

4 Strategic Management

4.1 General introduction on Change Management and the link with Strategic Management

The rapid global changes in Customs' surroundings and the new demands that these consequently imply for Customs administrations worldwide, call for well-designed capacity building investments. As stated in the section on Strategic Management, these capacity building investments should be integrated, derived from an updated strategy, and should cover and involve all relevant people, elements and levels of the administration. This specific approach has also been called a holistic approach. A holistic approach means formulating a comprehensive picture of how the change process will proceed in the whole organization and its various parts. This is not only to be done prior to the change process, but should be monitored throughout the implementation process.

The need to use a holistic approach in the change management process derives from the multiplicity of worldwide changes that are affecting all Customs administrations. The changes that are called for not only have strong implications for Customs' processes and products & services, but also for Customs' working relations with its surroundings. One might well say that these imminent changes affect Customs' identity and organizational culture.

Using concepts from the Strategic Management toolkit, the various stakeholders and other factors that influence your Customs administration have been identified; and using the information from the WCO diagnostic reports, the strategy has been updated. Furthermore, the 7's model or the Innovation Frame could have been used to make choices for strategic action planning. Putting these action plans into practice means implementation, it means starting up or continuing an organizational change process. This chapter on Change Management offers insights and tools that will help you to actually initiate the implementation process.

There is abundant information on Change Management, including numerous articles, books and studies. Many perspectives and accompanying strategies can be found.

In the WCO Compendium the perspectives being handled are limited to two recognizable and widespread models:

- The Planned Change Management model
- The Organic Change Management model

Both models are introduced, although the Organic Change Management model is handled in more detail. By taking the Organic Change Management model as the foundation, it will be possible to illustrate the steps needed to start up a change process in order to implement the strategic action plans.

4.2 Planned Change Management

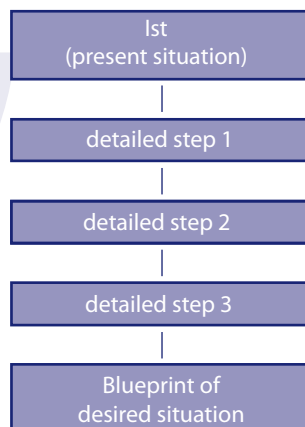
The Planned Change Management model was the common change management model, developed in the midst of the 20th century. It is still sometimes used throughout the world, both in public and private organizations.

Basically, the model consists of a rational, logical approach coupled with chronological phases:

- Analysis of the organizational problem, the need for change;
- Determination and description of the present situation (current state);
- Determination and description of a detailed image of the desired situation (blueprint);
- Determination and description of a detailed plan with steps to reach the desired situation;
- These steps are written down in a report, in which a time schedule, communication plan, people involved, etc are plotted in;
- Go – no go decision
- Execution of the action plan.

Diagram 1:

Planned Change Management Model



Characteristics of this approach are that a lot of time and energy is put into the analysis phase, the writing of the report, especially since the change process is based on a detailed blueprint and action-plan. This approach is premised on the idea that the future is predictable¹.

Although this model has been used in many change processes, numerous studies have shown that the approach is not always successful. A large-scale study by the University of Amsterdam involving over a hundred change processes in various organizations showed that in 76% of the cases the plan laid out in the reports was never carried out. Of the remaining 24% of plans that were carried out, 79% did not succeed in reaching the stated blueprint. The explanation for this phenomenon can be summarised in one sentence: the road to creating a blueprinted future needs to be stable.

In most situations a clear predictable path is not the case. Unpredicted circumstances arise continuously and plans have to be adjusted in order to keep moving towards the goal. Moreover, this ever-changing reality forces one to make adjustments to the goal itself. One could state that the model of planned change, with its detailed steps and blueprinted desired state, offers the user a fake certainty that usually proves to be flawed when it encounters reality.

This doesn't mean that this approach is completely useless. In situations with stable surroundings the planned change model can be suitable. For example, change programmes in IT-processes are quite suitable, because the influencing circumstances are to a large extent controllable. In most other change processes, in which all kinds of unpredictable factors (social, economic, political) influence the process, a more flexible approach is needed.

