

Managing Change in the Supply Chain: A Case Study

Jeanenne LaMarsh

Founder and CEO of LaMarsh & Associates

Abstract

This paper explores the issue of change management in the Supply Chain. The paper introduces a change management methodology that reduces resistance to change by addressing the critical issues of communication, learning and reward. A major transformational change project in the supply chain at Abbot Laboratories is used as a case study to demonstrate the methodology.

Background

Abbott Laboratories is a broad-based health care company focused on advancing patient care by developing innovative solutions in pharmaceuticals diagnostics, medical devices and nutritionals. Its goal is to discover, develop, manufacture and market processes and services that span the continuum of care – from prevention and diagnosis to treatment and cure.

Abbot's 2003 sales were \$19.7 billion with net earnings of \$3.5 billion. It is ranked among the top companies in the world for financial strength and workplace excellence by leading national publications.

Headquartered in north suburban Chicago, Illinois, Abbott serves customers in more than 130 countries, with a staff of 70,000 in 2002 when they launched their Supply Chain initiative located in more than 120 manufacturing, distribution, research and development and other locations. European sites include: the UK, Switzerland, Italy, Germany, Ireland, Spain and the Netherlands.

Class A Supply Chain Management

In 2002, Abbott International launched a major change within its International Operations. It made the decision to effect a large scale, transformational change in its supply chain. Key elements of

that transformation were the requirement that 103 manufacturing and commercial locations throughout the world would be certified Class A by Oliver Wight Associates, with a strong emphasis on the implementation of a global Sales and Operations Planning Process (S&OP). In addition, the entire International Operation would introduce Manugistics Demand Management technology and the associated changes in processes as well.

This change was driven by increasing customer demands, the need to align supply and demand and reduce costs. In addition, the supply chain must be supple and responsive in order to enable new products to enter the pipeline as quickly and effectively as possible.

Abbott recognised that these changes were not just changes in process and technology but would require significant changes in the behaviour of both management and the workforce and that those behavioural changes would not just be in the International Operation, but would affect the rest of the organisation that fed projects into that pipeline that serviced the entire globe.

Damian Halloran, the head of the project team tasked with the responsibility to improve successfully the supply chain, recognised early on that he had several important things he had to juggle simultaneously:

1. The introduction of new technology
2. Fundamental changes in the processes
3. Resulting changes in people's jobs, the job requirements, and the skills/knowledge required on those jobs
4. A close examination of the way people in international operations thought about the supply chain process now and how those beliefs shaped their behaviours indicated that many of those fundamental beliefs and behaviours would also have to change. In other words, the culture of Abbott International Operations would have to change.

As Mr. Halloran considered the size and scope of the job that faced him and the team he was putting together, he began to consider what resources he needed. Project management skills and a methodology was one key resource for a change affecting so many people scattered around the world and affected in so many ways.

Managing Change in the Supply Chain: A Case Study

He needed expertise in Class A and in the Demand Management requirements and implementation support for the technology. Moreover, because the implementation timeline would stretch over several years, the project was going to have to rely heavily on consistent and effective sponsorship throughout its life cycle.

In addition to the challenges of sustaining enthusiasm, visibility and support, each location would require a degree of customisation due to the varying levels of readiness for change. Mr. Halloran knew he needed one more thing as well, a way in which to deal with the potential resistance to all those changes: resistance that could slow the project down or stall it.

To that end Mr. Halloran build into his project plan a comprehensive process of dealing with the “people” aspect of this change: he built change management into this implementation process. To do that both efficiently and effectively, he engaged the services of LaMarsh & Associates, Inc., a change management consulting firm, to help him to build the action steps of a well managed change into his implementation and to develop the competencies to address the change management requirements within the project team he was assembling. The change management approach required flexibility and discipline along with a consultative approach that was easily understood and applied in order to address the unique sources, degree and type of resistance at each location.

What is change management? What does it mean when a supply chain initiative determines that it must incorporate change management into its change effort?

Change Management

Anyone who has had in their professional career a need to make improvements or changes in any aspect of the supply chain from forecasting demand to distribution knows that change is not easy for people.

