



PERSPECTIVES

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CHANGE MANAGEMENT:

Dealing With Change

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Living and operating in a VUCA world

Living and operating in a VUCA (volatile, uncertain, complex and ambiguous) world can be very challenging. The need to respond to and manage change has been exacerbated by the COVID-19 pandemic, although the need to be agile and ready for change is certainly not a new phenomenon. There are many examples in today's world demonstrating that even if plans were set in place by experts in the field, data was collected from reliable sources and decisions were made by sophisticated tools, things can go wrong. And when things go wrong, changes in plans and actions to cope with the situation are inevitable. If an organisation aims to stay relevant to the market it is operating in, change is a must. Having said that, change needs to fit the overall strategic direction, thus organisations need to be sure they are ready and sufficiently mature to deal with the change.

The effect of change in the world of reinsurance

Our (re)insurance industry is not immune to change. Big change events can have a marked effect on how to manage risk exposures. When new risk areas are identified, they may be hard to quantify and price. Despite sophisticated modelling and progress in exposure and risk management, the inherent nature of risk means there is always the possibility that the industry is surprised by an unforeseen event. COVID-19 is a case in point. Additionally, we can look back to the events of September 11th almost two decades ago to see how they changed underwriting, pricing and coverage (terrorism).

Knowing that change is a constant in the wider business world and in our domain, Trust Re is pleased to publish this short article which highlights (using examples) the benefits and costs of change, how to put a framework in place and factors which are critical to ensure a successful change.

Adapting to change

A common example of readiness to change, also applicable in Trust Re, was the adoption of "Work from Home" (WFH) precipitated by COVID-19. WFH is not in itself a new concept, however, it may well become a more normal, regular occurrence for more organisations and people because it also helps to reduce operating costs. When WFH was introduced, several steps were taken to ensure that employees stay safe, yet remain productive and engaged. For instance, Microsoft Teams was launched and it is now one of the main communication tools within the organisation. Employees have realised how this tool fosters collaboration. A cross-awareness campaign between different departments which was supposed to be delivered as live interactive awareness sessions was transformed to be 100% digital by leveraging MS Teams as the key enabler.

The imperative call for change

Change is hard and it can come at a cost, but in some situations, there are no options but change; it is the only option in the list of corrective actions. The question then is to select between go/change and no-go/no-change. To answer that question, a full-fledged analysis has to be made in the sense of: What are the drivers of this change? What enablers (e.g. People, Processes, Technology) can be leveraged? How will the change be managed (from current state to action plan to future state)? What are the benefits that can be anticipated due to the change etc.?

As a result, to perform the analysis in a structured manner, a change management framework that could have different components should be used as a base:

1. Drivers / Triggers,
2. Enablers,
3. Process, and
4. Benefits.

What drives or triggers change?

These are the factors or reasons that trigger initiating a change. The size of the change will normally be determined by the scale, necessity and urgency of the trigger. For the change to happen, there are always triggers or drivers that ignite the flame of change. They come under the following categories:

- **Problem to address**
(e.g. inefficiency, delay, redundancy)
- **Risk to mitigate**
(e.g. fraudulent acts, human error)
- **Desire to change**
(e.g. idea)
- **Need to meet**
(e.g. new regulations, post-merger / acquisition)
- **Opportunity to grab**
(e.g. new trends, new technologies)

In Trust Re, there are many examples of projects that were executed under each category; one of which is the Value Added Tax (VAT) Implementation Project when VAT was introduced in Bahrain back in 2018 as a regulatory requirement (i.e. category: need to meet).

As stated earlier, the trigger is the first component of the overall change management framework. The trigger needs to be analyzed thoroughly from different angles, a business case should be developed mainly to answer the questions: what's in it for the organisation, why does it need this change and what value does it bring?

One of the basic techniques to develop a business case for initiating a change is the six serving men. It is based on the poem by Rudyard Kipling (I Keep Six Honest Serving Men).

*“I KEEP six honest serving-men;
They taught me all I knew;
Their names are What and Why and When;
And How and Where and Who.”*

This approach is one of the renowned critical thinking techniques that can be used for many purposes, one of which is initiating a change or a project to lay the foundations and enable comprehending the change from different perspectives. The approach was used in many projects before, one of which is the project Trust Re managed for a subsidiary company to revamp their processes and develop new To-Be Processes, the main objective in mind was eliminating inefficiencies.

- **WHAT** is the change to be introduced?
(problem statement)
- **WHY** is this change to be introduced?
(objectives)
- **WHEN** will the change be introduced?
(timeline)
- **HOW** will the change be managed?
(approach)
- **WHERE** will the change take place?
(scope)
- **WHO** will manage the change?
(team)
- **And WHO** will be impacted?
(stakeholders)

How to enable change

These are the perspectives that should be looked at to assess the impact and define the level of readiness required to smoothen the change and ensure its success. Hence, a deep look into the operating model components is required when a change is initiated, bearing in mind that these perspectives are integrated and cannot be assessed in isolation. For instance, if technology or new systems are to be acquired, the corresponding processes might be changed, and if the process is changed, people may require training to adopt the new process; it is a domino effect.