¹ These insights make the link between the Planned Change model and the previously mentioned rational prescriptive model of Strategic Management clear. As will be shown further on, the same goes for the link between the Organic Change Management model and the Strategic Management 'mixed' model presented here.

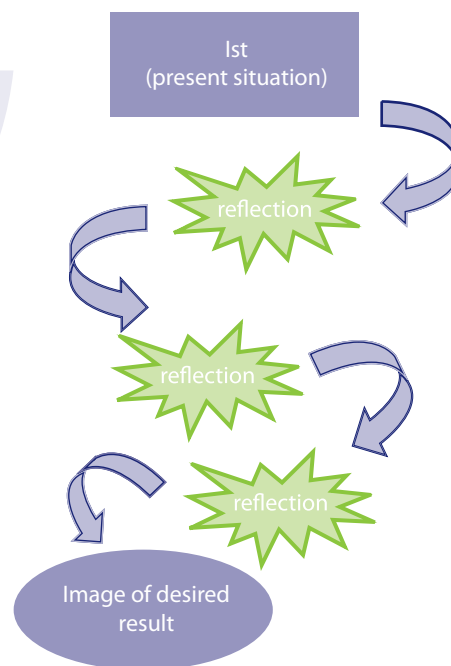
4.3 Organic Change Management

The main characteristic that distinguishes the Organic Change Management model from the Planned Change model is its flexibility. Based on actual developments, it offers its users the possibility to make adjustments along the way, both regarding the steps that are taken and in determining the intended goal. Both approaches are similar in many ways, for instance both start the process by determining a present and a desired state.

But the key difference is that in organic change processes, the steps taken to reach the goal alternate with moments of reflection. These reflection moments are used to:

- Look back at the prior steps, 'what went well, what did not?'
- Look at the new present situation, 'where are we now?'
- Decide whether the desired situation (the goal) should be altered as a consequence of the new reality,
- Decide what the next steps should be in order to reach the goal.

This specific way of handling the change process forms the core of Organic Change Management. In fact, all along the way, reflection and action alternate with each other. This approach offers Customs administrations the practical tools to implement the chosen Strategic Management action plans, in the manner described earlier in the section on Strategic Management. Namely, in a manner which combines factors such as learning, involvement of employees from various layers of the organization and continuous adjustment of action and goals.



4.4 Structuring the Organization to facilitate an Organic Change process

To structure the organization so that a change process can be successfully implemented, a distinction must first be made between the operational organization and the developmental organization.

The operational organization is the organization in its day to day, routine process. Every manager and employee has his regular task, which is defined in his/her job description. By performing their tasks, the members of the organization together achieve the necessary results. The main characteristic of the operational organization is that it is directed towards carrying out the regular tasks and results, it is not organized for renewal. People tend to stick to their regular tasks simply because everyone is obliged to fulfil his/her part of the organizational core process chain. In order to renew an organization and to bring about fundamental change, this operational context must be shaken up.

This can be done by building a developmental organization. A developmental organization consists of employees who cooperate with each other to create renewal. These employees may continue their operational tasks at the same time; they divide their working time between their operational tasks (for instance 3 days per week) and their renewal tasks in the change process (the remaining 2 days).

In order to implement the chosen Strategic action plans towards the Framework of Standards in an organic manner, a set of basic steps and guidelines are offered:

- *Creating an image of the desired result*

An image of the desired result is usually a statement about how the organisation wants to look in the eyes of the Government and public. It is a vision statement constantly providing the change process with direction. It is especially necessary to be aware that this image can be altered along the way.

- *Picturing the present state*

Contrary to picturing the future, which is aspirational, picturing the present is inspirational, requiring awareness of the facts and circumstances.

- *Naming the action plans*

Once the desired result and the present state are aligned, it becomes possible to prioritize action plans or development processes to achieve the desired result. One could state that the overall organizational change process consists of, or is built upon, several distinctive development processes, formulated in action plans. They are distinctive, but they also interconnected. The challenge is to treat them as such.

