THE EFFECT OF CHANGE MANAGEMENT ON THE FINANCIAL VIABILITY OF A HIGHER EDUCATION INSTITUTE IN SOUTH AFRICA

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Abstract
This study was conducted at a higher education institute (herein referred to as the University) in South Africa. The aim of the research is to investigate the effect of change management on the financial viability and sustainability at the University. A review of the literature provides an understanding of the context, history, structure, rules, and regulations under which staff must work to understand the change for financial viability and sustainability. The theory is investigated to provide a context for understanding what knowledge, skills and attitudes will be perceived by the staff and how they will learn from this change management process. As a result, a strong human capital base with change-related knowledge and skills is a major source of competitive advantage.

Keywords: Financial management; Change management; Financial sustainability; Financial planning; Transformation

Introduction
The University, a private institution and a subsidiary of an overseas institute, embarked on a Repositioning Strategy in 2011. Embedded in this repositioning was to build practical knowledge and skills to lead a change process for all staff. The University has started to move in this direction by introducing change capacity building workshops for top and middle management as well as staff. The University is in the process of exploring a partnership with another university. A major challenge for the University is to successfully achieve its strategies and goals whilst taking into consideration the organisational change it is currently facing. The parent company is demanding that the University become self-sustainable and it would not fund cash flow deficits after 2012. It is imperative that the University break even at the end of 2013. In 2001, the University established a campus in Johannesburg. The University grew to 3110 students during the first ten years of its existence. The growth in student numbers was far greater than expected. As a high quality private institution, the University aims to make a major contribution in producing highly qualified and skilled graduates.

The Historical Contexts of Change Management
According to McPheat [1], change management allows the organisation to fully communicate to employees why the change is necessary, what the benefits are, and how it will affect the organisation as a whole. To achieve the milestone goals of the change, employees will have to buy-in to the change and support the leadership in taking the actions that are necessary. Buying into the change can help limit resistance, and help manage any resistance that does occur. In determining solutions to the problems the change poses, employees must be given reason and opportunity to personally commit to the change process. It is important that from the outset of
employee integration into change management, there must be a common understanding between the employees and the organisation with regard to the change process. Without this understanding, management will experience resistance from employees to support the change process. Stephens et al. [2] concur that from a transition management theory perspective one would expect employees and institutions to both respond to change and act as agents in shaping change. Once higher education is seen as an institution with capacity to promote effective action from a neutral or independent position, the promotion of internal change within higher education to become more effective in shaping change towards sustainability is more likely and feasible.

Effective management depends on efficient administration. Administration can be understood as the implementation of policy through a system of formal procedures that ensures that the conduct of the daily affairs of the institution is consistent with its objectives. Change management surrounds all those aspects of change that are designed to improve the efficiency and effectiveness of both the individual and the organisation.

McPheat [1] defines change as moving away from one way of doing things to another way of doing them. Items such as:

- the organisation is merging or being acquired;
- there is a significant change in the way people do their jobs;
- there are significant changes in the positions people would hold;
- the structure of the organisation is changing to the point that it impacts those who do not have a say in the change;
- the organisation would be changing its focus, mission, or value;
- the organisation is ‘re-branding’ itself; and
- a significant change is being made in benefit or compensation plans, which are usually beneficial for change management.

It is crucial that in the case of the University some of these options must be explored as part of the change management to be financially viable and self-sustainable.

According to Phillips [3], the question of university identity often presents itself in times of leadership transition such as in the hiring of a new CEO. In hiring a new leader, an unspoken consensus becomes present: the desire to have a leader with vision, but not one who will attempt to change the institution’s core identity. This can be a dilemma for any candidate or new leader. It also often results in overly simplistic understanding of the values and meaning that members of the university community hold in their various identifications with the institution.

**Change management**

Change management is the process, tools and techniques to manage the people-side of change to achieve the required business objective and according to Steele [4], various influences tend to affect the process of change when it is accompanied by conflict, as invariably happens. They believe when management and employees are given clear, credible guidance, a conflict-positive organisation endowed with mutual support for problem-solving and co-operation among its members can be quite useful, but it is not clear how such guidance becomes available. For a plan to be successful, those who are affected must buy into the change process. It seems obvious that employees should be involved in the change process, but often this principle is forgotten. The best way to ensure support is through early involvement of all staff to ensure that everybody knows the problem and the positive difference that the change would bring to the organisation.

