

STRATEGIC CHANGE MANAGEMENT

COURSE OF LECTURES



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МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
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COURSE OF LECTURES “STRATEGIC CHANGE MANAGEMENT”
for students pursuing a master’s degree in “073 Management”

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Topic 1

Concepts, prerequisites and the need for changes

- 1.1. Defining change and change management
- 1.2. Forces for Change
- 1.3. Types of change

1.1 Change is:

- 1) take another position or choose another direction;
- 2) make a shift;
- 3) modify;
- 4) transform, replace, transfer into another quality.



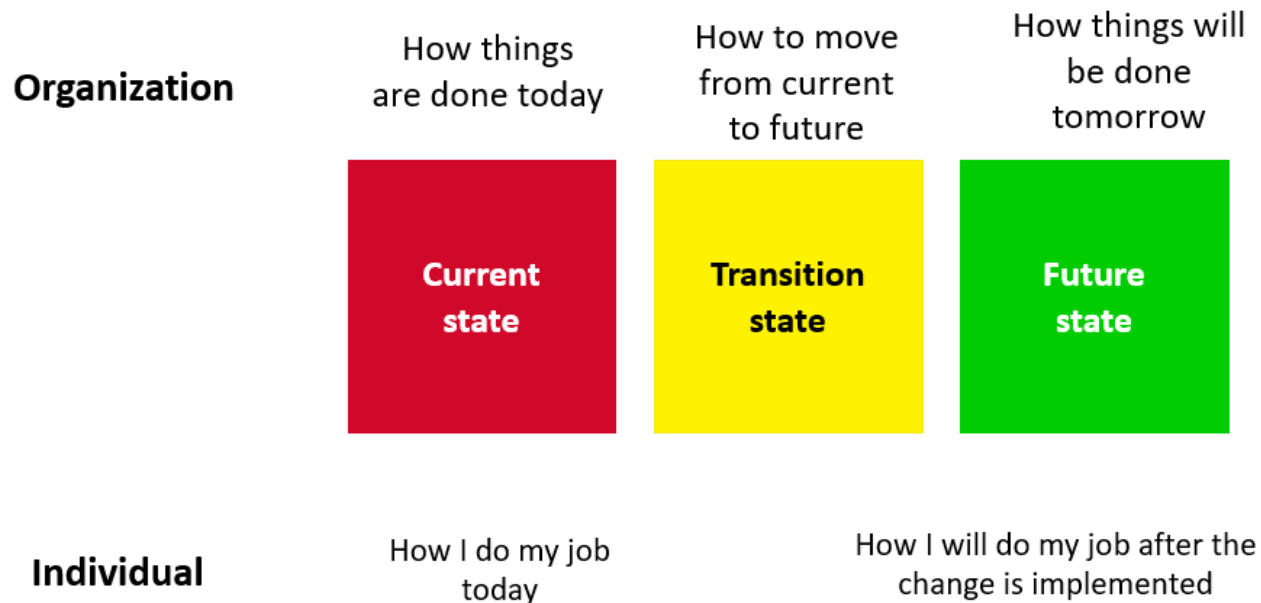
The term "CHANGES" is used in the business environment to designate:

- Administrative changes programs that are initiated by the company's management to support position of organization;
- External changes, i.e. changes in technology, consumers, competitors, market structures, etc.
- Internal changes that arise from the fact that an enterprise must adapt to changes in the environment.

Change management is:

An alteration of an **organization's environment, structure, culture, technology, or people**

The process, tools and techniques to manage the people side of change to achieve the required business results.



Change management is:

- A planned approach to integrating change which includes formal processes for assessing the impact of the change on both the people it affects and the way they do their jobs.
- Application of techniques to gain acceptance and understanding of the change and change behavior to take advantage of the new functionality.
- Change is the interplay among various forces that are involved in growing something new. Deep change comes only through real growth – through learning and unlearning.

