COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMMS 211: CHANGE MANAGEMENT

END OF SECOND SEMESTER EXAMINATIONS

MAY 2021

LECTURER: DR FARAI CHIGORA

TIME: 7 HOURS

INSTRUCTIONS

You are required to answer questions as instructed

Choose and answer **one** question only

Start **each** question on a new page in your answer booklet

Credit will be awarded for logical, systematic and neat presentations

<u>Case Study (Shell Company)</u>

Read the following case study and answer the questions below

In 2004 Shell was facing an oil reserves crisis that hammered its share price. The situation was compounded by the abrupt departure of the oil group's chairman, Sir Philip Watts. The new group chairman, Jeroen van der Veer, believed that in order to survive, the corporation had to transform its structure and processes.

A series of global, standardised processes were identified. These, if introduced, would impact more than 80 Shell operating units. While the changes were vital to survival, they proved unpopular in the short term as some countries stood to lose market share.

The message was a tough one, and many operating units balked.

However, for a change programme of this scale to be successful, everyone had to adhere to the new systems and processes. The leadership of Shell Downstream-One, as the transformation was known, needed unflinching determination and to focus on gaining adoption from everyone involved.

Those leading the change had to ensure that the major players in all their markets knew what was required and why. They needed to be aligned with the change requirement. From the start, it was recognised that mandating the changes was the only way for them to drive the transformational growth they aimed for. This wasn't an opt-in situation.

The main message of the change team, led by van der Veer, was that simpler, standard processes across all countries and regions that benefited Shell globally trumped local, individual needs. That meant everything from common invoicing and finance systems to bigger more centralised distribution networks. By identifying and rapidly addressing the many areas of resistance that emerged – such as that some influential stakeholders stood to lose control or market share – adoption was accelerated.

The team of experts – made up of senior leaders, in-house subject matter experts, implementation consultants and external change experts – who delivered the change programme were crucial in this phase. They'd been picked because they had both technical understanding and could provide change leadership. They both modelled and drove the new behaviours needed for the change to succeed. They briefed the people who would be impacted by the change; risks and potential problem areas were discussed and mitigated – before any real change was even delivered.

In all major change programmes, there's always the danger that change management gets delegated; leaders distance themselves from the challenge of implementing the priorities they once championed. That can cause the initiatives to fail. In Shell's case, however, the change leadership started and finished with Jeroen van der Veer, who never drew back from emphasising how important full implementation of Downstream-One would be.

Shell is in a significantly healthier position than when the transformation started, and by that measure the programme has been deemed a success. And the ramifications of Downstream-One continue to result in ongoing change…

There were many opportunities during the change programme for cultural misunderstandings. Counter-intuitively, this can be particularly noticeable when national or linguistic similarities give a false illusion of commonality. In fact, the cultures of the UK acquisitions were very different, they had developed as regional building societies and their footprints, portfolios and client bases were each unique. This meant that forceful and careful management would be needed to integrate the systems, processes and people in the different organisations.

Those who were going to be impacted by the change were fully briefed; risks and issues were discussed and mitigated. In-branch teams, for example, were prepared for a variety of customer responses through the transition phase. Even those who weren't likely to be impacted by consolidations were given clear messages about the future. The aim of this process was to make sure they didn't just understand the change, but that they embrace it.

In January 2010, Santander UK was launched against ferocious economic and

Among leadership teams, there tends to be two views about change. One: change is risky and means disrupting repetitive processes that leaders have been rewarded for improving over time. And two: change is something that can be delegated, like other implementation-based activities such as project management and risk.

Actually, change programmes are most successful when, as a result of external factors, there's a shared sense of urgency to deliver tangible change.

Following the 2008 financial crisis, RBS Group was ordered to sell its insurance business by European Union regulators, as a condition of RBS receiving £45bn in state aid. RBS's insurance business, led by Paul Geddes, was tasked with separating its operations from RBS Group into a standalone company, in order to be ready for either a trade sale to a competitor, or listing on the stock market.

It's a testament to Geddes, and the insurance business's leadership at the time, that they turned the opportunity into a positive exercise and used the separation process to create a viable, standalone, rebranded insurance organisation, now known as Direct Line Group. It took 18 months to separate out every single strand of the business, from customer data, to independent functions and governance. This was very much a case of operating from a burning platform.

The entire approach had to be one of controlled urgency, there was no plan B and the leadership teams embraced the need to shift their people on to the next step as rapidly and as efficiently as possible. Once the separation had been effected, the focus was on creating a new brand and rapidly building the business into a viable standalone operation.

In 2012 the board went for an IPO that turned out to be the biggest and most successful London stock market listing that year. Its success heralded the start of a new, post-crisis IPO era. The Direct Line Group's share price has continued to climb since it floated.

Questions 1

Highlight and explain the any **five** factors that have helped in transforming Shell Company to succeed in its change process. **[100 marks]**

Questions 2

Discuss any **four** transformational leadership skills that relate to the case study above informing how they have been applied for an effective change management. **[100 marks]**

Questions 3

Explain any **five** factors that might result in a failure to achieve the needed change as addressed in the case study above. **[100 marks]**

END OF EXAMINATION