

# Organization change: using technology to change practice

Case duration (Min): **45-60**  
 Organizational Behaviour (OB)  
 Principles of Management (PoM)  
**Organization change**  
**Managing change and innovation**

Worldwide

## Case summary:

The case can be used to investigate a variety of change management theories and concepts, though this case places emphasis on change initiation.

Organizational change is essential to guarantee long-term success within an organization. Most contemporary management scholars and practitioners agree that the amount, pace, unpredictability and impact of change are greater than ever before. Changes can take longer to implement than planned (time problems); may not live up to expectations (quality problems) or may cost more to implement than was budgeted (cost overrun problems). Perhaps more worrying, is the fact that, in relation to the three aforementioned change initiatives, failures occurred despite there being a great deal of information, advice and assistance available. There is little doubt then that managing change is both very difficult and risky. Change management requires an interdisciplinary perspective and an understanding of organisation, strategy, change, psychological and sociological theories. Before attempting to change something, managers must understand what it is they intend to change. They need to understand organisations, organisational behaviour, technology, operations, marketing and finance. Managers also need the ability to lead the organisation, coordinate, motivate and control people and other resources. They must also be aware of intervention strategies, alternative solutions and how to overcome resistance to change.

This case explores a real organizational change initiative whereby, at Lloyds, technology was used to improve outdated manual processes.

## Learning objectives:

Understand the role of leaders, managers and change agents in the change process.  
 Understand resistance to change.  
 Describe the main theoretical foundations of change management.

## Case problem:

How can change be instigated?

## Company

Insurance Brokers

Lloyd's

[www.lloyds.com](http://www.lloyds.com)

Lloyds started life in a 17th century coffee shop, providing insurance to the growing ship and cargo trade. As new markets emerged, the business evolved, introducing modern technologies and pioneering new kinds of cover. Lloyds is now the world's leading insurance market, providing specialist insurance services to businesses in over 200\* countries and territories. In 2008, Lloyds achieved a profit before tax of £1,899m. The Lloyd's market insures complex and specialist risks from oil rigs and wind farms to major airlines and private space shuttles. Threats such as global terrorism, climate change and geopolitical instability underline the need for Lloyds to remain responsive and forward looking.

How does the Lloyd's market work?

Lloyd's BROKERS bring business into the market on behalf of CLIENTS/policyholders, and shop around to determine which SYNDICATES can cover their specific risk and on what terms. Insurance is sold (or 'underwritten') by MEMBERS of Lloyds. The members provide the financial backing, known as capital, which acts as security for Lloyd's policies, to help ensure that claims are paid. A member or a group of members form a syndicate; and this syndicate is managed day to day, on behalf of its members, by a managing agent. The Corporation of Lloyd's oversees and provides services to support the market and promotes Lloyds around the world.

The basics of insurance (source:

[www.lloyds.com/About\\_Us/What\\_is\\_Lloyds/Insurance\\_for\\_beginners/The\\_basics\\_of\\_insurance.htm](http://www.lloyds.com/About_Us/What_is_Lloyds/Insurance_for_beginners/The_basics_of_insurance.htm)).

Insurance is one of the ways in which businesses and individuals reduce the financial impact of a risk occurring. Whilst an insurance policy does not remove a risk, it does provide the policyholder with some security should the worst happen. Insurance works like this : A business that provides insurance – known as the 'INSURER' – agrees to take on the risk on behalf of the business or individual concerned – known as the 'INSURED'. It does this by providing the insured with an insurance contract, sometimes called a 'POLICY'. In this contract the insurer will state

what risks it has agreed to insure against and how much it will pay if the risk happens so that the insured is placed in the same position as if the risk had not happened. The policy may also include a list of things that are not insured against, known as 'exclusions'. So for example, if someone buys insurance in case their car is stolen, the insurance may have an exclusion if the insured was careless and left the keys in the car, making it easy for the car to be stolen. In return, the insurer receives a fee from the insured, and this is called the insurance 'PREMIUM'. The insurer will collect premiums on a number of policies, pool these funds and then invest to grow this pot of money. Should any insured person make a claim on a policy, the insurer will pay out on that claim from the pool of funds. The insurer is in business to make a profit and will be hoping that the total premiums it receives in any one year, together with any money it can make by investing the funds will exceed the total claims it has to pay out. Insurers in the United Kingdom and in most countries are very closely supervised to make sure they do keep enough money to pay all their claims.