Change management is the systematic and disciplined process of identifying the potential resistance to the change within the various populations of people who will be impacted by the change and building an action plan to prevent that resistance from occurring or to reduce it if it does surface.

The LaMarsh Managed Change™ model captures what needs to be addressed:

The Sources of Resistance

The Stages of Change have inherent in them the potential for resistance

- Reluctance to leave the Current State
- Reluctance to go to the Desired State
- Reluctance to go through the Delta State or the transition

The roles that are required in the change process and the skill/willingness of people to play them well can cause resistance

- Sponsors: the leadership
- Change Agents: the people responsible for the planning and execution
- Targets: the people who will have to change

Two other critical variables can cause resistance

- Failure to consider the cultural shift required and the difficulties of making that shift
- The history of previous changes and what it has taught the organisation

Reducing The Resistance

By systematically going through each of these sources of resistance for the various target populations who will be impacted by the change and capturing their potential resistance, the Change Agents can then plan a series of action steps to eliminate or reduce each of these as a source of resistance.

Communication

For example, if the problem is that people are reluctant to leave the Current State why would that be? It could be that while senior management clearly sees the problems such as the fact that the current supply chain process is causing bottlenecks at the

Managing Change in the Supply Chain: A Case Study

distribution site, for example, and understands the impact of that bottleneck on customer satisfaction, the warehouse forklift truck driver picking orders may not have that knowledge. As far as he can see, the fact that there is confusion occasionally, trucks are loaded, then have to be unloaded, and repacked is job security for him. He needs the information that the senior manager has in order to understand why not changing is NOT job security. In fact, the bottlenecks are actually a serious threat to his job. Therefore, communication is obviously one of the tools that Change Agents use to reduce resistance.

Learning

If the resistance exists because of fear of how to perform the job the new way, use the new technology; think about the job in the new way, training is the way to mitigate that resistance.

Rewards

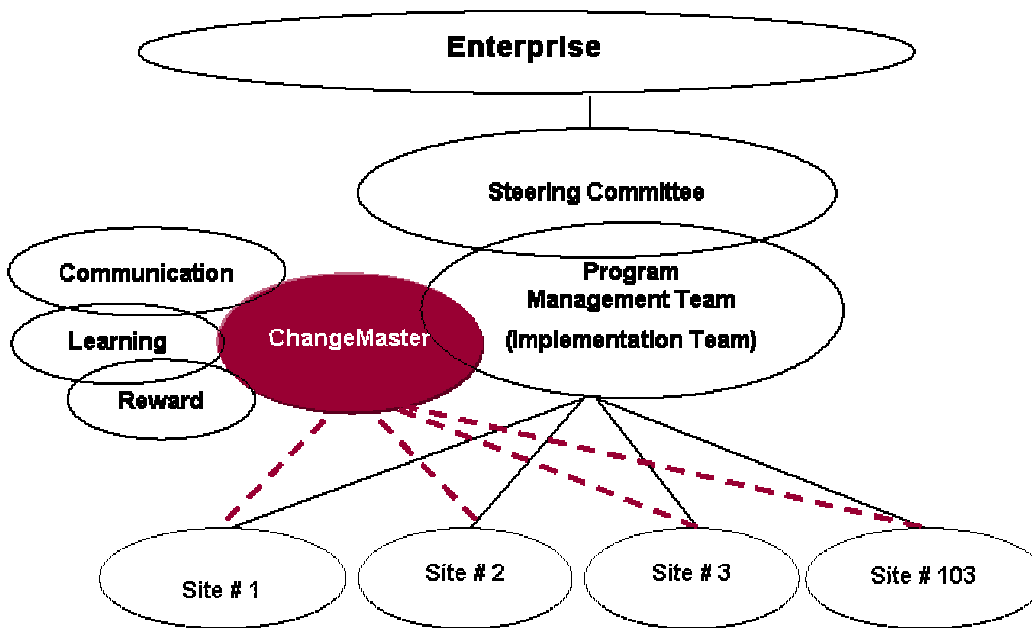
The third tool the Change Agents have to mitigate resistance is to build into the Desired State a positive reward for all the Targets affected by the change and to remove systematically the rewards for those who chose not to change.

What Did Abbott International Operations Do?