Two important remarks should be added at this point:

1. These first three steps of Organic Change Management are shown here, mainly in order to provide a complete overview of this approach. In the use of this Compendium, these steps are fulfilled to a large extent by using the information that resulted from working with concepts from the Strategic Management toolkit (such as Stakeholder Analysis, SWOT Analysis and the Innovation Frame).
2. As mentioned in the section on Strategic Management, all steps including implementation should be taken in collaboration with several key persons from within the organization. Firstly, because these persons can all contribute something worthy based on their own views, knowledge and perspectives. Secondly, because actual involvement and contributions to the change process provides a strong push for its eventual success.

4.5 Matching action plans (development processes) and project leaders

A project leader is responsible for a distinctive development process. His or her task is to drive the development process to make things actually happen. This task has clear goals stated in the strategic action plan. Most important is selecting a person is willing and capable to undertake this role, preferably having shown on past occasions that they are able to manage a development process.

On most occasions, the person playing the role of project leader is someone who is directly involved in the upcoming changes. They are extra motivated to make things work, because it will affect their operational job. In the chapter on Project Management, under Action Planning, a template is provided to guide project leaders in their implementation process.

- *Involvement of subject matter experts*

Subject matter experts give support by offering their specific subject matter skills and knowledge. The project leader decides when and where in the development process a particular type of expertise is needed. Subject matter experts can mostly be found within the organization, although sometimes it is necessary to hire external expertise.

- *Bringing rhythm into the change process*

As a consequence of the fact that the operational tasks tend to absorb all the employees' attention and time, it is of vital importance to work with a rhythm if actual results are to be achieved in the change process. This means that already at the beginning of the change process, forward process-meetings are planned at which all involved key persons are present.

These meetings must have a regular rhythm, because this regularity motivates the involved persons to produce regular results in the change process.

At the process meetings, the following items are discussed :

- Each project leader presents:
 - his/her recent activities (what went well, what did not)
 - what the current situation of the process is
 - the next steps to be taken in the upcoming period
- Project leaders receive tips to enhance the progress of their change process
- Specific new developments are being discussed that affect the change process
- Interconnections and consequences that arise between the development processes are discussed

- *Encouraging experimenting*

An excellent way to find out if something works is to experiment with it. The Organic Change model encourages experimentation on a small scale (for instance in one team or unit) or for a limited testing period, before a new method of working is applied on a larger scale. People involved in the change process should be aware of the fact that on many occasions experiments fail.

The consequence of a successful experiment, on the other hand, is that the decision makers (usually top management) need to make a decision about whether the new method of working is to be implemented in the operational organization (and on a larger scale). This implementation process is much easier when an experiment has been carried out and the information that results from it is available.

- *Monitoring the total process*

The integral monitoring of the total change process should be done by executive management. The top management monitors the progress of all the project leaders and of the total change process. It oversees the connections and consequences between the developments in the diverse areas of the organization and sees to it that they remain tuned in to one another.

Monitoring of the activities and progress of the project leaders is not only carried out at the process meetings. Also in between these moments, each process leader has regular contact with the responsible management. Depending on the weight of the development process and the skills of the project leader, coaching can be offered to support the process leader. This can be done by a manager, but also by an (external) change management consultant.

- *Working step by step*

In several of the Organic Change Management guidelines addressed, the very nature of this approach shines through. It is a method of working in which each next step is based upon the new reality (action – reflection – action – reflection...). As mentioned before, in this process, the goal or desired situation is sometimes altered, based on the new facts and insights.

CASE STUDY 1: Organic Change Management - Reducing clearance time

In recent years, Customs administration 'X' has increasingly been confronted with signals from national and international industry that companies are inhibited by the length of the clearance process, which is currently 11 days. Consequently, the logistical costs for individual companies are large, and huge on a national scale. International figures show that logistical costs are much higher within this country than in the surrounding countries. The top management of this Customs administration therefore wishes to act upon this, in order to reduce the clearance time. They decide to organize a conference on this matter, where the following questions need answering:

- Which stakeholders are involved and what exactly are their wishes?
- What should (and could possibly) be the benefits of a reduction of clearance time?
- What are the goals for the upcoming change process?
- Which internal processes and departments are involved in such a process?
- What seems a suitable approach to conduct the change process?
- What is the next step to be undertaken?