Perspectives for enabling change

Perspective	Impact	Readiness
People	What is the impact of the change on job descriptions, roles and responsibilities, structure, competencies required, training requirements, career path, pay, etc.?	
	What is the impact of the change on the processes?	Is the organisation / function ready for this change?
Processes	What processes are to be changed?	Are individuals ready for this change?
	What are the consequences of these changes on the other streamlined / integrated processes?	Is the technology infrastructure ready for this change?
	What controls are to be put in place?	
Technology	What is the impact of the change on the systems currently in use?	

The analysis of the three perspectives (People, Processes, Technology) was provided in one of the transformation projects which Trust Re worked on where the aim was to transfer resources from one department to another department to reduce the turnaround time, enable efficiency and minimise human errors.

With that being said, sometimes the change is bigger in scale than the operating model, and it could impact the whole business model and its key elements (e.g. key partners, key resources, key activities, value proposition, customer relationship, customer segments, distribution channels, cost structure, revenue streams), so it will not be limited to the abovementioned three perspectives. It is no secret that Digital Transformation (DX) is a hot topic these days; most organisations are setting up plans to pave the path of being digital and enable digital experience. Having said that, although digital transformation is a global trend nowadays, it should not be a driver; rather it should be considered as an enabler to change, to reinvent and rebuild the business model. As DX matures over time, it will open many possibilities to rethink the business model elements highlighted above in a way that ensures strategic alignment, value delivery and resources optimisation.

What are the steps?

In order to move from the current state (As-Is) to the future state (To-Be) an action plan must be devised then delivered on. Here many change management models can help in developing the action plan; the ADKAR change management model created by PROSCI founder Jeff Hiatt is a good example. ADKAR is an acronym that represents the five building blocks of shaping the desired change: Awareness, Desire, Knowledge, Ability and Reinforcement.

In Trust Re, the ADKAR change management model was used to revamp the employees' performance management process. We started by establishing awareness and injecting desire to change via conducting an organisation-wide survey and one-on-one interviews with a selected sample of employees. To spread knowledge, we shared the results in formal meetings in which we highlighted what went well and what went wrong and how to put stringent controls in place to resolve the issues. Then we formed a task force to assist the process owner in re-designing the process and coach the relevant stakeholders on how to apply it. We believe these steps will help in reinforcing and accepting the new process at a later stage.

Benefits

It is essential to identify the expected benefits of the change up-front. They should be documented, reviewed, monitored and reported throughout the change lifecycle to ensure value delivery (benefits realisation) in the sense of whatever identified as a gain is achieved in the time of harvest.



Critical Success Factors

To ensure a successful change, shedding light on the critical success factors for managing a change is vital, so what are those factors?

- **Management sponsorship, support and buy-in:** change is not possible without management support. If change initiatives are not sponsored by management, resistance will be high and this may cause failure in establishing readiness.
- **Catalyst (change agent):** the leader of the change who has sincere ambition, clear vision, structured roadmap, positive mindset, strong determination and communication skills.
- **Team members capability:** there is a team behind every change (catalysts or champions), this team must have the required competencies and attitude to plant the seeds of a genuine desire to change.
- **Strategic alignment:** any change initiative has to be aligned strategically with all the other initiatives in the portfolio mix, changes cannot be executed in silos, or in isolation of the overall context, changes have to be selected and prioritised to serve strategic objectives.
- **Value delivery and benefits realisation mechanism:** changes must be introduced and planned because they serve genuine purposes and aim to achieve defined intended results. In addition, considerable attention should be given to quick wins and low hanging fruits because that would help in absorbing and digesting the change.
- **Clear communication:** communication is the most important factor in project management; vertical (bottom-up and top-down) and horizontal (across functions) communication is essential throughout the change journey. Communication helps in receiving the change in small bites and thus reducing the undesirable resistance.
- **Manage risk along the way:** there is a positive relationship between changes and risks, the bigger the change, the higher the risk. Risks could be either threats (negative) or opportunities (positive). Therefore, risks should be managed appropriately: identify the risk, perform risk analysis, define risk response plan (accept, mitigate / enhance, transfer / share or avoid / reject) and monitor (always keep an eye on).

From the above, we can conclude that no industry and no corporation is immune to change or disruption. In this age of digital transformation and plethora of information, there is no option but to go with the flow and be part of the move. Standing still or not moving at all is similar in effect to moving backwards or against the current. And the (re)insurance industry's ability to adapt to change by providing new products and coverage is an integral part of reducing the protection gap. Those who do not change or are not willing to change will be left behind, they will be forgotten or their stories will be used as real case studies in change management training classes at best.

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