To be included in an insurance policy, a risk must be capable of being measured in monetary terms. It must also be something that is not certain to happen. So to take a very simple example, you cannot insure against the risk that the sun is going to set. That is certainly going to happen and it is not something for which you can buy insurance. Also the insured person must have a direct interest in any loss – you cannot take out life insurance on the life of a complete stranger for example. The insurer will consider all the circumstances surrounding a risk before deciding whether or not to provide insurance cover against it, and this whole process is called 'underwriting'. Underwriters are the specialists employed by the insurer to carry out this task and they will want to understand a number of aspects about the risk such as : how likely is it to happen, what steps are already taken to reduce the risk and what are the financial consequences of it happening.



Pre class activities...

prior to class, read  
The basics of insurance (source:  
[http://www.lloyds.com/About\\_Us/What\\_is\\_Lloyds/Insurance\\_for\\_beginners/The\\_basics\\_of\\_insurance.htm](http://www.lloyds.com/About_Us/What_is_Lloyds/Insurance_for_beginners/The_basics_of_insurance.htm))

10-15

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:

1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.

Consider attempting the case study as a group exercise; you could form a study group with fellow students.

3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.

Discuss questions and answers with other students.

4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

Title/  
Media type

URL/ Media description

Agent of Change at Lloyds.

[http://feedroom.businessweek.com/?fr\\_story=8ec7c3f1ae6fa9adcab29fdd3c863a9511c19435&rf=bm](http://feedroom.businessweek.com/?fr_story=8ec7c3f1ae6fa9adcab29fdd3c863a9511c19435&rf=bm)

Film

Updating a 320-year-old London insurer.

Lloyds of London needed to transform its manual practices for processing claims into a tech-driven process. CEO Richard Ward tells how he pushed for greater efficiency.

Richard Ward starts by providing context information about the unsatisfactory existing (pre 2007) state of affairs: a manual inefficient claims process that was not responsive and resulted in poor customer service.

Discussing the change process, he recognises that his first step is to create a need for change by developing a shared view of dissatisfaction with the present state. Next, a vision (technology solution) and targets for the change initiative were defined. The change implementation started with success (early adopters) but needed further initiatives to drive it through. By praising early adopters and meeting the resisters and through a variety of carrot and stick incentives he overcame resistance and created the aspiration for change.

Generating Urgency.

[http://feedroom.businessweek.com/?fr\\_story=1ef8cbe236c74bb54b5403eefef861a288a2175c&rf=bm](http://feedroom.businessweek.com/?fr_story=1ef8cbe236c74bb54b5403eefef861a288a2175c&rf=bm)

Film

To foster change, discourage complacency.

Change management expert John Kotter discusses how CEO Richard Ward created a sense of urgency for his changes at Lloyds of London, and how other organizations can learn from him.

NOTES:

## Case study questions...

Action	Pre/During/After class
<b>1 TYPES OF CHANGE.</b> There are many types of change, distinguished according to a variety of variables – you should list and describe a variety of change types and theories and then classify the changes at Lloyds.	During
<b>2 THE NEED FOR CHANGE.</b> Briefly describe the drivers or trigger for change at Lloyds.	During
<b>3 BUILDING THE NEED FOR CHANGE.</b> Once a need for change has been identified by a change initiator, it will then become important to direct the organisation's attention to change (change awareness) and gain support for such change. Critically evaluate the efforts of Richard Ward and how he went about the task of building the need for change.	During
<b>4 INITIAL CHANGE EFFORT.</b> With reference to change resistance and inertia, discuss why the initial change effort seemed to fizzle out i.e. only attracted effort from the early adopters.	During
<b>5 IMPLEMENTATION</b> Change is about replacement – one system for another, one process for another, one strategy or mission for another. There are several methods presenting options for the diffusion of changes – particularly technological changes. Discuss the options (parallel, phased, pilot etc) and identify the one you would have recommended for Lloyds	During
<b>6 ATTRIBUTES OF A GOOD CHANGE AGENT</b> With reference to Richard Ward, what qualities and attributes do you believe typical of a good change agent?	During

## CHANGE AGENT

In the context of implementation, the individual acting as the catalyst during the change process to ensure successful organizational adaptation to a new system or innovation.

## CHANGE INITIATOR

The person (s) who identifies the need and vision for and champions the change

## CHANGE MANAGEMENT

Managing process, structural, technical, staff and culture change within an organization

## EPISODIC CHANGE

organizational changes that tend to be infrequent, discontinuous, and intentional

## CONTINUOUS CHANGE

organizational changes that tend to be ongoing, evolving, and cumulative

## EMERGENT CHANGE

a view that Organisational change is a continuous process of experimentation and adaptation achieved through many small to medium sized incremental changes

## RESISTANCE

a more or less covert behaviour which counteracts and restricts management attempts to exercise power and control in the workplace.

## CHANGE MODEL

an abstract representation describing the content or process of changes

## Question/ Answer

### 1 Types of change.

There are many types of change, distinguished according to a variety of variables – you should list and describe a variety of change types and theories and then classify the changes at Lloyds.

Students may discuss:

**Discontinuous versus continuous /Revolutionary (second-order) versus evolutionary (first order) - change may occur continuously in order to improve the organisation by modifying existing systems or may take place in a more radical and fundamental way (Revolutionary). The phrase episodic change is used to group together organisational changes that tend to be infrequent, discontinuous and intentional. Such changes arise as a result of the organisation's inability to respond adequately to external environmental changes. Planned versus unplanned - planned change is a deliberate, conscious decision to improve the organisation in some manner. Organisational level: individual, group or total system - at the individual level, the focus of attention is on activities such as recruitment, replacement and displacement, training and development, coaching and counselling. At the group level, the focus is on teambuilding and self-directed work units. At the total system level, the emphasis is on organisational purpose, mission, strategy, structure or culture. Students may also discuss Intensity - the severity of the change and, in particular, the degree of shock, upset, or discontinuity created throughout the organization. In some cases there will be a need for significant (transformational) and in other cases less significant (transactional) change. Failure may arise when organisations merely conduct minor changes when more fundamental change is called for from the environment. Transformational change is a fundamental change impacting upon the whole organization (the leader, mission, strategy and culture) whilst Transactional change describes changes to components of the organization such as the structure, systems and processes.**

Students may classify the change at Lloyds as planned (anticipatory), episodic at the organizational level. Whilst the changes mainly focus on efficiency and transactional components, the change at Lloyds is quite fundamental and will affect culture through the way work is done.

### 2 The Need for Change.

Briefly describe the drivers or trigger for change at Lloyds.

In many cases, the need for change will derive from an evaluation of organisational outputs (products and services), where it operates, what it does (primary activities) and how it performs such activities (work). Some people may consider the current way of working to be ineffective or inefficient or may consider that such ways of working will become ineffective or inefficient in the future. In this case the new CEO, not complacent or resistant to change, sees opportunity to make efficiency gains by making use of technology; also sees symptoms of holistic system failure i.e. poor quality of service.

### 3 Building the Need for Change.

Once a need for change has been identified by a change initiator, it will then become important to direct the organisation's attention to change (change awareness) and gain support for such change. Critically evaluate the efforts of Richard Ward and how he went about the task of building the need for change.