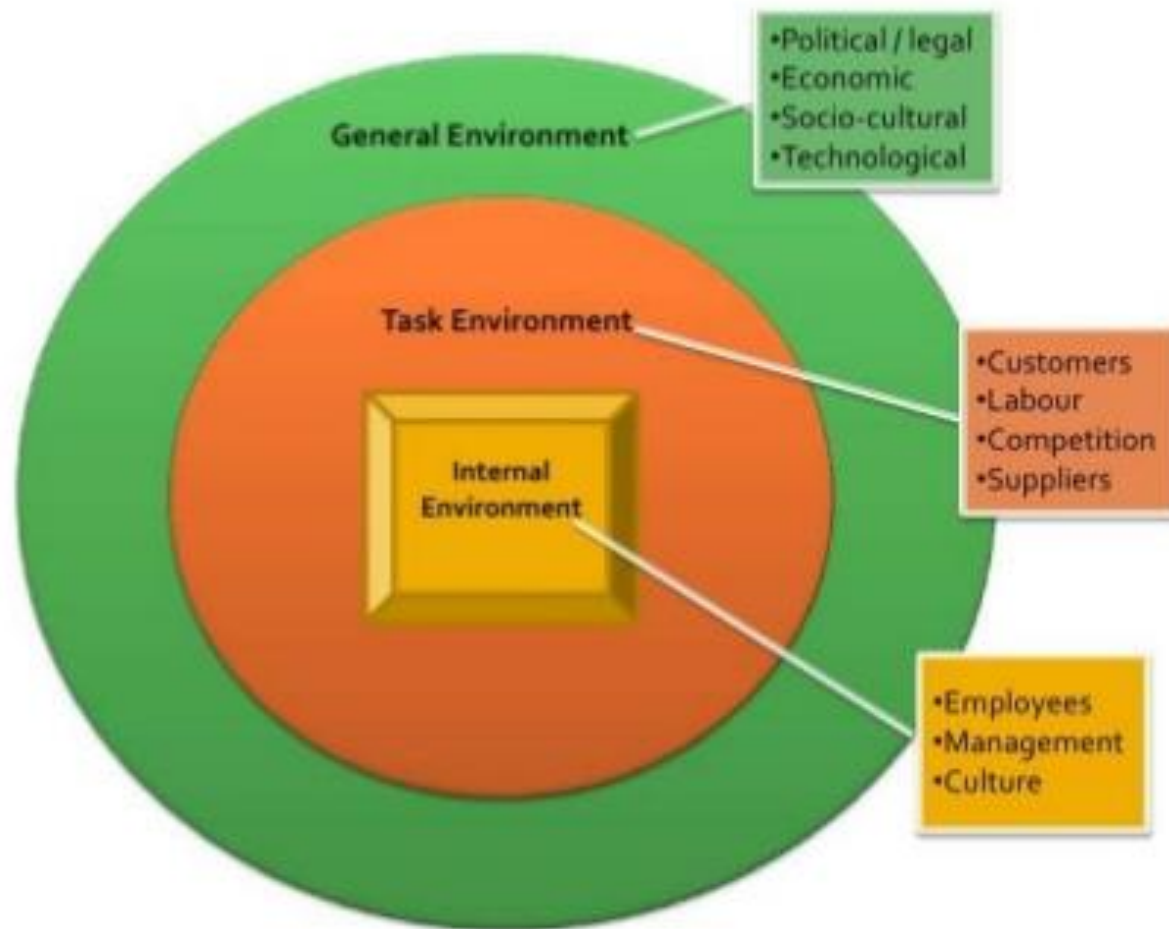
Strategic organizational changes are the introduction of new methods and technologies for a significant transformation of the enterprise into market requirements, or to benefit from the opportunities created in business.

Thus, within our course we will consider changes in the **environment**, **structure**, **culture**, **technology** or **people** of the organization

*70% of all change initiatives fail due to failure to address **human component of change**.* HBR by Michael Beer & Nitin Nohria

1.2. Forces for Change

Factors that control an organizational environment are classified into internal & external factors.



P

- Government policy
- Political stability
- Corruption
- Foreign trade policy
- Tax policy
- Labour law
- Trade restrictions

E

- Economic growth
- Exchange rates
- Interest rates
- Inflation rates
- Disposable income
- Unemployment rates

S

- Population growth rate
- Age distribution
- Career attitudes
- Safety emphasis
- Health consciousness
- Lifestyle attitudes
- Cultural barriers

T

- Technology incentives
- Level of innovation
- Automation
- R&D activity
- Technological change
- Technological awareness

E

- Weather
- Climate
- Environmental policies
- Climate change
- Pressures from NGO's

L

- Discrimination laws
- Antitrust laws
- Employment laws
- Consumer protection laws
- Copyright and patent laws
- Health and safety laws

The External Environment. . . (continued)

■ **Task environment** consists of specific organizations or groups that influence an organization.