Brown and Harvey [5] state that the degree of change and the impact on an organisation’s culture are two major considerations in organisational change. For the purpose of this study, the research will focus on change management, financial viability and financial sustainability. According to Chung et al. [6], three dimensions comprise employee resistance to organisational change, namely
emotional (affective), cognitive, and intentional. From the above two definitions, it is noted that it is important that a good idea should be created for the change to take place, and to create an aura of hope to avoid unnecessary resistance from staff. This hope should inspire some staff, but should not create anxiety among staff as the anxiety prompts resistance. When a negative consequence to the change or the continued uncertainty surrounding the change is perceived, then that resistance is encountered. Resistance wrecks the good idea of implementing the change.

McPheat [1] writes that no matter the type of business, change is the only thing that is constant. To meet new challenges, keep up with the competition, to adapt new technologies and improvements, and to tap into new markets, a business has to change in order to grow. Managing change well is a challenging process and it is in a sense, a way of creating a future. True change management does not just involve getting through the change, copying the change, or surviving the change; instead it requires careful construction of a process that will lead to successful implementation of the change for the organisation, over a long period. Kotter and Schlesinger [7] stated that “from the frying pan into the fire”, “let sleeping dogs lie”, and “you cannot teach an old dog new tricks”. These are all well known sayings borne of the fear for change. When people are threatened with change in organisations, similar maxims about certain people and departments are trotted out to prevent an alteration in the status quo.

Fear of change is understandable, but because the world environment has been changing rapidly, and it will be doing so increasingly, organisations cannot afford not to change. It is therefore important to address and implement change, and that entails overcoming the resistance to do it.

According to Davis [8], change is about making things different. Change can be planned in anticipation of future events or it can be in reaction to events. The University has adopted the phrase “a different way forward”, and this is exactly what the campus is doing. It is planning future events by developing new study programmes to make the campus more sustainable.

Change management strategies
The implementation of change management strategies as described, are important for the purpose of “making a difference to the organisation’s way forward” [5]. They also acknowledge that good management involves developing strategies in time to gain competitive advantage. Managers create strategy, and strategy determines the success or failure of business. Brown and Harvey [5] believe that essential changes may be the only choice when organisations are in need of change or they will face bankruptcy or takeover. There are several possible approaches to benefits in using change management strategies. The University should take cognisance that change management strategies should be urgently created in order to gain competitive advantage.

A company’s strategy, according to Hough et al. [9], is the game plan which management uses to stake out a market position, conduct its operations, attract and appease customers, compete successfully, and achieve organisational objectives. To improve decision-making, the University will have to look at “de-laying” its decision-making structure. This would be possible if senior managers take full accountability and responsibility for their operations. In this age it is important to shorten decision-making time and improve internal communication.

Change factors
Figure 1: Change Factors. Source: Brown and Harvey [5]. According to Brown and Harvey [5], leaders should create an atmosphere where people understand that change is a continuous process and not just an event. Change has no end or termination point. Conducive environments must be created to discuss these processes. Change should never end, and leaders should be proactive in introducing new challenges and changes in order for the organisation to have an increasingly competitive advantage over other organisations (Figure 1).

The major factors affecting the success of change include advocates of change, degree of change, time frame, impact on culture, and evaluation of change [9]. The authors are of the belief that on-
going long-term support is necessary from leaders in positively influencing staff to make a difference, while bringing about changes in educating staff and raising awareness of what is necessary to achieve the organisation’s goals.

Financial sustainability
According to Cheng [10], system and content of college financial management are increasingly expending and getting more and more complex, which has resulted in new challenges and problems to financial management. In the case of the University, it is important to make a surplus and introduce new undergraduate programmes for sustainability. A review of the literature provides an understanding of the context, history, structure, rules, and regulations under which staff must work to understand the change for financial viability and sustainability. The theory is investigated to provide a context for understanding what knowledge, skills and attitudes will be perceived by the staff and how they will learn from this change management process. Castano and Cabanda [11] state that private and public institutions like colleges and universities need to be assessed. The demand for auditing is necessary to ensure financial accountability. Performance indicators in the public sector have often been criticised for being inadequate and not conducive to analysing efficiency. This study would be of benefit to the top management of the University as it would provide new ways of effective management that affect the operation of the University and ensure financial accountability.