Because of the importance of the topic, the supposed impact on the organization and the complexity and number of questions to be answered, the conference will last 5 days. Furthermore, several key persons representing the diverse management layers and processes are invited. The conference is thoroughly planned, with guidance from a change expert.

During the conference, a Stakeholder Analysis, a SWOT Analysis and the 7-s model are used as instruments to provide the necessary information. At the end of 5 days of conferencing, the main results are:

- Besides the trade industry, the main stakeholders are
 - Other governmental agencies such as agriculture
 - Other border agencies (such as police)
 - Banks
- The goals of the changes will be to:
 - Halve the clearance time from 11 days
 - Reduce the costs for both industry and Customs

- These goals should contribute to:
 - > A better investment climate
 - > Better rewards for compliance?
 - > Sustained or increased revenues
- The involved departments or processes within the organization are:
 - > IT
 - > Enforcement
 - > Post clearance
 - > Licences and legal
 - > Financial
 - > Trade management
 - > Risk management
 - > Customs procedures
 - > Training
- All these processes will be represented in the change process by a project leader
- An approximate period of 3 to 5 years will be taken for the upcoming change process

A time release study (arrival stage – preparation stage – clearance stage) is then conducted by the Customs administration, with support from the WCO. Also other information on related systems (IT, customer orientation), (interrupting logistical) procedures and parties is gathered in a lateral study to get more insight in the existing situation. All these activities are carried out by participants from the conference.

The Customs administration further organizes a benchmark in another country to investigate how that country's Customs administration manages to keep clearance time within several hours and especially to investigate how they transformed the organization to reduce clearance time from days to hours.

Based on the information from the first conference, the benchmark and other studies, a second, two-day conference is planned to define the desired result and to make a global design of the overall change process and the diverse action plans. At this conference, the WCO guidelines on clearance will also be used as input. Participants are the same persons that were involved so far.

The views of all participants are discussed and merged into one vision to work with during the change process. In terms of the desired result, topics such as the possibility of working with deferred payments are raised, which involves co-operation with several banks; and 'one border stops' are fully introduced. Here, co-operation is either established between all involved border agencies; all parties are present at the border stop, or activities are performed on behalf of one party in particular. Furthermore, the vision requires that the clearance process be mainly paperless (e-duty payment). When the vision of the desired result is compared with the present state of the clearance process, the action plans can be defined; these are directly related to the above-mentioned processes and departments. And a start is made to construct the action plans (determination of the goals)

Next, the search begins for staff suitable to become project leaders. In some cases, these are the same persons that participated in the first conference; in other cases new persons are found. Every project leader continues to work partly in his/ her regular function during the change process. Each project leader will be coupled to his/her own action plan, in which the goals are clearly stated, the available means are defined, etc. The project leaders build up their action plans in collaboration with a member of the top management.

This manager is selected to be the main responsible strategic manager and should retain this role during the subsequent change process. The strategic manager at the time of appointment of the project leaders works actively with the Logframe, in order to get an overview of the total process. During the change process s/he will continue to work with this tool, updating the data in it after each process meeting.

At the start of the process, a time schedule is promptly made in which regular process meetings are planned. At these process meetings, which in the first year take place once every 6 weeks, the responsible strategic manager and all project leaders are present. At a process meeting, each project leader reports on the progress made during the previous period, and makes plans for the coming one: action – reflection – action. The interconnections between the different projects are continually monitored and discussed. When it is deemed appropriate to combine projects, or make adjustments to the actions plans, this is done. Experimenting or piloting with new working methods is encouraged. Working this way gives the change process its organic character. The process meetings begin increasingly to serve as a source of inspiration; people become enthusiastic through telling others about their own progress and by hearing their colleagues' stories.

During the whole change process, the project leaders have regular one-on-one meetings with the strategic manager. This helps the manager to keep a better overview, and to steer the different projects more directly.