- Competitors
- Customers
- Suppliers
- Strategic partners
- Regulators



The Task Environment... (continued)

Suppliers



Competitors

- Other organizations that compete with our organization for resources.
- Most obvious resource is customer dollars.
- Organizations compete for bank loans, property, quality labor, technological breakthroughs, patents, scarce raw materials.

Suppliers

- Organizations that provide resources for other organizations.
- McDonald's depends on Heinz for its ketchup packets and Coca-Cola for its soft drinks.



Competitors

The Task Environment... (continued)

■ Customers

- Whoever pays money to acquire an organization's products or services.
- Customers of major organizations may include: schools, hospitals, government agencies, wholesalers, retailers and manufacturers.
- Customers have more discriminating tastes and new products' and services' expectations.
- Companies who expand internationally face critical differences [no beef served in India, alcohol served in Germany and France as a part of the menu].

Customers



The Task Environment . . . (continued)

■ *Strategic Partners (Allies)*

- Two or more companies that work together in joint ventures or similar arrangement.
- McDonald's with Wal-Mart and Disney.
- Strategic partnerships allow companies to share expertise they lack, spread risk and open new market opportunities.
- Usually occurs with international firms. [Ford shares a distribution and service center in South America with Volkswagen and builds minivans in the US with Nissan]

■ *Regulators*

- A unit that has the potential to control, legislate or otherwise influence the organization's policies and practices.
 - Regulatory agencies – created by the government to protect the public from certain business practices or to protect organizations from one another. [EPA, SEC, FDA, EEOC]
 - Interest groups – organized by their members to attempt to influence organizations. No official power, but use the media to call attention to their positions. [NOW, MADD, NRA, the Sierra Club, Ralph Nader's Center for the Study of Responsive Law, Consumers Union, Better Business Bureau, etc].

The Internal Environment

■ *Internal Environment consists of:*

- Owners
- Board of Directors
- Employees
- Physical Work Environment
- Organizational Culture



The Internal Environment... (continued)

■ Owners

■ People who can claim property rights to an organization.

- Single individual who establishes and runs a small business.
- Partners who jointly own a business.
- Shareholders who own shares of stock in a corporation or other organization.
- Companies who own other companies which are run as wholly owned subsidiaries by the parent companies. [McDonald's owns bakeries that supply it with buns and have partial ownership in other chains.]



■ Board of Directors

■ Governing body elected by a corporation's stockholders and charged with overseeing the general management of the firm to ensure that it is being run in a way that best serves the stockholders' interests.



The Internal Environment... (continued)

■ Employees

- The nature of the workforce is changing in terms of gender, ethnicity, age, etc.
- Workers are also demanding more job ownership – partial ownership in the company or more say in how they perform their jobs.
- Companies are relying on 'temps' more – less salary and benefits cost – but no company loyalty.
- Labor unions are presenting management with another layer with which to deal – some companies deal with more than one union.



The Internal Environment . . . (continued)

Physical Work Environment

-  An important consideration for many businesses.
-  Construction supervisors may rely on wireless communication equipment to keep in touch with various work crews.
-  Facilities may be spread out among various buildings in the city, in rural or suburban areas, or in campus-like facilities.
-  Some facilities have traditional offices on each side of a hall, some modular cubicles with partial walls, or an even more open arrangement.

Culture

-  A set of values, beliefs, behaviors, customs and attitudes that helps the members of the organization to understand what it stands for, how it does things and what it considers important.
-  Plays an important part in shaping management behavior.

Organization-Environment Relationships

 **Three basic perspectives can be used to describe how environments affect organizations:**

- 1. Environmental change and complexity**
- 2. Competitive forces**
- 3. Environmental turbulence**

1. Environmental Change and Complexity

- **James D Thompson** theorized that organizational environment can be described along two dimensions:

- **Degree of change** – the extent to which the environment is relatively **stable** or relatively **dynamic**.
- **Degree of homogeneity** – the extent to which the environment is relatively **simple** (few elements, little segmentation) or relatively **complex** (many elements, much segmentation).