The Challenges of Financial Sustainability
According to Lawler and Worley [12], any capability requires resources. To build a strong orchestration capability, an organisation must develop the change management skills of its people. Today a typical organisation’s intellectual capital is mostly made up of skills and knowledge in technical, financial, logistical, and other operational competencies. Knowledge and skills related to change management account for only a small proportion of its intellectual capital. A workforce that can continually renew itself and deftly orchestrate organisational changes is rare, valuable, and difficult to imitate. As a result, a strong human capital base with change-related knowledge and skills is a major source of competitive advantage. According to Slocum and Hellriegel [13], most successful change approaches share certain common characteristics for effective change programme as follows:
• motivating change by creating a readiness for the change among leaders and employees and attempting to overcome resistance to change;
• creating a shared vision of the desired future state of the organisation;
• developing political support for the needed changes;
• managing the transition from the current state to the desired future state; and
• sustaining momentum for change so that it will be carried to completion.

Similarly, the conditions necessary for successfully carrying out effective change programmes include the following:
• the organisation’s members must be the key source of energy for change, not some party external to the team or organisation;
• key members of the organisation must recognise the need for change and be attracted by the potentially positive outcomes of the change programme; and
• there must be a willingness to change norms and procedures [13]. According to Zilka, when executed correctly, business restructuring is transformational in the following ways:
• it offers a way to right-size the company;
• it improves business processes;
• it allocates the right resources against the right activities; and
• it creates substantial self-investments geared towards future growth.
The Effect of Change Management on Staff Efficiency

Figure 2: A Change Model. Source: Brown and Harvey [5]. Management theories believe that to be successful in the next century, organisations will require changes. Brown and Harvey [5] suggest that predictability is a thing of the past, and that the winning organisation will be based on quality, innovation, and flexibility. Perhaps because of these changes, individuals and organisations have learned the importance of the role of people in an organisation, and how the success of the organisation depends on people. It would be ideal for any organisation to have a low resistance to the degree of change as there would be a high chance of success for change as depicted in Figure 2.

Hamour and Jamil [14], hold the view that effectiveness is the key to reach the target by mutually affected parties within the organisation. The broad view of effectiveness includes holding decision-makers accountable in the organisation regarding the validity of these decisions and the extent of its correctness to meet the economic and non-economic goals and values of the organisation. Thus, the core business of the University is the education and development of students and the evaluation of the institution’s performance. The perceptions held by students and parents are a crucial measure of judgement of the quality of service across all functions of the University. The attitude to service delivery would be addressed by a change management intervention, and the results of which should be implemented and monitored across the institution.

According to Kumar and Gulati [15], performance in both profit and non-profit organisations can be defined as an appropriate combination of efficiency and effectiveness. Efficiency and effectiveness generally refer to the quality of producing the desired or intended results. In the context of the University, it is how customers are serviced. The main business of the University is its academic offering and the collective energies needed to be focused on service delivery and creating a climate that supports the academic agenda, therefore recognising students as our main customers.

According to Wissema [16], if a change process is poorly managed, people who are incapable of change can influence the willingness on a change group, meaning that a majority will be against the changes that are then most likely to fail. On the other hand, if the process is well managed, the influence of the group with an incapability to change will have little influence. Organisations incorporate an enormous amount of inclination to change and willingness to change. Employees’ willingness to change is as great as the extent to which they are motivated.

Lewin’s model of change

In the early 20th century, psychologist Kurt Lewin identified three stages of change that are still the basis of many approaches today [17] as follows:

• unfreezing the status quo
• changing to a new state
• refreezing the new change to make it permanent.

• Unfreezing the Status Quo

In the first stage (unfreezing the status quo), management plans and prepares the members of the organisation for a major transformation. A primary objective in this stage is to convince members of the organisation of the need for the change and to reduce their tendency to resist the change [17]. Staff should be properly informed and convinced that the change taking place will help the organisation achieve their objectives. In the case of the University, the objective is to break even and also show a profit.

Changing to a new state

In the second (transitioning) stage, most of the actual change occurs. Often this stage is described as the implementation process. This is an important stage in the case of the University, as most of the change will happen here, such as the reduction of spending and motivating for the approval of
expenses to be incurred. This transition phase is a new phase for all staff to ensure that cost savings occur [17].

**Refreezing**

During the final stage (refreezing), the change is solidified. Ideally, changes remain in place once they have been made. During the refreezing stage, it is important to monitor the intended outcomes and to provide support for new behaviours, which are essential to minimise relapses to the old way of doing things [17]. This stage at the University is crucial and it must be monitored to ensure that staff do not engage in their old ways of doing business. Proper checks and balances must be in place to ensure that staff do not go back to past practices. Although planned changes do not always proceed as shown or anticipated, it must be remembered that these steps constitute the basic components of a change process, regardless of the sequence followed [17].