Governance

The first thing was to build the change management role into the governance structure. Mr. Halloran identified that role as a ChangeMaster and placed it in the governance structure as a separate element of the program management office: reporting to him as the Program Manager and overseeing the integration of change management into the project plan. In addition, the ChangeMaster was a resource to each of the 54 sites around the world as they addressed the improved Supply Chain changes. See Figure 1.

Figure 1: The Structure of Managed Change™



Notice that the resources for Communication, Learning and Rewards were also identified early in this process and were to work under the guidance of the ChangeMaster.

Building Knowledge and Skill

The second step was to build the skill and knowledge required by the various parts of the governance structure regarding change management.

The ChangeMasters

Helene Maye, appointed the ChangeMaster for the Class A project, was provided a deep and intensive training in change management by LaMarsh & Associates. Her certification as a ChangeMaster was intended to replicate the skill and knowledge of LaMarsh consultants so she could serve as the overall change management expert on this project over its life cycle.

Managing Change in the Supply Chain: A Case Study

As part of Ms Maye's training, an L&A consultant worked with her in the early stages of the project to set up the processes and infrastructure to address the change issues.

The Project Team

Mr. Halloran and the other member of his project team also went through a Managed Change™ workshop to educate them on the potential resistance and what their role as Change Agents was to be, working with Ms Maye as the ChangeMaster who would guide them through the process.

The Leadership

In addition, the Steering Committee also gained an appreciation of their role as Sponsors through a Leader as Sponsor workshop. Leadership plays a key role in the change process, as we know. The Steering Committee gained a deeper understanding of what they needed to do as a collective body and as functional leaders when they left the Steering Committee meeting.

The Targets of the changes required to improve the Supply Chain needed to hear from their management, not from the project team, that these changes were important and that the leadership would be supportive of people's efforts to change.

The Change Agents Across The World

As the effort rolled out across the world, each marketing, commercial, and distribution centre also received education in change management from Ms Maye. This helped them understand why resistance may occur, what data to collect and how to go about collecting that information and feeding it back to her to enable her to design the master Communication, Learning, and Reward plans to mitigate those resistance sources and to help each location build its own, customised plans to address the unique situation they faced.

The Change Management Process

With that foundation of knowledge, Ms Maye was ready to start the change management process.

Key Role Map

One of her first actions was to be sure all the Targets of these changes were identified. She built what LaMarsh called a Key Role Map to find everyone who was going to have to change. What she quickly discovered was the enormous impact the Supply Chain improvements were going to have; not only in the 54 marketing organisations and their supporting distribution centres, but also in the manufacturing operations that fed products into this pipeline. Support staff, such as Human Resources and the Finance Directors in the various locations, was going to be impacted. So were the General Managers and the administrative assistants. The range of people who were going to be Targets of this change was large. By identifying all of them, Ms Maye could then determine two things: what would the change resistance issues be of each of these populations and what did the management above them need to do as Sponsors of the changes to help them chose to change.

Infomatrix

Knowing who is going to change and what the potential sources of resistance are to change; Ms Maye then used a tool called the InfoMatrix to identify, for each of those Target populations, what the potential resistance sources might be. This preliminary assessment of the reasons for resistance and the intensity of that resistance enabled her to build the Communication, Learning, and Reward plans that would be embedded in the project plan to deal with these issues.

Figure 2 is a partial InfoMatrix showing just three potential sources of resistance and some of the Target populations. By talking to individuals, listening in on meetings where people are discussing the Supply Chain changes, and holding focus groups, Ms Maye began to get a picture of what the concerns were.

Figure 2: The Managed Change™ InfoMatrix

	The Current State	The Desired State	The Delta State
General Managers	Are very dissatisfied with the current state. Will be eager to leave it.	Are very concerned that the Desired State will take away some of the autonomy they have had as GM's.	Extremely concerned that the effort to change will cause a loss of productivity that the customers cannot and will not tolerate.
Abbott International Division Staff	Agree there is a need to change, but believe that they are okay, it is others who need to change.	Cannot picture the way things are going to be and, as a result, are experiencing some anxiety.	Have too many changes going on at the same time. Cannot prioritise them.

The Change Plans

Now she was ready to build the activities that would reduce the identified resistance.

