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# Change Management: The People Dimension

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# Accounting & Productivity

## Answering the big questions

Edited by
Themin Suwardy & Gary Pan

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SINGAPORE MANAGEMENT UNIVERSITY
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## Answering the big questions


**Themin Suwardy and Gary Pan**

Editors

Chang (2011) offered additional supporting evidence based on a 10 year study of accounting firms in Taiwan. He analysed the Ministry of Finance's Annual Survey of Accounting Firms in Taiwan. In this study, productivity improvements of 51 per cent were achieved primarily because of investments in IT capital (30 per cent) and human capital (6.3 per cent). Firms that make investments in computer equipment, computer software and databases, and those that have staff with higher education and work experience are shown to have greater productivity than those with lesser investments in IT and human capital.

It is clear that meaningful productivity improvements can only be achieved when firms embrace the culture of productivity in everything they do, culminating in the delivery of quality service to their clients.

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# Chapter 5
# Change Management: The People Dimension

***Gary Pan, Singapore Management University***

## Introduction

Many accounting professionals believe it is important to raise productivity in the accounting sector. A recent survey conducted by the Institute of Management Accountants (2011), however, highlighted that raising productivity, while a very important topic, can be a daunting challenge. Therefore, the urgent issue facing the accounting sector is to address the critical concern of *how accounting professionals can be more productive*?

Generally, to raise productivity, there must be a change in behaviour or way of doing things. For example, several Singapore accounting entities have enacted changes to people, process and technology in improving corporate efficiency and effectiveness. The Government Electronic Business Centre (GeBiz) initiative brought buyers, suppliers, tenderers and bidders into a common, secured, round-the clock forum that caters to more efficient public procurement and tender activities. The Accounting and Corporate Regulatory Authority's (ACRA) BizFile system has enabled company filing to be done electronically using eXtensible Business Reporting Language (XBRL). The XBRL depository can be used by businesses for data analytics and decision making.

In many of these change initiatives, managing delicate people issues is always a major stumbling block for any change programme. In particular, having executives and employees change their thinking, beliefs and behaviours is demanding and difficult. This is because change is a complex, multi-stage process rather than a silo event (Kotter, 1995) and much has to be done to create a sense of urgency, win support, and silence cynics. The sentiment is reflected in a McKinsey's global survey (McKinsey, 2006) that indicates 30 per cent of organisational transformation did not succeed. This suggests managing change effectively is no easy task and organisations must learn how to do new things better.

The objective of this chapter is to introduce several guiding principles of change management specifically relevant to the people dimension. These principles of change management are situation awareness, visioning, communication, collectivity, and assimilation and institutionalisation. The application of these principles is demonstrated by examining the case study of the Inland Revenue Authority of Singapore's (IRAS) implementation of its Inland Revenue Integrated System (IRIS) to improve its tax collection workflow and efficiency (Sia and Neo, 1998). The case is relevant because the implementation of IRIS is a large-scale change that requires managing delicate people issues and smoothing the change process. IRAS's experience can help other firms anticipate and prepare for their future change initiatives.

## Five Principles of Change Management

Exhibit 5.1 presents five principles of change management. While not all of these principles may apply in every change situation, their systematic consideration is likely to improve the quality of any change programme.


Exhibit 5.1 – A Framework of Principles of Change Management





### *The Principle of Situation Awareness*

The situation awareness principle requires that executives and employees be set in their organisational contexts, understand the situations, and recognise and accept the need to change. They have to be convinced of the reasons for change and understand what is in it for them and the consequences if change is not enacted. In other words, it is essential for both executives and employees to recognise that radical change is imperative and accept the new direction. In some cases, a strong wake-up call is useful. Executives may deliberately communicate change reasons dramatically to get employees to face up to the situation. Without a clear awareness of the situation, executives and employees may underestimate the consequences of keeping the status quo. As a result, they may not be committed to the change initiative and may find it hard to pull themselves out of their comfort zones.

### *The Principle of Visioning*

The visioning principle requires executives and employees to craft out a strategic direction for the change initiative. Without a clear and appropriate vision, a change effort may turn into plenty of misdirected plans and programmes, causing confusion and chaos within the organisation. Many organisations would assign change leaders in such initiatives who clearly see the need for change and agree that the status quo is more dangerous than launching into the unknown. Further, to boost the chances of change happening, obtaining visible backing from the most influential executives may be critical. Top level commitment is vital to getting commitment from others. It is important for change leaders to explain the purpose of the change to all of the people involved in making change happen, so that their efforts and contributions will be worthwhile to them as individuals. Besides understanding the purpose, executives must also be clear about employees' roles in the change initiative. In fact, one may even consider letting employees chart their change paths. Executives may provide the overall change direction and involve employees in coming up with the change programmes, so that employees may be more committed to the change process. One important note is that executives and employees must have faith in the vision and be motivated to make the change before one would see any change in their behaviours. Interestingly, there are apparently five forms of impact that may motivate executives and employees

(Aiken and Keller, 2009): society, customer, the company and shareholders, the working team and "me" personally. Ideally, a good change story ought to cover these five dimensions that motivate executives and employees.