- These two dimensions interact to determine the level of uncertainty faced by the organization.

- **Uncertainty** – unpredictability created by environmental change and complexity.

- **Least environmental uncertainty is faced by organizations with 'stable' and 'simple' environments.**

[Subway and Taco Bell focus on certain segments of the consumer market, produce a limited product line, have a constant source of suppliers and face relatively consistent competition]

- **Organizations with 'dynamic' but 'simple' environments generally face a moderate degree of uncertainty**

[clothing manufacturers and certain CD producers who target a certain kind of clothing or CD buyer but are alert to changing tastes]

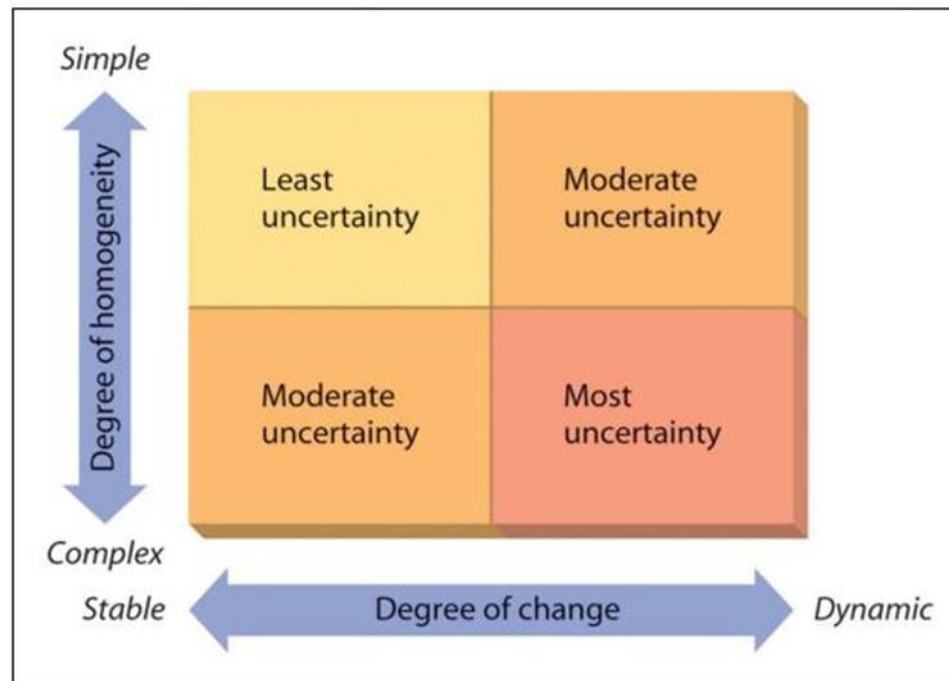
Environmental Change and Complexity... (continued)

- Moderate amount of uncertainty results in organizations with stability and complexity.

[automobile manufacturers must interact with many suppliers, regulators, consumer groups and competitors, yet change occurs quite slowly in this industry despite changes in the styles of cars]

- Very dynamic and complex environmental conditions create a high degree of uncertainty.

occurs in the technology area due to rapid rate of innovation and change in consumer markets which affect the industry, their suppliers and their competitors. Intel, Sony, Compaq, IBM, Apple and internet-based firms like eBay and Amazon.com face high levels of uncertainty]



2. Competitive Forces

■ **Michael E Porter** proposes that managers should view the organizational environments in terms of five competitive forces:

