

Why Retailers Need to Change the Way They Manage Change

Key Insights

- » Retail employees are willing and able to take on change initiatives
- » Retailers aren't giving change initiatives the support necessary for success
- » Resistance to change is easily identifiable by knowing which red flags to look for
- » Change initiatives offer an unprecedented opportunity for retailers to break down existing internal silos



“On time and on budget” metrics are not enough when it comes to complex and time-consuming transformational cross-functional initiatives.

Few industries undergo as much change, and at such a rapid pace, as retail. But retailers may not be giving change the senior-level sponsorship or the thorough and consistent stewardship that it needs in order to be truly effective, Kurt Salmon concluded after conducting a survey of retailers who have embarked on change initiatives.

We surveyed a cross-section of retailers—from specialty hard lines to food and grocery, with annual revenues that ranged from under \$1 billion to more than \$5 billion—to find out how change was being managed. Survey respondents were distributed throughout the org chart, from the executive level all the way to the store. The survey consisted of 20 questions designed to assess employee perceptions of recent change initiatives.

We found that despite having a bigger appetite for change than other industries, and a greater understanding of how critical change is to success, change was not being executed effectively. Indeed, “on time and on budget,” the metrics favored by the fast-paced retail industry, are not enough when it comes to complex and time-consuming transformational cross-functional initiatives. That’s because the success of change initiatives can be measured only after the fact, in the days, weeks and months following the so-called “go-live” date. In order to ensure that the full benefits of an initiative are realized and sustained over the long term, changes must be continually and consistently reinforced until they are no longer considered to be changes at all but are simply part of the company culture. And the better one change is managed, the better the chance the next one will have of succeeding.

Retailers, in other words, would be well advised to change the way they manage change.

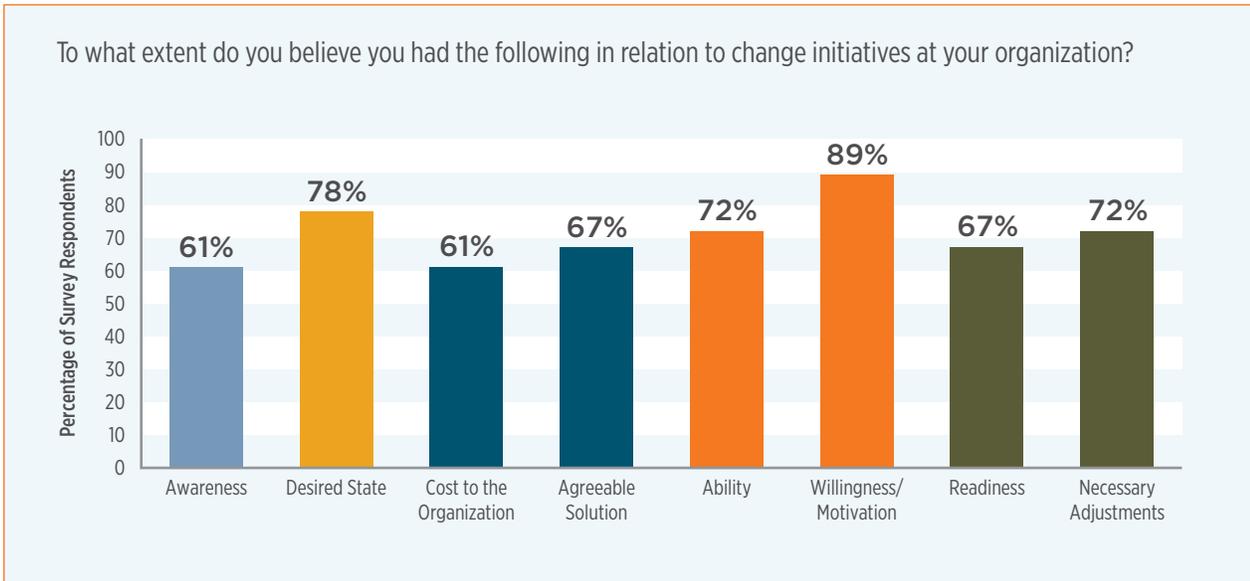
Willing and able, but not always supported

Retail is an inherently dynamic industry. Products are constantly changing in response to availability, innovation, and consumer trends and preferences, and in a bid to keep consumers interested, the way products are marketed must constantly change as well. Being fresh, being new—and being nimble—are the characteristics necessary not just to thrive, but to survive.