Ward realised that he had first to create a sense of dissatisfaction with the present state of affairs and set about finding like-minded people in the organization. Change leaders and agents will typically form partnerships in order to increase pressures for change (see coalition building). Whilst working initially with them, some might argue that he did not use this group of people enough to cascade the need. Change leaders need to consider multiple perspectives if they are to create a consensus on the need and method of change. Not only must they consider multiple perspectives, they must also be able to influence and persuade others of the problem and possible solutions and must also be prepared to listen to others and modify their own thoughts in the process.

Creating awareness for the need for change can help make the organisation ready. Creating awareness of the need for change is normally accomplished by presenting the evidence. There are, however, other ways of heightening awareness or establishing the need for change, such as creating dissatisfaction with the status quo or creating a crisis, developing stretching goals or a vision that create dissatisfaction with the status quo or by bringing in a transformational leader who will build awareness of the need for change. One way of ensuring people recognise the need for change is to focus on the factors that may prevent such recognition or fuel resistance to change. Past success and the existing culture may well impede attempts to enhance awareness of the need for change. One of the ways to enhance the perceived need for change is to create a powerful vision for change.

#### 4 Initial change effort.

With reference to change resistance and inertia, discuss why the initial change effort seemed to fizzle out i.e. only attracted effort from the early adopters.

Sull (1999) argues that organisations may become unsuccessful as a result of inertia (doing more of the same), complacency and flawed analysis. Existing routines and capabilities, power structures, and entrenched perceptions regarding the nature of business are amongst the sources of inertia (Grant 2007:279). Once the rigidities of the status quo are known, the organization can commence and guide change.

#### 5 Implementation

Change is about replacement – one system for another, one process for another, one strategy or mission for another. There are several methods presenting options for the diffusion of changes – particularly technological changes. Discuss the options (parallel, phased, pilot etc) and identify the one you would have recommended for Lloyds

Parallel adoption is a method for transferring between an old to a new system in an organization. In order to reduce risk, the old and new system run simultaneously for some period of time after which, if the criteria for the new system are met, the old system is decommissioned. The process requires careful planning and control and a significant investment of resources. There are three other diffusion or adoption methods: 'Big-bang', phased or pilot. A big-bang approach involves transferring the entire organization from the old system to the new system in an instant changeover. In phased approaches, the organization gradually changes to a new system in different phases, per module or sub-system. Finally, the pilot approach is used for large organizations that have multiple locations or large independent departments. Changes are introduced in one of the locations or departments and extended to other locations or departments over time. Each approach involves some trade-off between costs and risk.

Students may recommend a phased approach at Lloyds – during this period some will use the older and established manual process whilst others will try the new technology. A big bang would seem too risky and parallel too expensive. The pilot approach may be an option but if they know the technology works they would need good grounds to justify this approach – may be to uncover potential problems.

#### 6 Attributes of a good change agent

With reference to Richard Ward, what qualities and attributes do you believe typical of a good change agent?

In many cases, more so with planned change, some person or group (change agent) will take responsibility for ensuring that change takes place. The change agent is any one seeking to encourage, advance, support, sponsor, implement or help to deliver change. Buchanan and Boddy (1992) list competencies of effective change agents as clarity of specifying goals, team building activities, communication skills, negotiation skills and “influencing skills” to gain commitment to goals.

### Case study references

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Kelly, P P. (2009) 'International Business and Management', Cengage Learning EMEA.

Kotter, J. (1995) 'Leading Change: Why Transformation Efforts Fail', Harvard Business Review, Mar/Apr95, Vol. 73 Issue 2, p. 59 - 67.

Kotter, J. (2007) 'Leading Change', Harvard Business Review, Jan2007, Vol. 85 Issue 1, p. 96 - 103.

Williams, A., Woodward, S. and Dobson, P. (2002) 'Managing change successfully : using theory and experience to implement change', Thomson.