In the first year, models such as the Cause & Effect model are used by the project leaders to analyze further any challenges to the process. Along the way, other employees are involved, mostly in the role of expert in some particular area. This means that the number of people who are actively involved becomes larger and larger, which likewise increases the feasibility of the change process within the organization, and the involvement and commitment with among the employees.

This notwithstanding, some internal and external difficulties arise and are dealt with:

- Scepticism and fear among employees that some (traditional) key functions of Customs are being relinquished
- to other agencies;
- Fear that Customs might lose it's role as primary border protection agency;
- The enormous challenge involved in making HS code-based item lists that need verification;
- Lack of awareness among high level policy makers;
- Lack of sufficient IT infrastructure;
- Fear among other agencies that they may lose control; with consequent resistance to change;
- Competition among other agencies.

In the subsequent phases of the change process the Customs administration fine-tunes the clearance process step by step. It works by piloting, investigating, experimenting and through intensive interaction and negotiation with external agencies. In this process, it is may sometimes feel as though several mountains are being climbed at once: up and down it goes, with successes and disappointments. Along the way, some projects are aborted, while others last the full 5 years and some new ones have been started up.

Eventually, some essential measures are implemented, such as:

- A 24-hour unloading program at the main border control;
- A reduced mandatory period of unloading declaration;
- A shortened storage period at port areas;
- A 25-hour clearance system;
- Penalties on declarations made later than one month after arrival;
- Simplified Customs transit procedures;
- Encouragement of pre-arrival declaration;
- Automatic acceptance of unloading declaration;
- Reduction of the number of goods that need Customs certification;
- Simplification of express consignment clearance.

After 5 years, the results of the change process are enormous: the time of clearance is reduced with 60 %, which results in an estimated economic benefit of 1.5 billion dollars per year. Because of these positive figures, and the clearly reduced bonded warehouse storage fees and the simplified procedures, foreign investments have risen substantially. Furthermore, surveys show an increase in company satisfaction and Customs' revenues are rising.

In addition to these results, the Customs administration reports that using the Organic Change Management approach, with the actual involvement and contributions of many employees and managers, has led to improved co-operation between departments. And working with experimenting and piloting has contributed to a culture in which taking initiatives and expressing ideas has become commonplace. Most of all, because of the obvious positive effects both for the Customs administration and its stakeholders, a positive attitude towards other necessarily arises which contributes substantially to staff engagement in permanent further modernization processes.

4.6 Resistance to change & how to deal with it ?

The soft sides of a change process often turn out to be the hardest. The soft factors that should be considered carefully in a change process are the people who are involved, who all bring to the process their own values, beliefs, habits of working. They are also accustomed to the existing, dominant organizational culture. There are many well-known examples of failed change processes as a result of these social factors.

Organizational change processes have two realities:

- the outer transformation of processes, structures, products & services, etc.;
- the personal process that this implies for those involved: this is a process of transition.

Both realities have to be dealt with, with respect for their own specific features. While the outer transformation process can be organized and structured to large extent, the inner process of human transition has its own rhythm. Moreover, practice has proven that transition occurs at different rates (tempo); the transformation of the organization may well be finished while the inner transition process is not yet complete. Inner changes need time and cannot be forced: people have to do it for themselves.

Effective change leadership requires dealing with both realities: the outer transformations and inner transitions. But in the daily practice of change management, the inner transition process is mostly underestimated and is often not given the attention that it deserves.

Some reasons for this phenomenon are:

- Managers are not familiar with it. Many managers do not pay attention to the feelings and emotions of the employees; or they may feel that it is not their job to take these in consideration;
- The inner transitions that people go through are multiple, i.e. they differ from person to person. This makes it difficult, if not impossible, to deal with all individual reactions;
- Fear. Fear of encountering possible conflicts, but also fear that if a person's inner feelings are taken into consideration this means that the goals of the outer change process are being neglected. In other words, when the personal feelings, objections and concerns of employees are taken seriously, doesn't that mean that the reorganization process is being questioned?