The Communication Plan

The Communication Plan defines the events and messages that are necessary as the Targets go through the change. The plan will introduce frequent and consistent messages reiterating the need to change, what the Desired State will look like and how the change is being implemented.

Who needed what information in order to choose to support this change effort and to choose to change personally? By analysing the information on the InfoMatrix, Ms Maye was able to build a master Communication Plan for those four audiences:

- The leadership that made up the Steering Committee
- The members of the Project Team who were, themselves, targets of all this change
- The General Managers of the sites
- A generic plan for all targets.

Figure 3 is a sample of part of that Communication Plan.

Figure 3: The Overall Communication Plan – Class A Supply Chain Management

	Key Message
Steering Committee	Educate Steering Team about Class A and their role as Sponsors. Report project status, review concerns and issues, and make decisions.
	Educate Steering Team on project decisions, archive presentations, and encourage participation.
Project Team	Report out on progress and discuss issues and concerns.
General Managers	Why, what, how of Class A Supply Chain Management to generate support and discuss requirements.
	Reiterate business case for Class A and ask for feedback and support. Address implementation timeline, scope, and issues. Communicate lessons learned and experience from previous pilots
All Employees	What Supply Chain Management is about, why it is needed, and who is responsible.
	How do I get involved, what are the answers to my questions and more details about Supply Chain Management and its status as a project
	Generate enthusiasm, share information on Argentina pilot and direct interest to website and Supply Chain Management project team.
	Recognise the efforts of all participants and emphasise the business benefits and return on investment.
	Thank the affiliates for their support and affirm the business case on why Supply Chain Management is necessary.

Each site, however, would have its own unique issues, so this general plan was the foundation for the site specific plans to be built by the project teams at each location. Ms Maye worked with each site to help them build and implement their own plan.

The Learning Plan

The Learning Plan identifies specific events that provide knowledge, skill and competencies that support the Target’s effort through the Delta State and will allow him/her to be successful in the Desired State.

Learning Plans are the most well done in change projects, especially when taking advantage of the training department professionals in

Managing Change in the Supply Chain: A Case Study

the organisation? Appreciating how learning reduces resistance is an important element of the design of those plans.

The Reward Plan

The Reward Plan defines how people will be measured and rewarded in the Desired State. It also identifies how the Targets of change will be reinforced for their efforts at key milestones through the Delta State. Figure 4 is a partial example of the Reward Plan.

Figure 4 Reward Plan

	Reward/Reinforcement	Current Behaviour	Desired Behaviour
Site Employees	Letter to Site program manager copied to their manager	Actively involved with rollout	Recognised for hard work and commitment
	Celebration event	Allow the support of the process to be carried out by the affiliate	Take ownership for the ongoing support of the process.
	Certificate of achievement	Commitment of time and energy to learn	Support the ongoing training of stakeholders and innovation of the process.

Moving Through The Delta State

From early 2002 until today, the infrastructure put in place early in the Class A Supply Chain Management initiative has proven to be of great value. Leaders at the Steering Committee level, General Managers at the sites, and the workforce itself testify to the value of knowing what their role is, how to carry out that role, and the importance of addressing the change issues the Targets faced.

The Result of The Change Management Effort

Class A Sponsors developed the skill and knowledge to be effective Sponsors by increasing their visibility and demonstrating their support for each site implementation.

At each site, the change management effort helped identify and train the right resources to implement customised Communication, Learning and Reward programs based on each site's unique needs.

Jeanenne LaMarsh

That independent application of change management at each location allowed the sites to gain ownership of Class A and develop the skills to manage future changes.

Across all levels of the organisation the leadership and the Change Agents developed a solid working knowledge of the dynamics of the change process, an understanding of the value and results of effective change management and how to leverage its tools to reduce resistance and capitalise on positive changes.

The Class A Team has, to date, successfully completed the 103 location launches and the project timelines remain on target.

Jeanenne LaMarsh is the founder and CEO of LaMarsh & Associates, a consulting firm specialising in change management. She is a co-author of *Managed Change, Maximize Success* published by Chronicle, *Managing Change for Success* published by Duncan Baird. Ms LaMarsh can be reached at jlamarsh@lamarsh.com