



CHANGE MANAGEMENT: AN INTRODUCTION

A brief introduction to change management, why it matters, and how it happens.

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Forward

Like all other industries, the property and casualty insurance industry is being buffeted by climate change, technological change, changing consumer demands and changing regulatory requirements (to name a few). The common denominator is change. Change is forcing management to re-think their “why” and their “how”. In many cases, management knows why there must be change, but scrambles to determine how to effect that change. This paper, researched and written by Karen Polsky of my office, a talented legal assistant with a background in business and customer service, focuses on the ‘how’. Her central message: *“If the team does not believe in what they are doing it, and understand why, [change] ... will not catch on, and the attempts at implementing change will inevitably fail.”*

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What is Change Management?

When an “organization undertakes projects or initiatives to improve performance, seize opportunities or address key issues, they often require changes to processes, job roles, organizational structures and types and uses of technology,”¹ they are undertaking change management. However, as will be discussed in this paper, the backbone of all change management strategies – and the deciding factor on whether it will be successful, will always be on how the plan is implemented. It is all well and good to decide that change is necessary, however if you don’t examine the strategy from the view of those who will be tasked with implementing it – your employees, the plan will likely fail. Defined by LIMRA² as the “actions that equip companies to successfully manage any kind of transformation, with a focus on people, processes, and technology”, change management is becoming increasingly vital to the continued success and profitability of businesses across all industries.

If anyone questions the importance of change management, or the dangers of not accepting and shifting to adjust a business model to an ever-changing business landscape, one needs not look much further than neighbourhood shopping centres all over North America. On any given Friday or Saturday night in the early aughts, the parking lots would be full of families making their weekly pilgrimages to

¹ Prosci. (2021). *What is change management?* Retrieved October 13, 2021, from <https://www.prosci.com/resources/articles/what-is-change-management>.

² LIMRA & BCG. (2019). *What’s on the minds of life insurance executives globally: Managing change in a customer-focused world*. <https://www.limra.com/en/newsroom/news-media/2019-whats-on-the-minds-of-life-insurance-executives-globally-managing-change-in-a-customer-focused-world-full-report/>

the glowing blue and gold lights of Blockbuster Video. When faced with the growing disruption of an up-and-coming Netflix in 2008, Jim Keyes, then-CEO of Blockbuster, said “*I’ve been frankly confused by this fascination that everybody has with Netflix ...Netflix doesn’t really have or do anything that we can’t or don’t already do ourselves.*”³ And that was just it – there wasn’t anything about Netflix that Blockbuster themselves couldn’t do – they just didn’t. Netflix is now a 628 million USD company, while Blockbuster has one store remaining in Bend, Oregon, billed as nothing more than a novelty tourist stop.

This story, although an extreme example, has been repeated in various forms over and over as the world progresses, and without an increased focus on building upon change management as a core competency, will continue to happen in industries across the board.

In a 2019 LIMRA study, one-third of life insurance executives from around the world pointed to change management as the biggest challenge they were facing⁴. As Accenture writes, “Historically, the pace of change has been slower for insurance than other financial services sectors ... By acquiring organization-wide agility and leveraging professional change capabilities, developed internally and sourced externally from key partners, insurers can professionalise change, drive premium growth and sustainably reduce costs in order to improve profitability.”⁵

Like many other financial service industries, the insurance industry is facing unprecedented levels of change in customer needs, necessary technological advances in the delivery of their services, and in the day-to-day operations of the organization and the accompanying efficiencies. Just like many other companies today, insurance companies face a choice: change, or become the next Blockbuster.

So How Does Change Management Actually Happen?

We’ve discussed what change management is and its importance, but how does one implement it? There are countless methodologies and step-by-step plans out there, but the one put forth by Prosci, a self-professed (albeit rightfully so) “global leader in change management,” seems to be the best laid out and comprehensive.

³ Siegler, M. G. (2011, April 7). *Snoozing and losing: A blockbuster failure*. TechCrunch. Retrieved October 13, 2021, from <https://techcrunch.com/2011/04/06/make-it-a-blockbuster-night/>.

⁴ LIMRA & BCG. (2019). *What’s on the minds of life insurance executives globally: Managing change in a customer-focused world*. <https://www.limra.com/en/newsroom/news-media/2019-whats-on-the-minds-of-life-insurance-executives-globally-managing-change-in-a-customer-focused-world-full-report/>

⁵ Young, A., & Davies, W. (2015). *Professionalising change in insurance*. Accenture. <https://insuranceblog.accenture.com/pov/professionalising-change-in-insurance-pov.pdf>

It is broken down into five tenets with actionable questions that businesses can ask while establishing and then implementing their change management strategies⁶:

Tenet 1: We change for a reason.

No one in history, has ever just woken up one morning and decided to change the way they conduct business on a scale as large as what is usually required when implementing a change management policy. A set of factors such as – but certainly not limited to, industry trends and profit projections will generally (or at least, should) set off warning bells and alarms signalling the need to adjust within an organization. Once this need is recognized, the following question must be asked:

“Why are we changing?”