### *The Principle of Communication*

The communication principle requires that executives and employees are kept informed and in-the-loop about the change initiative and progress. With complete information, executives are able to make effective decisions and employees can act in the most productive way. Usually, executives would deploy all available communication channels to broadcast the vision. They should make use of every opportunity to communicate the vision directly with employees. For example, they may write inspiring articles about the vision or turn ritualistic meetings into exciting discussions of the change initiative. The guiding principle is to talk with employees at every opportunity to discuss their concerns. More importantly, executives should strive to preserve a receptive climate for change. In many instances, persuasion may be used as a tool to promote understanding and acceptance. It is important for employees to feel that their sacrifices are worthwhile and that their accomplishments have been recognised.

### *The Principle of Collectivity*

The collectivity principle requires the participation of the executives and employees as a whole that propels the changes towards the objective. In most successful change initiatives, it is common to see the formation of alliance networks (Meyerson, 2001) or even formal "mini-advisory boards". Through alliances, individuals may gain a sense of legitimacy, access to resources, emotional support and even advice. Executives who are in positions of influence tend to form these advisory boards as people identify them as role models within the organisation. The more people change leaders engage, the likelihood of moving the change initiative is higher. One caution for change leaders or advisory board members is for them to count themselves out among the ones who need to change.



### *The Principle of Assimilation and Institutionalisation*

The assimilation and institutionalisation principle requires executives and employees to incorporate new changes into existing practice, and applying and socialising new practice with organisational values and norms. For a start, both executives and employees need to operate outside their comfort zones and accept ambiguity and adversity as part of the new status. Generally for assimilation to take place, organisations' reporting structures, management and operational processes, and measurement procedures must be in line with the new behaviours that people are asked to embrace. For institutionalisation to occur, it involves reinforcing organisational values on new changes which leads to a new set of behaviours. Most importantly, people must be able to see how the new approaches, behaviours, and attitudes have helped their own and overall organisational performance.

It is easy to forget about support and resources needed for change to take place successfully. Many companies underestimate the fact that employees are already busy with their day-to-day responsibilities and much time is needed for employees to obtain the skills they need for the change. In fact, trainings have to be included as part of the change programme and they should not be a one-off event. They should be spread over a series of learning forums. It is important for employees to learn new knowledge, and experiment and integrate it to existing practice.

## Case Study: Inland Revenue Authority of Singapore (IRAS)

This case was originally described by Sia and Neo (1998).

In 1996, IRAS embarked on an enterprise-wide organisational transformation to shift from a highly compartmentalised management structure that was based on tax types to process structures that eliminate "hand offs" across tax types. The transformation was centred on the implementation of a S$69 million Inland Revenue Integrated System (IRIS) that would allow one-stop automated processing of all tax transactions from various tax types. Notably, the technologies that were encapsulated within IRIS include workflow management, intelligent character recognition, three-tier client server, Fiber channel gateways and super local area network that helped IRAS to become one of the world's most technologically-advanced tax administrators at that time. Exhibit 5.2 shows a list of workflow improvements after IRIS implementation.

| | Before | After |
|---|---|---|
| Accessing files | Officers often had to find out which officer was holding onto the folder and wait for 2-3 days to have the folder routed to them | Multiple officers can access the same folder at the same time. These imaged documents take less than 10 seconds to retrieve |
| Composition of letters | Either type the letter with a word processor or write the letters and send them to be typed by clerks. Took up to 1-2 days | Correspondence management tool enables officers to draft letters easily by providing a selection of templates. The entire process takes 15-30 minutes or overnight (batch printing) |
| Return status inquiry | With IMS, officers could tell if a return had been received or supplied out. To ensure the physical copy of the return, they would have to manually note down the batch and entity IDs and then notify the processing centre to locate that particular return. The process could take as long as 1-2 days | With the return status dialogue, an officer can know within minutes the precise status of the return. If the officer needs to look at the return, the imaged document can be simply retrieved through Adhoc Browse dialogue in less than 10 seconds |
| Routeing of work | Whenever one officer needed to route a piece of work to another officer, he/she would leave the files in his/her Out tray. The files would be manually routed. It could take 1-2 days before the second officer received the files | The first officer simply creates a sub-work item through the Work Item Creation dialogue and routes it to the second officer to receive the item within minutes or half a day (depending on the internal work supply schedule) |