Resistance to change commonly has a negative connotation. Managers associate it with 'people don't act as I want them to', and for a manager who wants to bring about change, this is not useful. However, it is helpful to realise that people who are indifferent are much more difficult to handle. **There are basically three human ways of reacting to change:**

- Enthusiastic agreement
- Rejection and resistance
- Indifference

In the last situation, people employ little mental energy: they don't care. These people have mentally unhooked from the change process, and are difficult to get moving again. This apathetic group is far more difficult to reach than the resisting group. Complaining is an expression of indifference; this person expresses his displeasures, but the will to become active, to play a role to improve the situation, is lacking.

Resistance, on the other hand, shows involvement and requires a high level of energy. Raised voices, red faces, heated discussions (the specific expressions of resistance may vary according to country culture), energy drives people's actions and they are clearly not indifferent to what is happening. To handle resisting persons in a manner that will not obstruct the change process unnecessarily, indeed to make good use of their energy, leaders should first of all avoid the word resistance. This labels the resisting factions unnecessarily as 'reactionaries'. Moreover, using this word works as a self-fulfilling prophecy: people start to display the undesirable behaviour. Secondly, they should practice true listening. The real challenge here is to have a positive attitude and to be genuine about this. One should have a true interest in the grounds for people's resistance. This shows that people are being taken seriously.

Listening broadens a person's perspective and insights. True listening, however, requires self-confidence, because it means open-mindedly leaving your own position for a moment and exploring the other's arguments. True, open-minded listening shows strength and builds confidence and involvement with the resisting group. On top of this, it opens the possibility to encounter new perspectives that may well be worthy and could be used in the change process.

Being part of a change process means saying goodbye to the old situation. It is only human nature that saying goodbye is difficult. Basically, there are three psychological reasons for this:

- **First of all (on most occasions) the old situation provides a known and trusted shelter. We are creatures of habit; we seek the shelter of the familiar and fear the unknown;**
- **Secondly, we tend to hold onto the old situation because we have invested in it: it's a matter of psychological economics;**
- **The third cause is narcissistic. Changing the existing means admitting that the old situation was not good enough. Even if this is not expressed openly, things may be interpreted as such.**

