

Managing people through change

People



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As we observe the nature of our lives in business and economy, we cannot deny that there is always a single factor that we cannot predict or control. Unfortunately, this single factor seems to profoundly influence everything we ever know in the world of business. In fact, its influence and power becomes greater as we take a step into the global, modern and digitized world of business. That single factor is change. In this paper, I will discuss how the factor of change has influenced the global financial services industry, and how change management will help them overcome the challenges. II. Changes in the Global Financial Services Sector

The global financial services sector has gone through quite a dramatic change in several of the last years. There are various factors causing the vast and deep extent of the change, which are: the development of information and communication technologies, the ageing population and the arrival of the European Monetary Union (for the European financial services sector). These changes brought in new challenges to the industry, which are forcing companies to take new initiatives in order to deal with them. Some of these initiatives include digital currencies, global e-banking, large scale mergers, etc.

All of these changes will call for huge internal changes within the financial services firms. How these new trends will influence firms' internal changes will be elaborated shortly in the following sub-chapters (Blakely, 2001). II. 1. Sector restructuring The financial services industry has witnessed considerable restructuring activities through mergers and acquisitions and also cooperation where different firms coordinate their actions for mutual benefits. This mergers and acquisitions reduced the number of financial

institutions and banks. Nevertheless, the extent of their influence differs for each region.

In the United States for example, even though cross border mergers are now allowed by the laws, consumers' preference of a more localized type of services prevented some banks to merge with one another. II. 2. Information Technology Another major driver of changes in the financial services sector is technological development. Money increasingly exists in the form of digital record and little more. Transactions are made from electronic transfers and thus E-banking becomes more popular. In United Kingdom alone, 65% of financial services customers are using internet banking.

Despite the huge faith that global digital payment system will soon be available, but there are several 'cultural' obstacles before it can be generally accepted (Arbussa, 2002. BIS, 2001). II. 3. Social Trends Another challenge facing the global financial services firms are the increasingly old population. As the baby boomer generation gets old, financial services companies, especially insurances and pension companies will be increasingly burdened by the huge claim for health problems, pensions, etc. The amount of output that has to be delivered by these companies is increasingly exceeding the amount of input towards them.

Some financial services companies started to develop the idea of private pension systems. Others indicated that even such a program is far from secure as the decline in stock market values can be very damaging nevertheless (Blakely, 2001). II. 4. Employment Issues Pressures of competition forced providers of financial services to cut their administrative costs by releasing some of their staffs. In addition to this nevertheless, these

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financial services companies need to enhance the effectiveness and efficiency of their exiting employees.

Various ideas of solution from training programs to importing professionals is being discussed. III. Theoretical Discussion In order to deal with such changes, companies need to find the right formula of change management to prevent bigger issues from emerging and disrupt the change process. There are actually various theories regarding change management, but to strengthen our focus, we should focus on one dependable theory as a guide in managing change. Among the various change management theories that exist, the force field theory by Kurt Lewin is considered as one of the most trustworthy.

According to Kurt Lewin, issues that exist within the change process is influenced by two opposing sets of forces, those seeking to promote changes and those seeking to maintain the status quo. Thus, in order to allow any change to take place, the driving forces of change must be stronger than those forces seeking to maintain the status quo. This is why Kurt Lewin developed the force field diagram. The function of this diagram is to list the powers and influences that exist within the environment of change.

A force field analysis can be performed using the force field diagram to: determine the goals of the change process, list the forces that support and hamper change, identify the existing balance of power between these forces, and then determine solutions to strengthen the supportive forces and weakened the obstacles. IV. Leadership and Culture in Change Management In order to deliver a clearer view regarding how the change management

process can be performed, I would take an example of a company which must go through a significant change process in order to boost its growth.

The company is not necessarily a company from the financial services industry because Kurt Lewin's force field concept can be applied to all companies equally. The company that I have chosen is IKEA, which is the world-leading home-furnishing company. IKEA has more than 240 stores in 30 countries. Its catalogue is produced 160 million copies annually and distributed for free. To handle the rapidly growing business, recently IKEA has been working to integrate a program called P3 into its supply chain system. This program will bring new methods and new tools to manage the supplying process.

Due to the existence of these new methods and tools, 50,000 co-workers will need to be trained and 5,500 managers will need to be coached in how to handle and support the change process. IKEA realized that they need help to be able to pull such a huge stunt successfully. Thus, it cooperated with several change management experts who introduced the 'leading the change' program for managers and trainings for the workers. In this example, we recognize that IKEA was analyzing its environment of change and realize that the forces that hampers the changes is bigger than the supportive forces.

The solution that they take is calling for help that will increase the supportive power to change. This process can be performed more formally by listing the forces that influences the change process, but nevertheless, IKEA displayed a simple implementation of the Kurt Lewin Force Field Analysis concept. Another thing that we should take notice is that some forces in the change

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environment can be more important than other factors. In the case of IKEA, the determining supportive force is leadership. Leadership is making jumpstart and becoming the generator of change ever since.

Another influential factor that comes afterwards is managing employees. Changes can only happen when most of the employees are on board with the initiative. Nevertheless, employees generally already have their own working culture that they are already familiar with. According to a study, culture in change programs is a powerful yet very poorly understood (Schein, 1992). It could be a very powerful negative factor toward the entire change process. In the case of IKEA, the company is trying to influence that culture by training and coaching.

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