Exhibit 5.2 – Improvements in Workflow after Change (from Sia and Neo, 1998)



**Situation Awareness:** At that time, IRAS was faced with a deeply entrenched bureaucratic culture that needed revamping. A change readiness survey conducted by IRAS found that most employees were with the organisation for a long time, had little change experience, loyal only to their functional heads, narrow in their organisational view, and also hesitant to be open. Recognising the importance of addressing these concerns, the Commissioner decided that it was critical for the entire organisation to incorporate service excellence and continuous performance improvement into the IRAS culture. The aim was to transform IRAS into an excellent tax administration for the $21^{st}$ Century. Guided by an understanding of the situation, IRAS executives and employees participated actively in several focus groups to analyse the changes required within the organisation to overcome these concerns.

**Visioning:** IRAS had always strived to be an excellent tax administration, respected for its integrity, fairness and professionalism. Its executives and employees had conscientiously operationalised these high level concepts into change strategies and activities. Notably, a two-day off-site visioning workshop involving senior management, divisional heads, and a handful of younger staff was organised to shape the vision statement. According to an officer who attended the workshop: *"the workshop had a number of warm, soul-searching sessions that examined why we are where we are today and gathered what we have heard or seen and crystallised these thoughts into concrete ideas."*

**Communication:** To communicate the transformation to its staff, a variety of communication channels were established within IRAS. They include system owners meetings, staff committees, briefing sessions with division/branch heads, video production promoting IRIS, help desks, suggestion box and two internal newsletters. Many of these communication channels were useful in gathering employees' feedback and responding to their queries. In addition, at least three separate organisation climate surveys were conducted to assess employees' views on issues related to morale, training, core values, communication and leadership. Besides obtaining employee feedback, weekly integrative

Commissioner's meetings were conducted to bring all divisional heads together to identify problems, challenge ideas, and iron out operational issues. Importantly, the Commissioner also made it very clear in one of the meetings that there would be no retrenchment of any sort as a result of the transformation. The message helped to assure the staff and enhance their commitment to the change initiative.

**Collectivity:** Altogether over 100 selected staff from different levels and parts of the organisation were appointed as system officers in the change teams. These staff acted as change leaders with the purpose of "walking the talk", hence forming the core "change infrastructure" within IRAS. According to the Commissioner, *"what you need is a handful of good people to support you, a handful to support those who support you and that should be sufficient."*

**Assimilation and Institutionalisation:** An interim organisational structure was set up half a year before the IRIS implementation. The major departure from the previous structure was that the interim structure followed the reporting lines of the new organisational structure. Subsequently, an organisation migration work group was formed to manage staff expectations and morale. Weekly Commissioner's meetings were set up to coordinate across divisions and more importantly, to make sure all divisions were moving in the same direction. A lunch club was also initiated to encourage interactions between management and tax specialists, and these meetings helped to quickly identify and resolve thorny issues faced by the tax specialists. In addition, a series of training courses was organised to prepare tax specialists to handle inquiries across income tax, property tax and goods-and-service tax. Overall, new changes to information flow, authority structure, competency mapping and rewards structure within the business process were assimilated and institutionalised over time. Exhibit 5.3 provides excerpts of performance indicators before and after the change initiative that indicates a significant improvement in tax return processing time and taxpayer satisfaction.





| | Before | After |
|---|---|---|
| Tax collection | \$9.3b (FY 92/93) | \$13.4b (FY94/95), \$13.9b (FY95/96) |
| Tax return processing | 7 months | 5 months |
| Staff strength | About 1,715 | About 1,514 |
| Taxpayer satisfaction | Survey in 1991: rated among the lowest in the Civil Service | Survey in 1994: 9 out of 10 taxpayers rated service as courteous and efficient, Average walk-in waiting time <10 minutes, >90 percent successful phone inquiries |

Exhibit 5.3 – Excerpts of Performance Indicators before and after Change

## Conclusion

To raise productivity, accounting entities have no choice but to face a plethora of change-inducing pressures. These pressures affect the organisation at multiple levels and in many ways, most visibly in the form of resistance from employees. The five guiding principles of change management introduced in this chapter should improve the quality of any change program, particularly managing the people side of change. The IRAS experience has highlighted that at the heart of change, it is the pool of people resources that matters. Organisations planning enterprise-wide transformation should therefore treat people issues seriously.

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