As such, the retail industry tends to attract people who appreciate the value of change and who see themselves as both willing and able to undertake changes when needed. The findings of our survey only served to reinforce that assessment. As shown in Exhibit 1, our survey respondents indicated that they:

- were very aware of the changes being undertaken by their organizations
- clearly understood the desired state such changes were designed to achieve
- understood, to at least a moderate extent, the cost to the organization if it failed to make such changes—whether the respondents agreed with the changes or not
- saw themselves as both able and highly motivated to accomplish the changes being asked of them
- were up for the task even though the process required them to make fairly meaningful adjustments to their own day-to-day activities

EXHIBIT 1: Respondents Indicated They Were Very Willing and Able to Make Necessary Changes



Percentage of respondents who rated themselves above 7 on a survey question scale of 1-10

In fact, in question after question, the degree to which our survey respondents expressed their eagerness to embrace change was markedly higher than those of other industries surveyed over the years, among them pharmaceuticals, manufacturing and financial services.

But much in the way that achieving the metrics of “on time and on budget” doesn’t mean a project can be declared a success, having employees who are “willing and able” to embark on a project with a high degree of change doesn’t necessarily mean it will succeed.

That’s partly due to the fact that the most enthusiastic change supporters often have an unrealistic view of how easy making a change will be. When it starts to become more difficult than expected, optimism can quickly turn to frustra-

tion, even pessimism. And in retail, where many of the initiatives currently being undertaken involve new technology, the risk of taking on a difficult project is especially high. Compared to other industries, retailers tend to be late adopters of tech, so the learning curve can be especially steep.

But the bigger reason is that change is a process, one that requires ongoing support and reinforcement from change sponsors. Without such guidance, people naturally fall back to doing things the same way they always have.

Retail change sponsors must ensure that enthusiasm and ability are recognized, nurtured and rewarded throughout the project. If not, they risk transforming supporters into detractors.

Unwilling or unable employees will virtually guarantee that a change project will fail.

The red flags: danger ahead

While having employees who are willing and able to embark on a change project doesn't mean it will succeed, unwilling or unable employees will virtually guarantee that a change project will fail, which is why it was notable that the retail employees we surveyed said that when it came to change management at their organizations (as shown in Exhibit 2):

they didn't see significant visible support for the changes, including from those at the senior management level

they didn't feel that their input was actively sought by management, and when it was, that it was viewed as valuable or influential

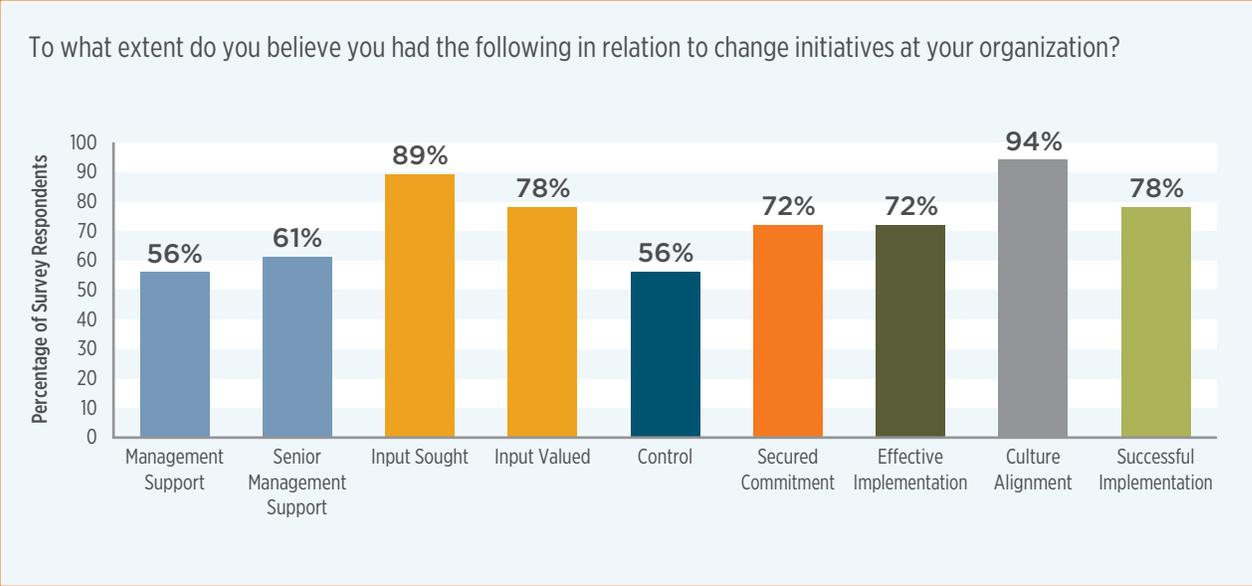
they felt that the degree of control they had over the changes taking place—their ability to decide or at least predict what would happen—was limited

they weren't confident that the organization had invested enough effort in securing the level of commitment necessary for making the changes in question

they were not convinced that those in charge of implementing the changes did so effectively

they didn't see significant efforts to address areas where the organization's culture wasn't properly aligned with the goals the changes were designed to achieve

EXHIBIT 2: Respondents Indicated Change Wasn't Being Managed Effectively



they weren't sure that the changes had reached those goals

Such results are red flags because negative perceptions indicate a decision to not support the changes being sought. And that often leads, in turn, to inaction, a subsequent failure to make the required shifts in thinking and related behaviors.