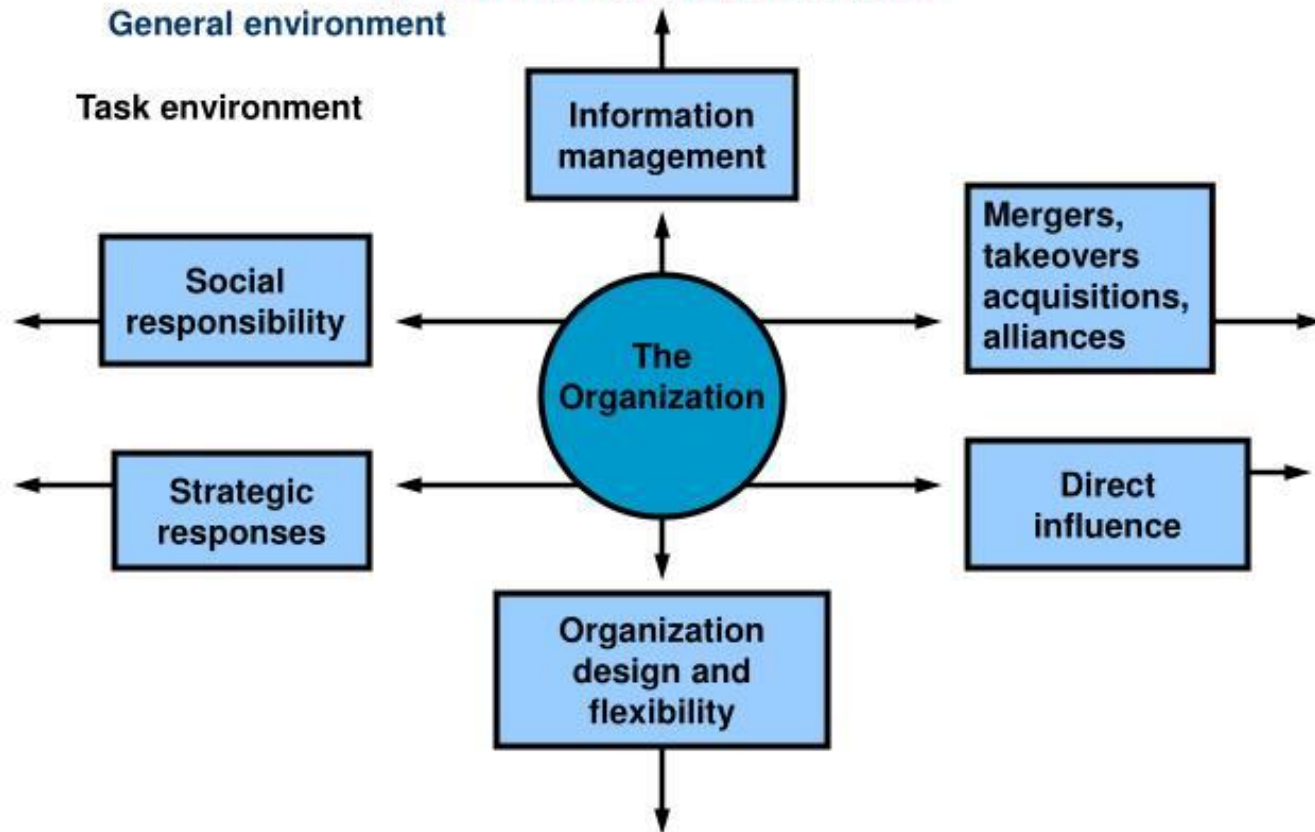
- The threat of new entrants
- Competitive rivalry
- The threat of substitute products
- The power of buyers
- The power of suppliers

3. Environmental Turbulence

■ Environmental change or turbulence which occurs with no warning at all.

- Most common is an organizational crisis of some sort.
- 9/11 affected travel, international and domestic businesses.
- Workplace violence – unhappy or dismissed workers assault other workers.
- Spread of computer viruses that can shut down businesses around the world. [Love Bug virus in 2000]
- Far too few organizations have developed crisis plans and special teams to deal with such events.

How Organizations Adapt to Their Environments:



Adapting – Mergers, Acquisitions and Alliances

- **Merger** – two or more firms come together under one name. [Banoco and Bapco]
- **Acquisition** – one firm buys another firm out. [Starbucks and Seattle Coffee Company]
 - **Hostile Takeover** – a firm takes another firm over by force.
- **Alliance** – two or more firms undertake a venture together, but each keeps its own identity. [British Airways and American Airlines; McDonald's with Disney and Wal-Mart]

The most significant Forces for Change

External Forces	Internal Forces
Competition Laws and regulations	Strategy modifications
New technologies	New equipment
Labor market shifts	New processes
Business cycles	Workforce composition
Social change	Job restructuring
	Compensation and benefits
	Labor surpluses and shortages
	Employee attitude

Indicators that life at work is about to change

- **A merger, acquisition, or divestiture.**— Such “restructuring” changes almost always result in duplications of functions, which must be corrected through painful layoffs.
- **The launch of a new product or service.**—These connect a company with new customer markets and, often, new competitors. In these cases, adaptation and learning are essential.
- **A new leader.**—Change should be expected with the arrival of any new leader. The new leader generally doesn’t feel comfortable until he is comfortable with all the people around him. Change will cascade down from these new executives.
- **A new technology.**—Technology is transforming the world of work. Information technology in particular is changing not just how we work, but when we work and from which locations.