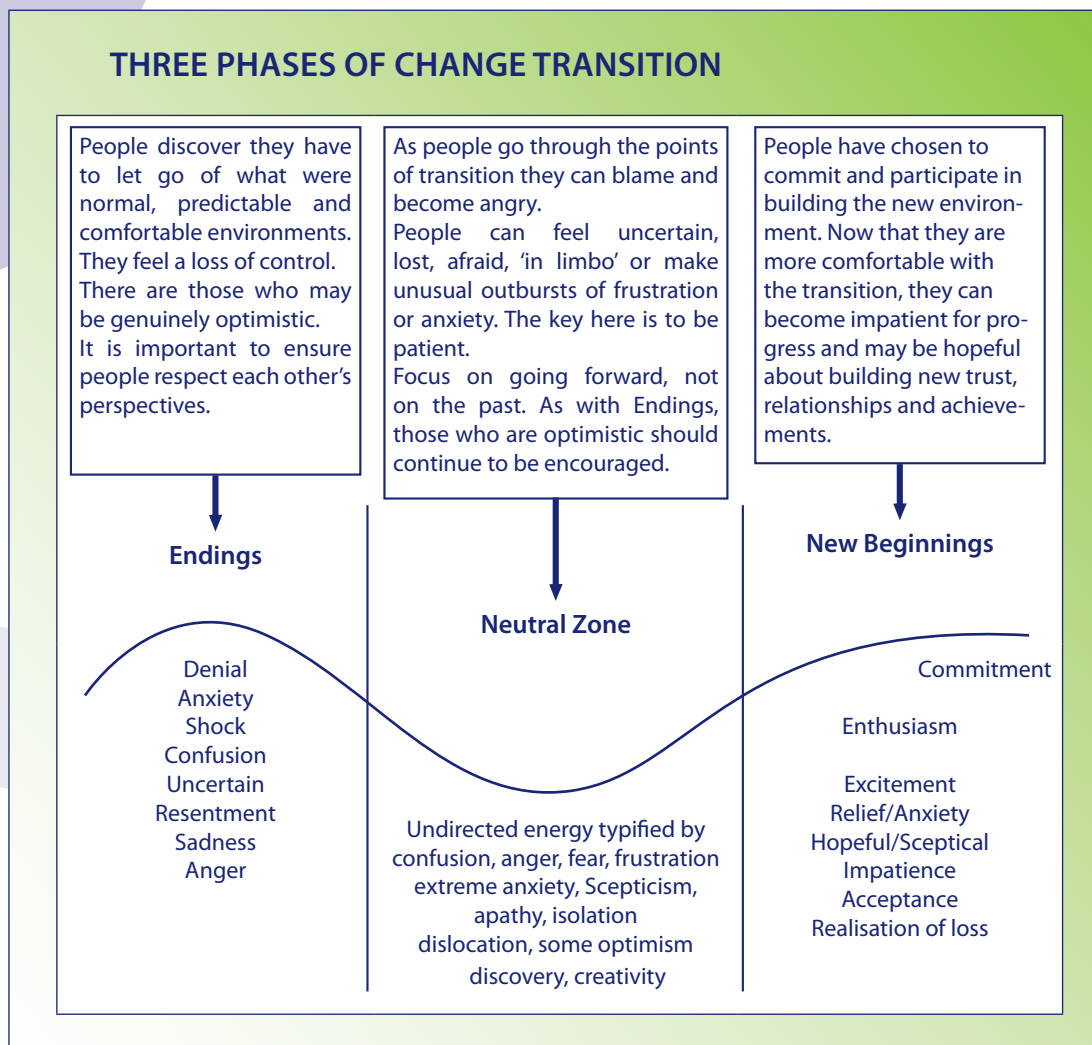
These reasons for feeling lost apply to everyone, although they may vary in extent from person to person. The specific reaction to changes, however, can differ dramatically. Psychology shows us that the manner in which people react to changes is determined to a great extent by the 'locus of control'. The locus, or centre, of control is either external to or internal in a person. People with an external locus of control, attribute what happens in their lives to factors outside their control. Consequently, they feel as if they have little control over what happens and over what changes in their lives; they feel like victims of circumstances. On the other hand, people with an internal locus of control, feel that control lies within them, and therefore they look for chances no matter what situation they are in.

The locus of control is mainly determined by a person's character and is not easily changed. The locus itself determines to large extent how a person will walk through his inner transition process: people with an internal locus of control will move faster through it than people with an external locus.

4.7 The three phases of transition

The transition that people go through in change processes, can roughly be divided into three stages:

- Endings
- Neutral zone
- New beginnings



The manner in which people go through these stages will differ from person to person. Nevertheless, in each change process this transition curve can be an immediate reality that needs to be addressed. The role of managers is then to help others through to the new beginnings stage. There are some practical guidelines that can be used in doing this:

- First of all it is very illuminating to uncover any existing feelings of anger, uncertainty, dissatisfaction, etc. Stating out loud what everyone in the organization already knows, but nobody has mentioned. By doing this, these feelings are being acknowledged from the very outset. This should, however, be coupled with communicating the need for change: 'this is why we are doing this!';
- A hopeful alternative should be given. This doesn't always have to be a finished picture, it's more about offering a new perspective: which steps are going to be undertaken, how much time will we spend on the process, what are the first results we hope to gain from it?;
- People are helped to let go of the past, by being given the opportunity to express what they will miss from it. They are not so much against the new, but tend to stick to the old. By acknowledging that people have to give up something, the basis for a new beginning is formed;
- The first question that people ask themselves when confronted with changes is 'what's in it for me?' It is essential that people are given space to investigate the answers to this question;
- The last, but most important, element concerns action. Successful changes happen because people play an active role in them. Playing a real role in a change process means that change is occurring partly because of your own actions. It creates involvement, ownership and above all it creates the feeling of being in control. The more people contribute to the change process by playing an active role, the more a culture of community is created around it, which is a powerful force in favour of its progress.

