

# **Introduction to Payroll Management – Change Management**

## **Driftwood Development Scenario**

Sunil is the Payroll Manager at Driftwood Development, a company of 3,000 employees that develops condominiums and office buildings in six provinces. The company celebrated 25 years in business last year. The founder still maintains control over the company, though he sold a 40% share to investors three years ago to raise capital for two large projects.

For the last three weeks Sunil has received requests for reports going back seven years on salaries, pensions, attendance records and insurance claims. His small department is over-worked with the extra effort these reports require. Sunil and his employees are also rather concerned about the reasons for these requests. They have noticed increased activity in the executive office with many visitors in business suits who carry large briefcases. In the lunchroom, the rumors are growing that the last project didn't work out and the business has gone bankrupt. Another rumor claims the project is behind schedule but will be a great success and the investors want to sell the company to a competitor.

Everyone in the department is worried about their jobs. Some are working extra hard to make a good impression so their jobs will be saved and others are angry and are performing below expectations. Sunil has quietly begun looking for another job. Morale in the Payroll Department is very low.

This morning the founder and President called a meeting of all department managers in Head Office and made an announcement that Driftwood Development had been acquired by Modern Construction .

"This is wonderful news, " said the President, "Driftwood will now have access to projects throughout Canada and in six U.S. states. We will be hiring more people. Driftwood will operate as a separate division of Modern. There will be increased activity as more people are hired in new jurisdictions and we invest in equipment. While we will continue as a separate division, Modern would like all reporting systems to be the same. Therefore, beginning next year, Driftwood will transition to the payroll software system used at Modern. Modern has guaranteed support for implementing changes. We will continue to operate under the Driftwood Development name. I will continue as President of Driftwood and will become Vice-President of Modern Construction. "

Sunil is shocked. He had expected that the company was going to close down. Now he realizes he and his colleagues will have more opportunities than they have ever had. He realizes his team is demoralized.

**Advise Sunil on strategies he can use to help the Payroll Department deal with the changes.**

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### **Notes**

1. Students should read 'The Case Study', available on the Supplemental Resources site, for more information on the decision-making process to be used when developing their responses.
2. The student's response should be based on an understanding of the course material and personal and professional experiences.
3. The following is an example of one approach to this scenario. Students may come up with other approaches.

## **Issue**

Sunil must develop a change management strategy for the increase in responsibilities of the Payroll Department and the upcoming move to another payroll software system.

## **Analysis**

### **(Barriers, Resources, Stakeholders)**

The requests for reports were part of the pre-merger or due diligence stage of the sale of Driftwood to Modern. The lack of information through that process has created an atmosphere of uncertainty and resentment.

The sale of Driftwood brings about proactive change to the company and was initiated to improve the prosperity of the company. More contracts will increase revenues. The addition of more provinces and six states will increase the workload of the Payroll Department and will require training. Support is promised and more people will be hired so Sunil has to ensure that the needs of the department for additional employees and training are included in the company's budget.

Sunil can expect a variety of reactions to the acquisition. Some employees may be angry that they were never informed and their trust level of both Driftwood and Modern may be quite low. Others may not trust the promise of stable employment. They may worry that Modern will keep them employed until it has time to integrate Driftwood's payroll with its own. Other employees, both within the Payroll Department and other parts of Driftwood will wonder if Modern's employees receive higher wages and benefits. The Payroll Department can expect to receive an increase in the number of enquiries. Still other employees will be enthusiastic about the change and will be asking how they can get the extra training. They will argue that more training and experience in the payroll of more jurisdictions will strengthen their resumes even if Modern takes over Driftwood's payroll and terminates all the Driftwood payroll employees.

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Sunil has at least four urgent actions:

- He has to decide his own position as Payroll Manager at Driftwood. If he fears that his position will be eliminated or he will be offered a lower level position at Modern, he should either leave or commit to building a high quality department so he can get a better position when Modern takes over the functioning of Driftwood's payroll. If he decides this change is positive, he has the opportunity to be a leader.
- He must obtain as much information as possible about the change and how it will affect the payroll department.
- He must communicate the change to the payroll employees in a manner that highlights the benefits of the change and dispels their fears about job security.
- He must develop a strategic plan for the Payroll Department.

The information he needs includes:

1. The timeline for Driftwood to gain access to Modern's markets
2. Scope of additional business expected
  - a. How many new employees
  - b. Location of these new employees
3. Opportunities to coordinate with Modern's payroll department to determine which jurisdictions will be added and to learn about its payroll system
4. Type and amount of training Driftwood employees will need
5. Budget available for training, increased staff and temporary employees while the permanent ones are being trained

The payroll employees need information about the plans for the company and the payroll department. Nervous people are often angry and there is a good possibility that the best employees will leave during this time of uncertainty.

An implementation plan is needed so the employees have a sense of what is happening next and its relevance to both the company's profitability and their job security. As noted in the chapter:

*The payroll manager needs to encourage the employees to remain committed to the change. This can be done in a number of ways, for example:*

- *highlight achievements made*
- *remind the team of how necessary the change is*
- *reinforce the benefits of the change*

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- *point out the dangers of failing to make the change*

## Alternatives

1. Do nothing

Sunil can wait until the executives tell him what will happen or until the payroll department has to process the payroll for employees in new jurisdictions. This option is a reactive response and will add to the confusion and uncertainty within the department. A reactive response will also contribute to delays and mistakes as the department adjusts to the requirements of new jurisdictions without any training. Further, the department will not be prepared for the transition to a new payroll system.

2. Inform the Payroll Department employees about the acquisition and assure them that the department will expand so their jobs are secured
3. Take a proactive approach and initiate discussions with the company's executive about the implications of the changes on the Payroll Department
4. Take an inventory of the department's readiness for the changes and together with the information gathered about the corporate-wide changes, identify what the department will need to adapt to the anticipated increase in workload
5. Prepare a plan that outlines to the executive what the Payroll Department will need over the coming year
6. Inform the employees what actions are being taken and let them know that they will be kept informed at each stage

## Action Plan

This change is Sunil's opportunity to demonstrate leadership. If he follows alternative one, the Payroll Department will likely be overwhelmed and frustrated as new demands are placed on their time and expertise without any planning or notice. The employees will not have the knowledge of the new jurisdictions or new payroll system and will be unprepared for the new demands.

Sunil must ensure that there is continuous communication from the top executives to the payroll employees. First he must meet with his supervisor and gather as much information as possible about the changes. He must outline the impact on the payroll

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department to ensure that the corporate plans for budgets, resources and training include the needs of the Payroll Department.

He should keep the employees informed at each stage of the process. The first stage is to plan for the changes. The second stage is to gather the resources to implement the plan (equipment, space, employees, training). The third stage in this continuous process is to monitor the progress of the changes and adjust as needed.