Types of change

Classification trait	Type of change
1.The degree of change	- Transformational - Converting - Developing
2. Subject of change	- Technological - Changes in the business model - Structural - Cultural - Personnel oriented
3. The nature of the steering impulse	- Voluntary - Forced
4. The method (time) of the enterprise's response to changes	- Reactive - Proactive

Types of change (continuation)

Classification trait	Type of change
A way to make changes	- Evolutionary - Revolutionary
Influence on business processes	- Changes in key business processes - Changes in supporting business processes - Mixed
Frequency of changes	- Continuous - Periodic (jump-free)
The scope of change	- Global - Middle - Local

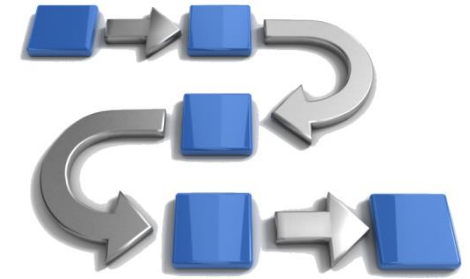
Structural change

These programs treat the organization as a set of functional parts—the “machine” model.

During structural change, top management attempts to reconfigure these parts to achieve greater overall performance by means of:

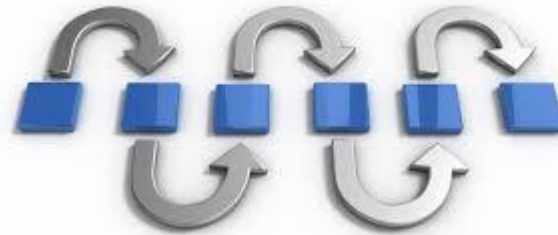
- mergers,
- acquisitions,
- consolidations,
- divestiture

Process change



Typically aims to make processes

- faster,
- more effective,
- more reliable,
- less costly.



Methods:

- reengineering a loan approval process,
- handling customer warranty claims,
- change decision-making
- etc.

Cultural change

These programs focus on the “human” side of the organization, such as a company’s general approach to doing business or the relationship between its management and employees.

Examples:

- shift from command-and-control management to participative management
- effort to reorient a company from an inwardly focused “product push” mentality to an outward-looking customer focus.

Local change

focuses on a discrete operation, such as
improving the customer service function

May be both easier to handle and more likely to
succeed, since it involves a small activity set.

Middle change

such as

eliminating redundancies or getting the
acquired units to work together
can be

enormously difficult and time-consuming.

Few of these initiatives come close to meeting
the expectations of their supporters.

Global change

can be handled by a small command group of
senior managers and consultants, with input
from the board of directors business—might
appear relatively easier



Topic 2. Changes at different stages of the organization's lifecycle

1. Characteristics of the life cycle concepts
2. The necessity of transformations based on Greiner Growth Model
3. I.Adizes "PAEI" Model
4. The V.Tarasenko Concept of "64 Strategems"

General patterns of organization life cycle

Comparative analysis of the concepts of the life cycle The level of analysis	The stages of the life cycle	Authors
Area or branch	Birth, Growth, Maturity, Decline	Michael Eugene Porter (1983 p.)
Organization (enterprise)	Foundation, Growth, Maturity, Decline or Renewal	Gupta Y.P., Chin D.C.W. (1993 p.)
Organizational employee Managing the career plateau	Introduction, Growth, Maturity, Decline or Renewal	T. P. Ference, J. A. E. Stoner E. K. Warren (1977 p.)
Product life-cycle management (PLM)	Market introduction Growth, Maturity, Saturation	Levitt, T (1965 p.)
Knowledge management	Creation Storage Sharing Utilization	Nonaka (1994)
The dynamic resource-based view: capability lifecycles	Formation, Development, Maturity, Further Development, Death, Restrictions, Updates, Replication, Redistribution, Recombination	C. E. Helfat and M. A. Peteraf. (2003 p.)