**Effective change management**

Nickols [18] describes the task of managing change as the first and most obvious definition of change management and that the term refers to the task of managing change. He argues that the obvious is not necessarily unambiguous, and managing change is in itself a term that has at least two meanings. The one meaning of managing change refers to the making of changes in a planned and managed or systematic fashion. The aim is to effectively implement new methods and systems in an on-going organisation. The changes to be managed lie within and are controlled by the organisation. However, these internal changes might have been triggered by events originating outside the organisation. The second meaning of managing change implies the response to changes over which the organisation exercises little or no control (such as legislation, social and political upheaval, the actions of competitors, shifting economic tides and currents). The author also refers to the four basic definitions of change management as follows:

- the task of managing change (from a reactive or a proactive position);
- an area of professional practice (with considerable variation in competency and skill levels among practitioners);
- a body of knowledge (consisting of models, methods, techniques and other tools); and
- a control mechanism (consisting of requirements, standards, processes and procedures).

According to Kotter [19], if urgency drops sufficiently and momentum is lost, pushing complacency away a second time can be much more difficult than it was the first. It is somewhat like having a bus with a stalled engine sitting on the side of the road in the pouring rain. Convincing passengers to step out into the rain and help the driver solve the problem is not an easy sell. Those who are warm, comfortable, listening to their iPods and in no hurry, may think it is the driver’s problem, not theirs. Others may think that someone from the bus line should be able to come in a short period of time and fix the problem or, worst case, that a replaced bus can be called to take them on their journey. It is imperative that once expectations have been clarified, the individual and organisation work together to make a difference, the motivation factor is high. Therefore, the momentum should be kept and great teamwork is necessary in order to achieve organisational success.

In addition, passengers may be furious because they will be late for an appointment, and as a result they focus their fury on the driver and the line. Imagine many passengers getting off the bus into the pouring rain and then one of them alertly noticing that the crisis can be solved if they can just get the vehicle moving, perhaps to only 8-10 km per hour, so the driver can pop the clutch and start the engine. Now everyone comes off the bus. With great pushing and sweating and groaning, they succeed. The bus rolls, the clutch pops, and the motor starts. Everyone gets back onto the bus. They now have quite a story to tell their friends. Some may not know it, but they are
actually rather proud of their achievement. Kotter [19] stated that according to one executive, when they began with change management, nearly everyone in the company was motivated to change because of the threat of being closed down. Then, as they started to turn themselves around, there was a lot of excitement throughout the organisation. People were motivated by their success and encouraged by the new challenges. As they made more and more changes, they kept up the momentum by comparing themselves to similar companies. They explored their strengths and weaknesses along with a number of dimensions in each of their business divisions. Therefore, it is important that from the outset of a change management process, there is common understanding between the employees and the organisation with regard to the objectives of the change being implemented. Figure 3: Financial Planning Model. Source: Brinkman and Morgan (2010:5).

According to Brinkman and Morgan (2010:7), this model of financial planning in higher education means different things to different people, reflecting variations in personal experience and institutional configuration. The author describes the role of the financial planner as consisting of four activities. Each activity is designed to add value by helping the institution achieve its goals, take advantage of opportunities, allocate its resources wisely, and cope with financial challenges:

- Interacting with strategic planning
- Analysing trends
- Guiding the annual budget cycle
- Co-ordinating the development and use of strategic financial resources (Figure 3).

Conclusion
This paper has presented information on the development of change management and implementation of financial systems. A brief history of change management was outlined, followed by an indication of the essential considerations to be taken into account in developing a change management system. Burke [20] says if people in an organisation see or feel no need for change, they are not likely to embrace the idea. CEOs and other senior executives are often in a better position to monitor the external environment and therefore are likely to see the need for change sooner and more clearly than the majority of the organisation’s members. They are often in a better position, but not always. Technical people down in the organisation may see a technological change coming before senior management does. Often, the sales force and others in the organisation who have direct contact with customers see a need to serve them differently before senior management does. Regardless of where the awareness of a need for change originates, it remains the CEO’s responsibility to communicate that need to the organisation’s members. Therefore, communication is essential when attempting to convince employees that the change will work and will be to the benefit of all within the organization [21].

References