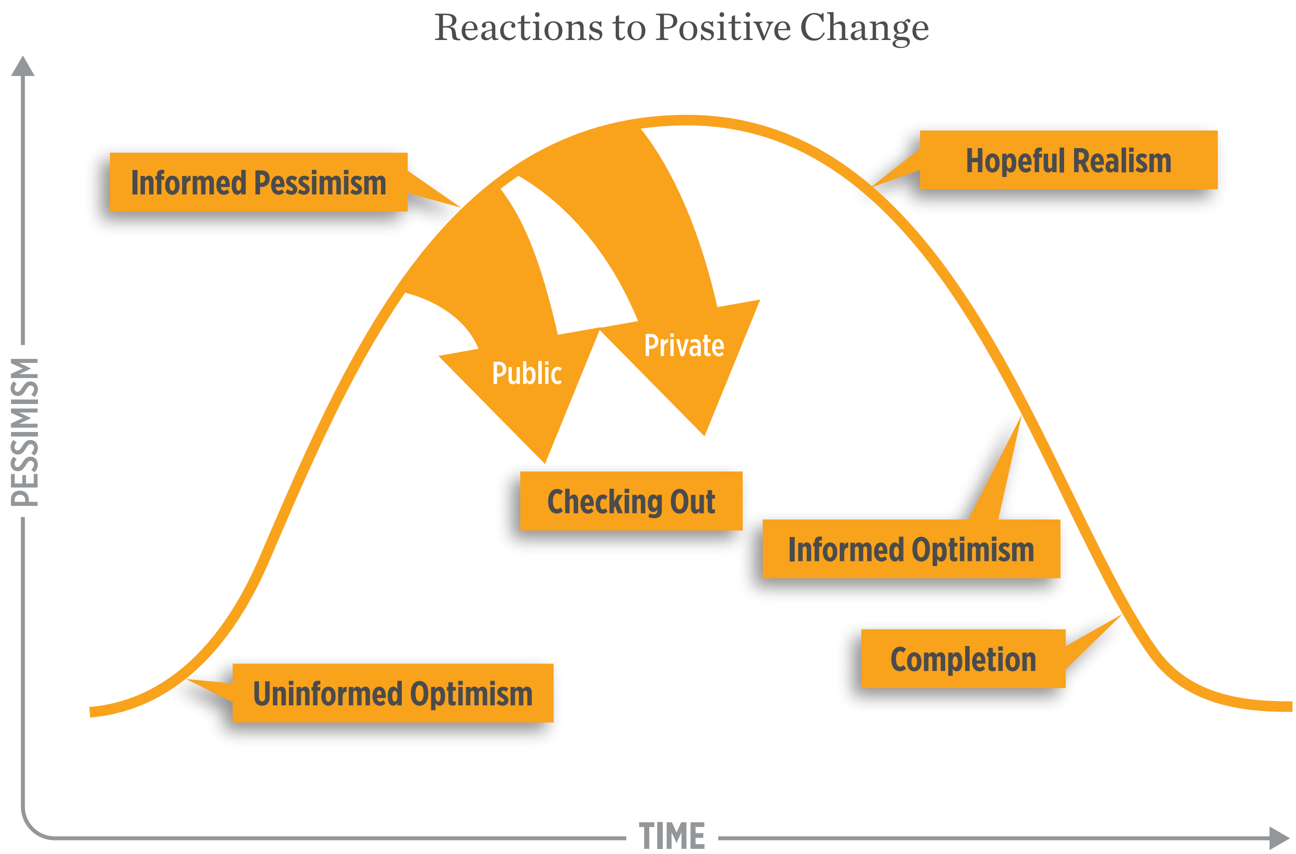
Most merchandising, product development, and sourcing organization and process transformation initiatives can benefit from this holistic perspective. For example, system or process changes that ask designers and buyers to do tasks that are not aligned with their skill set or business function can clearly cause internal friction. But an understanding of designer and buyer roles and retail culture can help organizations realize how difficult this change will be to implement before it becomes an issue.

Armed with this understanding, retailers can design new roles and organizational structures along with a change management plan that proactively manages key points of resistance: the balance of power between buyer and planner, control of the process with a new role to support analytics, data entry activities, and building the knowledge and ability of planners.

Reinforce: Link change back to the business

Change management is truly successful when it becomes not a new effort, but simply "the way things are done." But getting to that point can be challenging. Within the organization, people move at different speeds, experiencing different stages of the change at different times, which makes it hard to institutionalize. (See Exhibit 1.)

EXHIBIT 1:



Source: *Managing At the Speed of Change*

Often, retailers declare victory too soon before the change is fully embedded. Resistance can pop up at any time, and without an established structure and dedicated resources for monitoring and reinforcing the change, employees will revert to old habits or become disengaged.

To that end, it's critical to establish a structured process for monitoring and reinforcing change well beyond the immediate rollout and to develop concrete scorecards and metrics that link closely with business drivers, functional priorities and cultural values.

Leading retailers will also implement a monitoring and reinforcement plan that takes speed of change, implementation complexity and lessons learned from past projects into account.

It's also important to create quick wins and celebrate them during rollout and implementation to maintain employees' enthusiasm for the project and acknowledge internal efforts. Finally, establishing feedback mechanisms or checkpoints (i.e., town halls, functional roundtables, suggestion boxes, etc.) is essential to proactively manage resistance.

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As retailers evolve more and more to keep up with a constantly changing world, change management becomes even more important. Most implementations or process changes are major undertakings and require significant investments of time and capital. And there's only one chance to get them right. But preparing, managing and reinforcing the change within the context of broader industry trends and the organizational strategy will help ensure long-term success. From defining the vision through creating the new organization and processes and then implementing the change, deep industry expertise and change management experience can make all the difference between lasting change and a failed experiment. ❖

CASE STUDY: Effective Change Management

Issue: A $3 billion regional department store chain recently merged with several other regional department stores, leading to gaps in their merchandising and planning organization. The retailer redesigned its entire merchandising process, turning to training and change management programs to reinforce the changes.

Solution: In certain departments, the retailer provided more hands-on training and coaching to support the teams through implementation and it developed scorecards linked to each employee and his/her new process and behavior. These scorecards provided summaries to higher levels of the organization to help DMMs and GMMs identify points of resistance. This close monitoring allowed for different levels of proactive resistance management that ensured long-term adherence and understanding of the new structure and process. In contrast, other departments that didn't participate in the same level of training, monitoring and reinforcement did not understand the benefits of the change and fell short in adopting the change and in realizing its full performance benefits.

Results: The transformation helped the client consistently deliver positive comps, stave off reorganization and increase its stock price by 3,500%. The departments that underwent intensive change management continue to outperform those that did not.

AUTHORS

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