Greiner Growth Model

Organizations are always under way and according to the American organizational expert [Larry Greiner](#), comparisons can be made with living organisms that go through several growth phases.



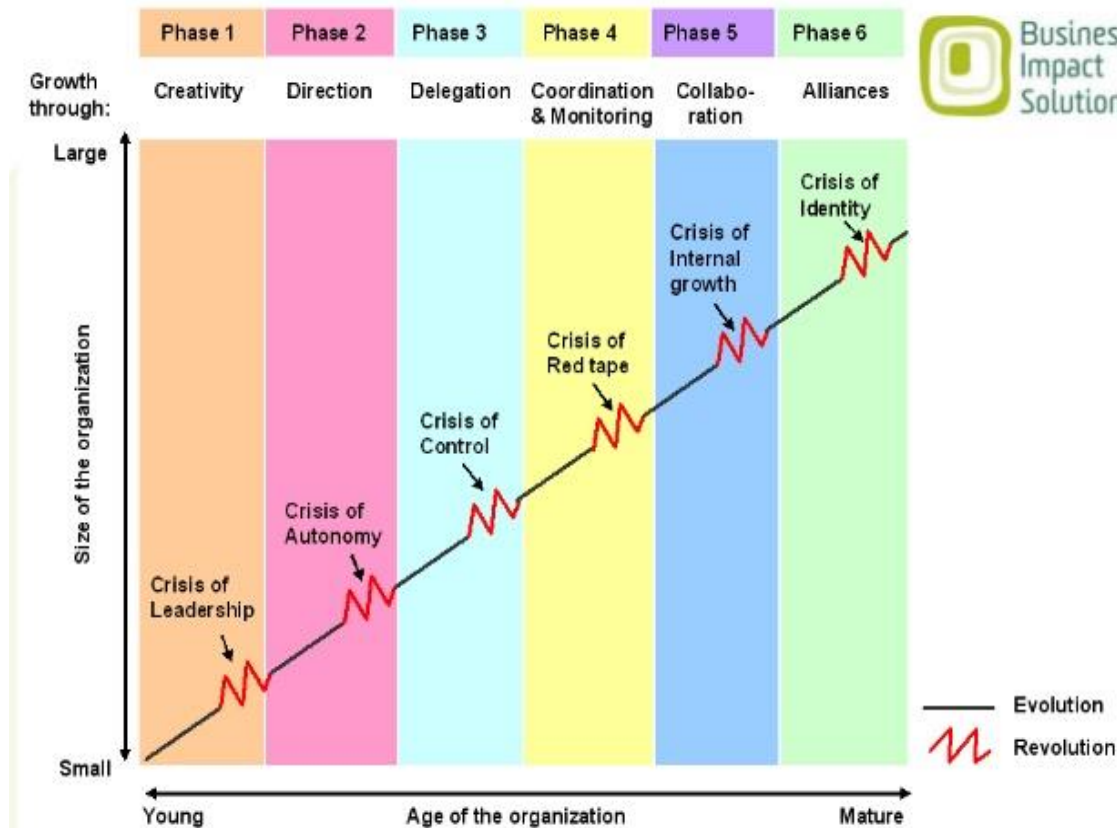
In 1972 he described an organizational growth model for enterprises, in which he initially proposed five stages. The growth towards a next stage is accompanied by resistance, which is also referred to as growing pains.

[Greiner's Model of Growth](#) is a popular strategic management tool which is very often used in today's modern businesses to make the right strategic decisions.

Time factor

- The **only variable** in the Greiner Growth Model is the **time factor**. The Greiner growth model is a descriptive framework in which the age of the organization is marked out against the size of an organization.
- Larry Greiner assumes that an organization grows and expands throughout the years.
- The Greiner Growth Model makes it easier to understand why management styles, organizational structures, coordination mechanisms work and why they do not work at certain phases in the development phase of an organization.
- **Every phase requires different competences** of the entrepreneur, as a result of which the Greiner Growth Model orients towards strategic policy.

Phases of the Greiner Growth Model



Larry Greiner originally described five phases of growth in his Greiner Growth Model to which he later added a sixth phase.

Each phase ends with a short crisis/ growing pains after which the next phase begins.

1. Growth through creativity

In this pioneering phase of the Greiner Growth Model, the company is young and relatively small.

The organization is informal and the employees are very loyal.

