

Managing Business in a Changing World

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Changing Business Environment



- In 5 months, Napster went from 1 million to 10 million users
 - In another 11 months went to 80 million users
 - Then went out of business
- Last year, 17,000 new grocery products were introduced; the average store carries 30,000 items
- The price paid by marketers for web space fell 99% in 99 days

Change in the salon/spa world



- One out of three salon professionals changed jobs last year, a national turnover rate of 33%
- 25% of all positions were filled with inexperienced workers
- Meanwhile, customer expectations continue to escalate
- How can we deliver customer service in this environment?

Challenges Affecting the Spa Industry Today

- Outmoded Compensation Plans
- Labor Shortages
- Lack of industry-wide standards for defining spa categories and best practices
- Burgeoning competition, market saturation in some markets
- Sustainability

What is Change Management?

The discipline of planning, organizing, and controlling organizational change to:

- More effectively solve current business problems
- Anticipate future business problems or opportunities

Changes in Your Business



QUESTIONS:

- What changes are you trying to implement or deal with in your business?
- What are the greatest challenges or obstacles in implementing the change?
- What are you relying on (enablers) to ensure the change happens?

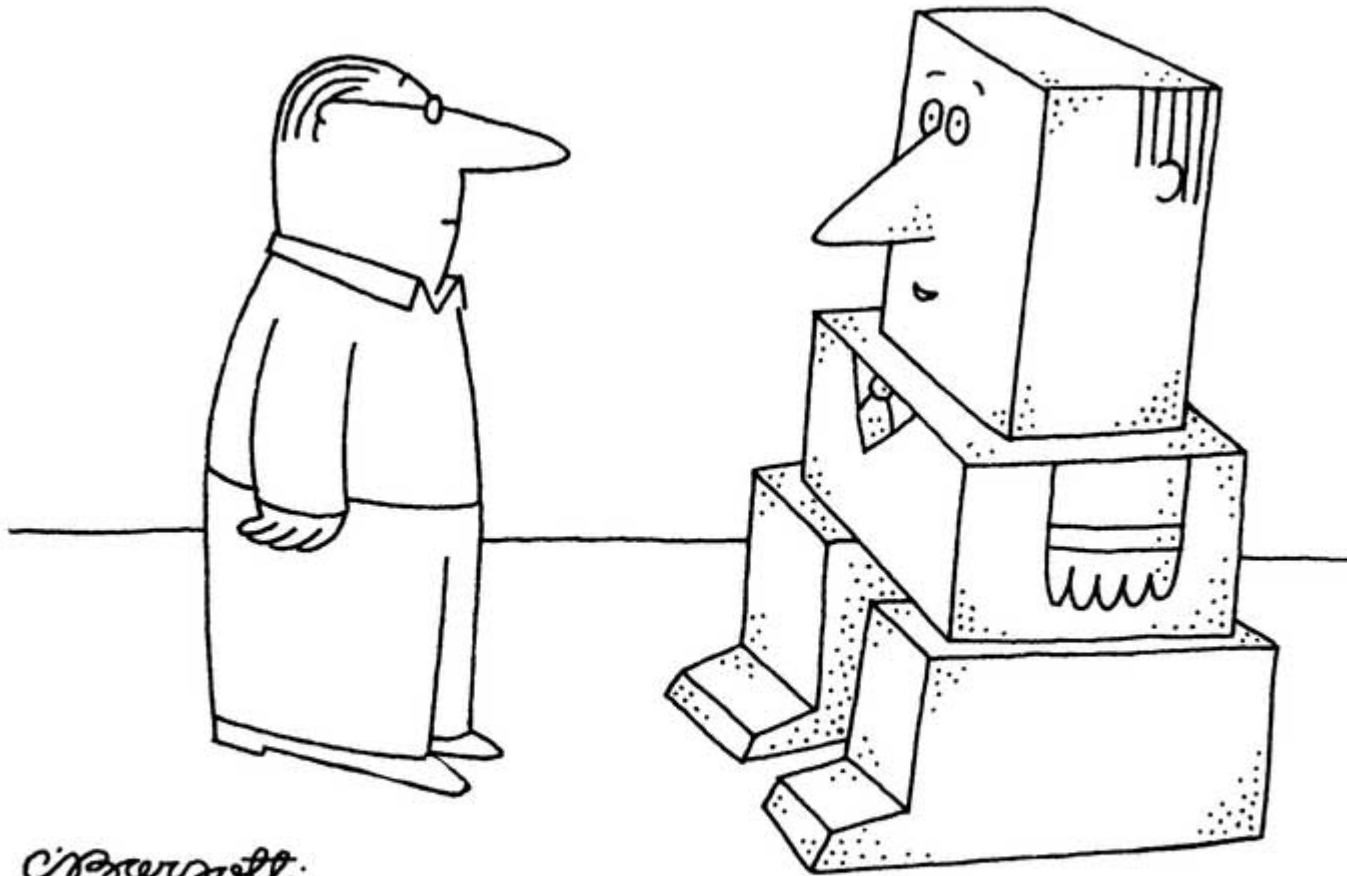
Barriers to Change



- Arrogance about our success
 - “If it ain’t broke, don’t fix it”
- Denial that we are in trouble
 - Boiled frog syndrome
- Risk aversion, learned apathy
 - “We tried that before and it didn’t work”
 - “That’ll never fly around here”
- Owner vs. employee accountability

Barriers to Change *continued*

- Entrenched industry practices
- Employee resistance to change
 - Passive resistance (“wait and see”)
 - Active resistance
- Lack of follow-through
 - Creates “snap-back”
 - Makes employees skeptical about the next change
- Lack of leadership than can inspire followership



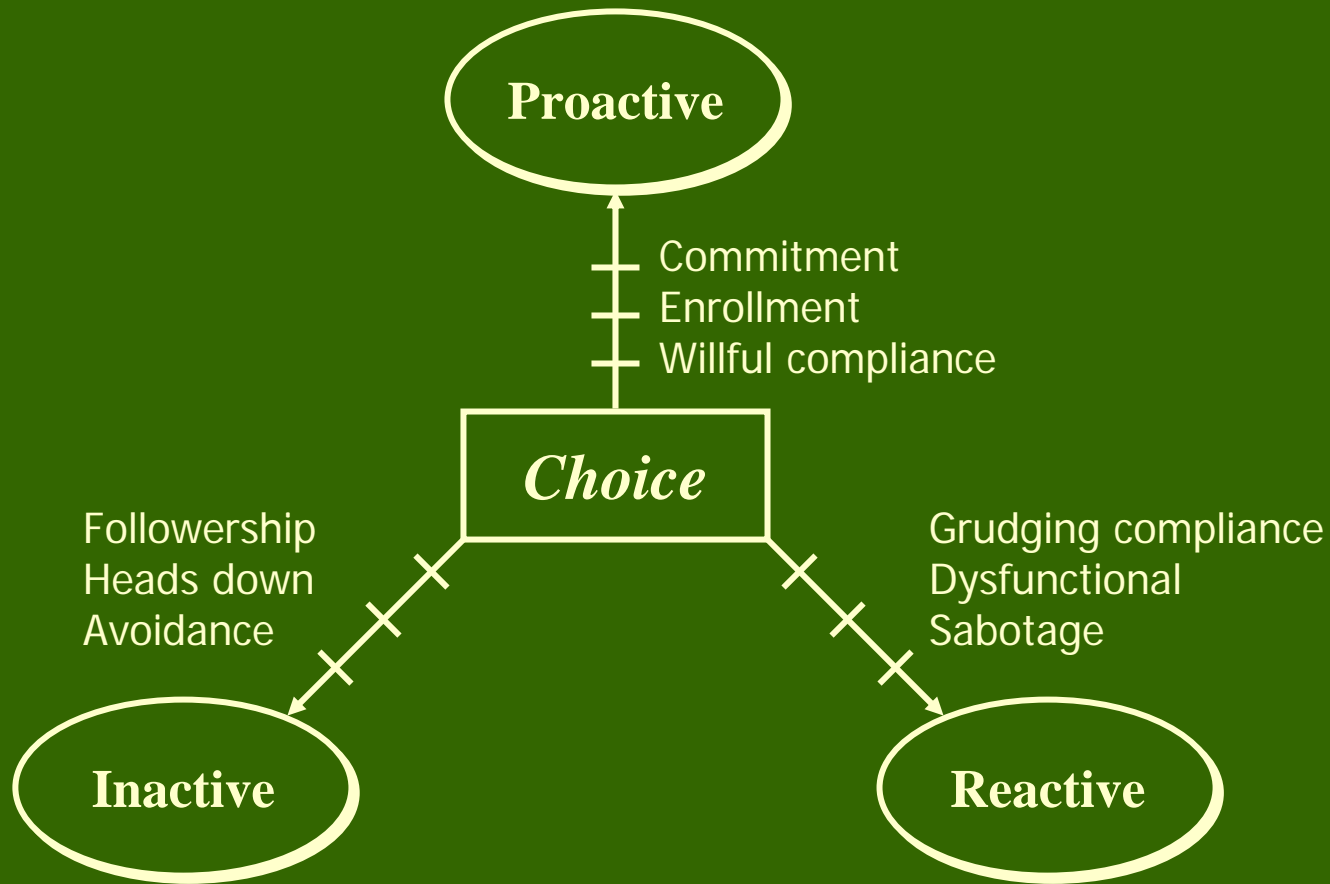
Cervoni:

“No, I’m the candidate you can trust—the other guy is the candidate of change.”

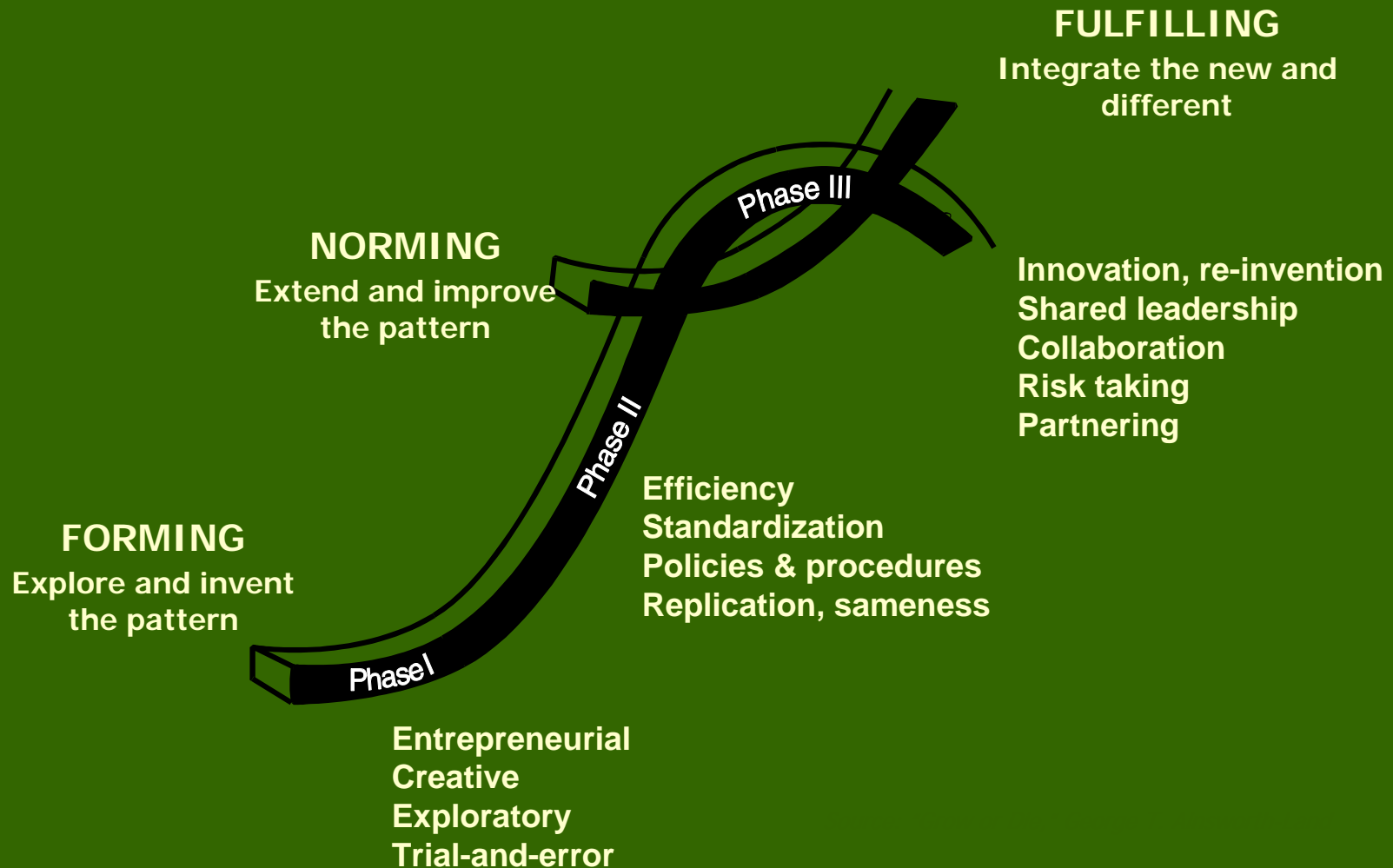
Staff reactions to change

- Disengagement ➡ “Quit and stay”
- Disidentification ➡ “I used to be somebody”
- Disorientation ➡ “Where do I fit in?”
- Disenchantment ➡ “Ain’t it awful”

How Employees React to Change



Change Is Both Natural and Inevitable



Why Do We Resist Change?



Act like victim

Act like owner



Focused on loss, threat

Focused on gain, opportunity

Control
Autonomy
Power
Influence
Position
Status

Money
Work environment
Entitlement
Future or career
Friends,
colleagues

What Can You Do? Enablers of Change



- Provide strong leadership
- Seek the highest level of employee involvement
- Build coalitions, find champions and “change agents”
- Practice empathy; acknowledge employee feelings of loss
- Challenge traditional assumptions: your own and your employees’!

What Can You Do? Enablers of Change *continued*



- Set realistic goals and timetables
- Follow through until the change is complete
- Look for near-term wins that build momentum and success experience

3 Keys to Managing Change

- Demonstrate Empathy
 - Understand that reactions are not logical
 - Suspend judgment, goal is to understand
- Facilitate Communication
 - Communication is not sending memos
 - Create understanding
- Encourage Participation
 - Gives staff opportunity for input and control

Empathy

- Developing empathetic relationships helps to:
 - Anticipate and plan for resistance
 - Provides support tool in times of instability
 - Allows you to plan degree of participation
 - Builds loyalty and commitment

Communication

- Poor communication
 - Destroys commitment
 - Damages morale
 - Generates resistance
 - Develops performance problems
- Communication guidelines
 - Whom – everyone who wants to know
