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# Managing Change

by Claire Marie Burchill

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As early as 500 B.C., the Greek philoslpher, Heraclitus, recognized that nothing is permanent except change. Why is it, then, that the mere thought of changing careers, changing organizational structure or even changing one's hair color causes anxiety? The answer lies in our ability to manage or master the change. And because change is risky, actuaries, who are risk-assessors, are asked daily to predict and act upon change.

Within the work environment, change provides opportunities for employees to expand their knowledge and responsibilities. Technological changes afford us speedier access to more comprehensive data sources. Significant changes such as a merger, acquisition or reorganization are often viewed as unsettling and disruptive to the day-to-day business activities. However, these changes also create new or expanded jobs, broaden the access to new markets, and provide significant opportunities for success in the face of new challenges.

The organization that does not anticipate and take advantage of change will over or under produce by not anticipating the consumer's varying needs or the effect of foreign or domestic competition. It will suffer inadequate investment return by failing to predict and act upon changing interest rates or tax laws. As a result, it will begin to lose customers and income. Once these changes have begun, this organization will be forced into a position of playing catch-up within its industry or forced into bankruptcy.

In *Mastering Change: The Key to Business Success,* Leon Martel provides the following five-step approach to help us master change.

**(1) Recognize that change is occuring.**
Change is more likely to occur than continuity. The expectation of continuity breeds inactivity, leading to business decline and eventual failure. Recognition and acceptance of change in such areas as consumer preferences, interest rates and technology keep an organization and its emloyees alert and challenged and provide greater opportunities and likelihood for success.

**(2) Identify the changes likely to affect you.**
Changes fall into two categories:

- **Upstream:** Changes in this category affect what a business or person needs. Examples include changing labor and material costs, modifying legislation and new technology.
- **Downstream:** These changes are characterized as those that affect the environment or market for which goods and services are being created. Included are variations in attitudes and priorities and changes in education levels.

**Table 1**

Matrix to determine the amount of attention to be given to changes according to their relative importance and likelihood.

| Importance of Effect \ Likelihood of Occurrence | a – most | b – highly | c – less |
|---|---|---|---|
| 1 – most | 1 a | 1b | 1c |
| 2 – moderately | 2a | 2b | 2c |
| 3 – less | 3a | 3b | 3c |

**(3) Determine the type and probable pattern of each identified changes.**
Permanent transformations are referred to as structural changes. These are usually irreversible and have qualitative results. The movement of women into the workforce is an example of a structural change that is likely to continue.

Temporary alteration such as business cycles are called cyclical changes. The results are quantitative in nature and they typically return to their prior state or condition.

The direction of structural change is usually not constant, while cyclical changes are not. Consider the literacy rate which shows continual improvement, whereas interest rates fluctuate up and down.

In addition to type and pattern, the pace and expected duration of the change help to explain its nature.

**(4) Rank the changes by the importance of their effect and the likelihood of their occurence.**
Martel suggests a ranking system helps determine the amount of attention to be given to a particular change. The matrix in Table 1 on page 14 shows a rectangular-blended region (1a) for the changes most likely to occur with the most imortant effect. These changes warrant the most attention, while the unshaded square warrants the least.

**(5) Make use of the changes.**
Taking advantage of new situations created by change is the key to mastering the change. Martel suggests the following rules for strategic responses to stuctural changes:

- Use caution in making large scale committments of resources to mature technologies.
- Don't continue to committ to a technology when a better, competing one exists.
- Don't try to further refine a current technology when a superior one is clearly on the horizon.

For new, emerging technologies:

- Put the highest priority in discovering, creating and exploiting new technologies.
- Understand the many implications of the changes they create (opportunities as well as problems).
- New technologies will be stillborn unless markets exist for the products and services they create.

## Table 2

Examples of strategic responses to structural changes

- Become the lowest cost producer
- Diversify into other product lines or related industries
- Concentrate on higher-value-added and specialty products
- Emphasize service to gather longer term earning flow
- Consider joint ventures with other entities

Examples of tactical responses to cyclical changes

- Prepare a full cycle ahead, during upswings
- Carefully time borrowing
- Do everything possible to get more and better information
- Examine past cycles for patterns
- Calculate the effects of your actions
- Develop the capability for quick responses to change
- Understand the cyclical nature of demand/supply changes

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While these guidelines refer to technology, they are equally applicable to other consumer products and services, such as insurance and consulting.

Table 2 lists practical suggestions for mastering these two types of changes.

Change is a necessary part of our professional and personal lives. We can become the masters of change by accepting that change will occur and employing a strategy which will result in our taking advantage of every opportunity presented by change. ❑

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