

# Managing Change Circa 2007

*By: Fred Jaeckle*

Much has been written about managing change. Two decades ago change was something that people worried about, and had difficulty dealing with, but they had sufficient time to adapt. Back then, just when we almost had things going the way we had planned, change came along and upset the apple cart. After some procrastination, we either decided to embrace the change, or we decided to ignore the change. If we did the later (ignore change) and our business suffered we had plenty time to reverse our decision and change without endangering our business.

Now changes are a given, and the main question is how fast does change happen? In this day and age we have to run just to stay even in today's business climate. And, every year we seem to have to run just a little faster. Competition is tough out there, and when we finally get good news, concerns and vulnerabilities go along with the good news. Change happens more quickly, and with more frequency. We need to react almost immediately, or we are left in the dust and risk damaging our business.

So today, what are the changes that we see coming that we will have to deal with? First of all, we must concede that most of us don't see the change coming, and when we finally do see the change, it is already here. The reality that we are dealing with is increasing competition from newer channels (big box home centers, internet stores, and now some internet stores are opening actual brick and mortar stores). And, we can be assured other "non-traditional" flooring outlets will emerge in the future.

In addition to competition, we now have shorter, faster fashion trends which give us shorter and faster product life cycles. For the typical retail store, this translates into lost sales if you don't keep up with the trends, as well as considerably higher sample expenses as the shorter life cycle leads to styles and patterns being dropped sooner, and newer styles and patterns being introduced more frequently.

You know that you need to keep up with the latest products, patterns, and styles because consumers want style and functional flexibility and the latest technologically improved products. We also have some groups of consumers willing to buy only certain niche products such as environmentally "green" flooring, and recycled products or flooring that can be recycled.

The fact that many manufacturers have expanded their lines to offer more selection or a broader product line to the consumer is a change that we all have to deal with. For the retail store, that might mean adding showroom space, or crowding displays leading to a cluttered showroom, or inadequate open space.

And more recently we are faced with rapidly rising product and energy costs. This translates into extra work to change prices, lower margins if you have fixed contracts and quotes out to builders, higher delivery and freight charges, as well as higher heating/cooling and lighting costs in your stores.

I believe I would be remiss if I did not touch on the shortage of qualified installers, which is a situation that will continue to get worse. This is a change that has already hurt our businesses, or if it hasn't it soon will. This change is not unique to the flooring industry. All skilled trades, from carpentry to plumbing to electrical, to auto repair, are complaining about a lack of qualified workers. So we not only have competition from other flooring outlets, but we have competition for the future workers that are needed to professionally install our products to insure we have a satisfied customer. Keep in mind that it is satisfied customers that generate additional business for us both through referrals and return visits.

To summarize, some of recent changes that the flooring industry must deal with are:

- Increasing competition
- Shorter Product Life Cycles
- Broader Product Offerings by suppliers
- Consumers demanding more choice, niche products
- Increasing product costs & freight costs
- Increasing operational expenses (overhead)
- Fewer, less qualified installers

And we must consider the increasing frequency of change, and the shorter time period that we have to respond the changes.

Be assured that it is not my intent to paint a picture of gloom and doom for the independent flooring retailer. My intent is to bring awareness to the changes that we are facing and will be facing as well as the importance of quickly reacting to these changes in a positive way so that we can protect and grow our businesses.

First of all, change comes so quickly we need to deal with it promptly. The first step is to make an analysis of what impact the change will have on your business. Quantify that impact if you can in dollars (positive and negative) or in some relevant way.

For example, if energy (electric and gas) prices are going to increase 50%, look at your total cost from the last year. What is the dollar impact of the increase? Is it \$100, \$1,000, \$5,000 etc.? If the impact is an additional \$1,000 per year, and your annual sales (product only) are \$1,000,000 at a 40% margin, you would need to increase your margin by  $\frac{1}{4}$  of a percent to cover this cost.

However, assuming you are not increasing the size of your store, if you are confident your sales are expected to increase by 5% you will have an additional \$20,000 in incremental margin which you may feel is adequate to cover this increased cost. The important thing is to be aware of how this change affects you, and what it will cost you.

So how do you effectively manage change when it includes the continuous assessment of a wide range of factors? Your first step would be to do a realistic audit of the current tools you have available (such as pricing & margin). Sometimes, more intense use of your existing resources (increasing sales, changing hours, consolidating shipments, consolidating suppliers,

etc.) can be sufficient. However, if these methods don't work or are just plain impossible, then effective change management demands that you look for new solutions.

Don't forget to look for opportunities when you are confronted with change. Leaders often find opportunity in change where others see only problems. Leaders realize everyone encounters problems daily, but they don't let the daily problems obstruct your progress.

In the end it is impossible to avoid change. The key is to manage change as well as you can. To do this, understand quantify the impact of the change as well as you can, and weigh what effect complacency or inaction will have on your store. Then, take a positive action to deal with the change. Always keep change in perspective. Balance and perspective will help you succeed during change. Don't let your emotions take a roller-coaster ride every time you experience another change.

***Questions, comments, and feedback are always welcome.***

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Change is the vigor of operations.

Change is the basis for improvement.

Change is a terrifying incident to many.

Change must be managed.

The UK pensions sector (despite all its recent woes - and the inevitable gnashing of teeth and wringing of hands) - is one of the most significant sectors within the UK economy. As a result, it is fortunate to have a plethora of solutions suppliers' ever-willing to assist it. But the first step in **managing** change still has to come from within the company itself. It has to recognize that change is needed. This is often the hardest part. Once achieved, it is simply a matter of placing all the component parts of effective change management in place.

To recap, first use physical methods to release people from existing patterns. Then ensure a fully integrated and comprehensive information system is in place. In relation to benefits administration and employee communication, the pensions industry is well served in this way

as it already has access to mature, highly functional, pensions-dedicated electronic solutions and services. Finally, the logical application of solutions to the identified problems of the individual company should follow. I'm not suggesting it's easy - just that this is the process that ultimately sorts out the winners from the losers.

To cope successfully with change, keep these points in mind:

\* Don't fight change. This is easier said than done. Change can be threatening, and not all change is for the better. The 21st century leader needs to ask, "Am I resisting this change?"

When you resist change, you fall into one of three traps.

1. You start believing yesterday's solutions will solve today's problems. You can't afford this trap. Some of yesterday's solutions may work, but be flexible. Create new solutions for new problems.

2. You start believing today's trends will continue. Don't assume this. Avoid this "comfort-zone thinking," and test the limits of these trends.

3. You miss opportunities accompanying change. As a leader, your role is to recognize opportunities and take advantage of the benefits that change brings.

Ask yourself at what level and in what areas you resist change. Everyone resists change at some level. Some resistance --for example, standing up for what you believe--is acceptable. But high achievers and leaders have the courage to examine change and its effects, and take risks necessary to make change work. They know what to **change** and what not to change.

\* Understand change. You don't have to like it, but study and read about it. In times of change, what you don't know will hurt you or your credit union.

People handle change in two ways: acting and reacting. Leaders take actions rather than just react to their environment. They observe and study change, but

They don't sit around waiting for things to happen. They learn how change works and how it can affect the credit union more positively.

The first line in "A Tale of Two Cities" reads: "It was the best of times; it was the worst of times ...." That dichotomy of good and bad adds to the richness of life. Leaders recognize this. They ask, "What's the best opportunity in the midst of this change?" Constantly examine your opportunities.

The Serenity Prayer--"God grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference"--helps put change in perspective.

Succeeding with change is a major issue for leaders. Be open to the changes in your personal and work lives, and welcome these opportunities to challenge yourself to be the best you can be.