 - What – anything that's not confidential
 - When – early and often
 - How – multiple modalities

Communication Behaviors



SIX BEHAVIORS THAT PREVENT COMMUNICATION

- Judging
- Superiority
- Certainty
- Controlling
- Manipulating
- Indifference

SIX BEHAVIORS THAT ENCOURAGE COMMUNICATION

- Description
- Equality
- Openness
- Empathy
- Problem-orientation
- Positive Intent

Participation



- Ask for input
- Seriously evaluate contributions
- Use those that are valid
- Don't use those that aren't practical, but make sure that contributors understand why
- Give credit to those whose ideas were used

Survey of Fortune 500 Companies



Top 10 Barriers

% of 500 companies

| | |
|-----------------------------|-----|
| Competing resources | 48% |
| Functional boundaries | 44% |
| Change skills | 43% |
| Middle management | 38% |
| Long IT lead times | 35% |
| Communication | 35% |
| Employee opposition | 33% |
| HR (people/training) issues | 33% |
| Initiative fatigue | 32% |
| Unrealistic timetables | 31% |

Top 10 Enablers

% of 500 companies

| | |
|-----------------------------------|-----|
| Ensuring top sponsorship | 82% |
| Treating people fairly | 82% |
| Involving employees | 75% |
| Giving quality communications | 70% |
| Providing sufficient training | 68% |
| Using clear performance measures | 65% |
| Building teams after change | 62% |
| Focusing on culture/skill changes | 62% |
| Rewarding success | 60% |
| Using internal champions | 60% |

Another Viewpoint: Why Change Efforts Fail



1. Not establishing a great enough sense of urgency
2. Not creating a powerful enough guiding coalition
3. Lacking a vision
4. Undercommunicating the vision by a factor of ten
5. Not removing obstacles to the vision
6. Not systematically planning for and creating short-term wins
7. Not anchoring changes in the company's culture
8. Declaring victory too soon