It's why at the outset of any initiative requiring a high degree of change, retailers must put into place appropriate feedback mechanisms, action plans and targeted techniques to overcome employee resistance. For example, when a \$3 billion regional department store retailer sought help in redesigning its merchandising process—which included creating and implementing a new organizational structure, defining associated roles and responsibilities, and developing and implementing a program to create consistency in planning across all divisions—Kurt Salmon identified pockets of potential resistance within the organization and set up an evaluation scorecard that alerted management if and when such resistance emerged, along with tools for overcoming it. We also established multiple forums for communication and feedback gathering throughout the change process.

Mechanisms for frequent and open communication between the executives sponsoring the change and those implementing it are particularly important, as even the most enthusiastic and skilled employees will resist change if they don't feel it's being handled properly, and they will be

especially resistant if they feel that they have little say in the matter. Everyone, after all, wants to feel like their contribution counts. And candid input and feedback from people throughout the organization can be very helpful in strengthening the plans and approaches used in the change.

Of course, not all employees will be comfortable expressing their displeasure at the changes they are being asked to implement to the people who made the decision to embark on the changes in the first place, which is one of many reasons why the involvement of a third-party firm is so critical to the change management process: Change cannot be effectively implemented and sustained over the long term if its sponsors are being told by their fellow employees only what they think they want to hear.

In the meantime, retailers should present changes to employees within a “What's In It For Me” (WIIFM) framework. Clearly articulating not just precisely how the changes will affect individual employees, but how those employees will benefit from them, will go a long way to securing their buy-in.

The higher you climb, the better the view

Notably, the impression of the change management process among survey respondents varied depending upon whom in the organization we asked. Those executing the change on a day-to-day basis, such as IT and HR employees, rated the overall effectiveness of their change management processes much less favorably than those in operations or at the executive level.

The results of our survey indicated that the higher up in the food chain you go, the brighter the impression of the change management process becomes. And yet, when sponsors actively manage and support change as part of a sustained, continuous effort, the view from those on the ground can be very positive as well.

For example, when Kurt Salmon helped a diversified, 30 billion-euro wholesaler of food, hard goods and apparel to design and implement a new stock management process and related software system, we brought not just managers but daily users on board early in the project by hosting workshops in which the principles guiding the change were clearly spelled out. Training was extensive, combining teaching, role play and hands-on sessions and covering the new process and supporting software as well as defining the new roles that employees at all levels would subsequently have.

We also actively supported users—and staved off any resistance—with 1:1 sessions to help them transition to using the new system as part of their daily activities. Not only did the client implement the new process and software in three pilot countries within two months, but users acted as multipliers throughout the organization.

In the challenge lies an opportunity

The lion's share of our survey results focused on the actions of change sponsors and implementation teams, but the interaction that takes place among retail employees—across all levels and functions—is important as well. Change cannot be effectively put into place when people work in silos.

Compared to what employees of other industries have said about their change management initiatives, however, our retail industry survey respondents indicated that:

- » there was a higher recognition of the need to work together in order to accomplish change initiatives, but
- » there wasn't as much effective collaboration among groups and individuals, and
- » there weren't as many common project goals

Such responses demonstrate the degree to which individual retailers' internal operations still consist of silos, many of which are the result of the industry's earlier bifurcation into e-commerce on one hand and brick-and-mortar on the other. Even as they invest millions of dollars to give customers an omnichannel experience—a seamless brand experience, regardless of the channel—retail organizations are struggling to remove their own internal silos.

Transformational change can be used to unite people around a common set of ways of thinking and behaviors designed to endure over the long term

Transformational initiatives offer retailers a unique opportunity to begin removing such silos. More than project management, which unites people around a common short-term goal, transformational change can be used to unite people around a common set of ways of thinking and behaviors designed to endure over the long term and, in the process, to fundamentally and sustainably alter the way retailers do business—for the better.

The only constant is change

The pace of change in retail has sped up considerably in recent years and, by any measure, will only increase in the years to come. The good news is that the capabilities and attitudes of its employees leave retailers better positioned than most industries to effectively implement change. The challenge is to provide the sponsorship and stewardship needed to sustain change initiatives for success. To get there, retailers need to consider changing the way they manage change. ♦

Kurt Salmon

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