Without a firm, clear understanding of why the change must occur, the chances of getting those most affected by these changes, namely, the employees of an organization, will never be successfully adopted. If the team does not believe in what they are doing it, and understand why, it will not catch on, and the attempts at implementing change will inevitably fail.

As we are all aware, change starts from within, and it is no different when discussing the inner workings of a company and the way they conduct business. You can proclaim from the highest mountain that “things are changing around here” or “we’re adapting to the ever-adjusting needs of our clients” as much as you want, but if your team is not going to back you up, there is no point even trying. A clear and complete reasoning of *why* the change is needed is the foundation which you will build this change upon, and you can’t build a castle on wobbly bricks.

Tenet 2: Organization change requires individual change.

As noted above, the most affected by what is being implemented will be those who must carry these changes out on a day-to-day basis. It’s easy for an executive to sit back and say that a certain change is needed for a company, but the change must be studied and understood to such a detailed extent that you are able to identify, from the smallest role in the company up to the top-floor, who’s responsibility that change will be.

“Who has to do their job different (and how)?”

If it is decided that the claims system will be moving fully automated and online, that would certainly increase efficiency and likely have a positive impact on operating expenses, however, what happens to those employees whose job it was to intake the claims previously? Do they lose their jobs

⁶ Prosci. (2021). *5 tenets of change management*. Retrieved October 12, 2021, from <https://www.prosci.com/resources/articles/5-tenets-of-change-management>.

entirely, or is there a new role they are able to take on within the organization to be part of the change, rather than be pushed out of it?

While it may seem easiest to just say that those employees are not needed anymore and to just get rid of them, the impact on morale that these changes will have must be considered. The cost of rehiring and retraining an entirely new employee will likely outweigh the cost – both literally and figuratively, of just redirecting those efforts to an employee who has been a part of the company for the past ten years.

Tenet 3: Organizational change outcomes are the collective result of individual change.

Once the individual employees' roles become newly defined and implemented, the change begins to happen. One executive in a fancy office will not ever be able to implement company-wide shifts in culture and policy leading to meaningful change. The “boots on the ground”, as it were, will be the ones working day in and day out to make the change management strategy a reality. Therefore, it is important to understand:

“How much of our outcomes depend on adoption and usage?”

If your desired outcomes rely entirely on your employees' adoption and usage of the new strategy, it is absolutely imperative that they understand: a) their new role, b) their new expectations, and c) why they are doing it. If a company can implement change without the help of individual employees, well that's great, however it does seem like a bit of a fairy tale. At the risk of sounding like a broken record, change starts from the ground up, and individuals must change before a company is able to shift in the ways we are discussing.

The importance of understanding the impact that individual change will have on the adoptability and usage of the new strategy cannot be underscored enough. Change will not happen without it.

Tenet 4: Change management is an enabling framework for managing the people side of change.

As defined previously, change management is “actions that equip companies to successfully manage any kind of transformation, with a focus on people, processes, and technology.” (CITE) Change management in its simplest form can be described as steps taken to enact change within an organization, the steps taken to align their team and day-to-day operations with the goals the company would like to reach. Therefore, when building an effective change management strategy, companies must determine how they must go about ensuring the plan is both adopted and used. Organizations must ask:

“What will we do to support adoption and usage?”

Change does not happen overnight, and there will always be bumps in the road. By determining how the company will support the adoption and usage of the change, they will better prepare both themselves and employees with support to help when questions and problems inevitably arise.

Tenet 5: We apply change management to realize the benefits and desired outcomes.

Once all the above questions are answered, with plans and processes in place to address any concerns or problems that will arise, the plan can begin to be implemented and as the strategy becomes a reality, the benefits will soon appear, along with the outcomes hoped for when this process began. It is a good motivator, for employees of all levels affected by the changes, if it is clear what the rewards of these efforts will be.

How will driving adoption and usage improve results?

Answering this question and then clearly communicating this amongst the team is important when considering the difficulties often presented by the implementation of change management strategies. As noted already, change management will have a direct impact on profitability, and an effective cost/benefit analysis can be a great way of demonstrating that both in the planning stages and later, as it will clearly show that the benefits of the new strategy will greatly outweigh the costs. If an organization can successfully answer the above stated question, it will show both the implementers of the change, as well as those tasked with carrying out the changes, of what factors are driving the push, which will only serve to further motivate the team and culture as a whole.

In Conclusion

It is my hope that the reader now has a greater understanding of why change management is important to the continued success of organizations in 2021. Without the ability to adapt to an ever-changing business environment, organizations will inevitably fail. The ability to count change management as a core competency is more important now than it has ever been before. With a properly thought out, designed, and implemented strategy, companies need not be afraid of change, instead they will find themselves embracing it and reaping the inevitable profits and rewards.