Understanding and adapting to different behavioral different styles

Social Style Summary Chart

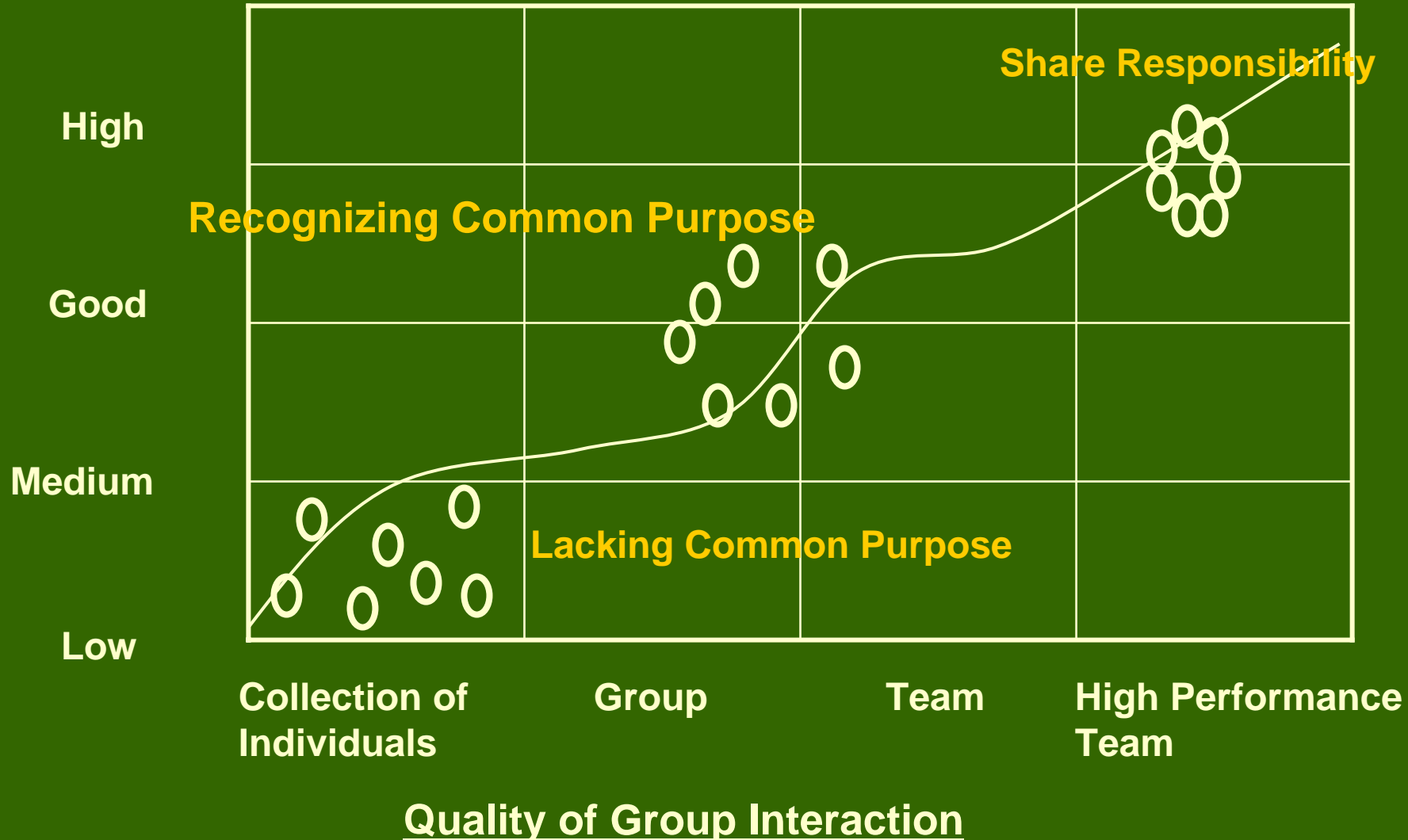
Control

| | | | |
|-----|--|---|------|
| | Analytical Low Assertive Low Responsive | Driver High Assertive Low Responsive | |
| Ask | Amiable Low Assertive High Responsive | Expressive High Assertive- High Responsive | Tell |

Emote

The Group Journey

Performance Level



Steps to follow

- Use team approach, involve everyone
- Make plans, loosely
- Be aware of timing
- Provide training and support
- Understand and work with resistance
- Expect “implementation dip”
- Change takes time

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Thank you for your attention!

Q & A with

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