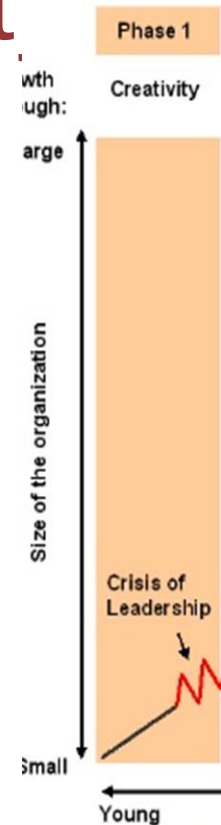
There is a flat organizational structure and the entrepreneur is externally oriented; he invests in new clients.

Growing pains

Because the organization is growing (too fast) and is becoming more complex, the entrepreneur is no longer able to take stock of the situation and a leadership crisis arises.

Coordination and internal control can no longer be carried out by one person.

There is a need for an improved structure.



2. Growth through direction

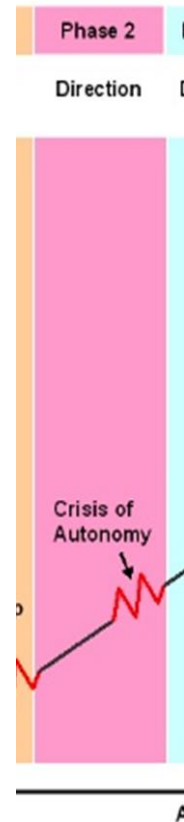
In this management phase of the Greiner Growth Model, functional managers are appointed as a result of which a middle management is created that controls the primary processes.

Rules, procedures and business are formalized and standardized. The central coordination remains in the hands of the entrepreneur.

Growing pains

Because of further growth, the coordination problems may become too big for the entrepreneur.

In addition, middle managers need more autonomy. The autonomy crisis is born.



3. Growth through delegation

In this phase of decentralization, the entrepreneur delegates important tasks to his middle management.

Results are aimed for and the middle managers are responsible for achieving tactical and operational objectives.

Management moves at a strategic level and rarely intervenes. A division structure is created with separate product groups and individual managers.

Growing pains

The more divisional managers, the more difficult it will become for the management board to coordinate all the divisions that operate independently.

There is a risk of a management crisis. **There is a good chance that the divisional managers plot their own course** too much as a consequence of which the company could break up.



4. Growth through coordination and control

In the standardization phase of the Greiner Growth Model, more emphasis is put on the coordination between the various units.

In large diversified organizations the various staff departments take up a strong position from the headquarters from which the divisional managers are managed.

Growing pains

When the staff departments have too much power and when there is too little scope for the divisional managers, a red tape crisis arises.

The rules have made the company too inflexible and rigid.



5. Growth through cooperation

In the cooperation phase of the Greiner Growth Model, cooperation between line and staff departments is aimed at and this creates a break-up of the hierarchical coordination forms such as a matrix structure or a project organization.

This phase is characterized by much mutual contact between employees via all kinds of consultation groups. There is little formalization and standardization.

Growing pains

The frequent consultations constitute a pitfall, as a result of which a consultation crisis may arise. There is every chance that supervision and control decline sharply.

This could mean the end for organizations, unless they develop through external alliances.



6. Growth through alliances

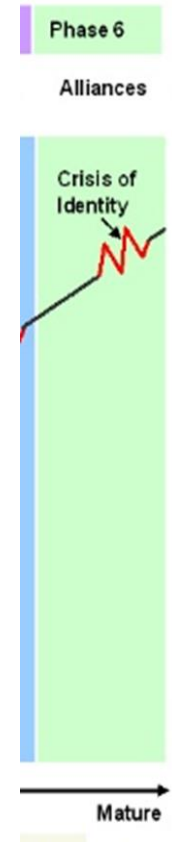
In this 'growth through undertaking phase' the organization only requires good external contacts and alliances.

These can be found in mergers, alliances and extensive networks.

Growing pains

Because an organization is more focused on alliances than its own core-business, there is a good chance that an identity crisis will present itself.

The organization is taken over completely by other businesses and the 'old' situation will disappear completely.



Using the Greiner Growth model

By providing an insight into the growth phases, the Greiner Growth Model can be a tool for organizations to tackle the subsequent growing pains.

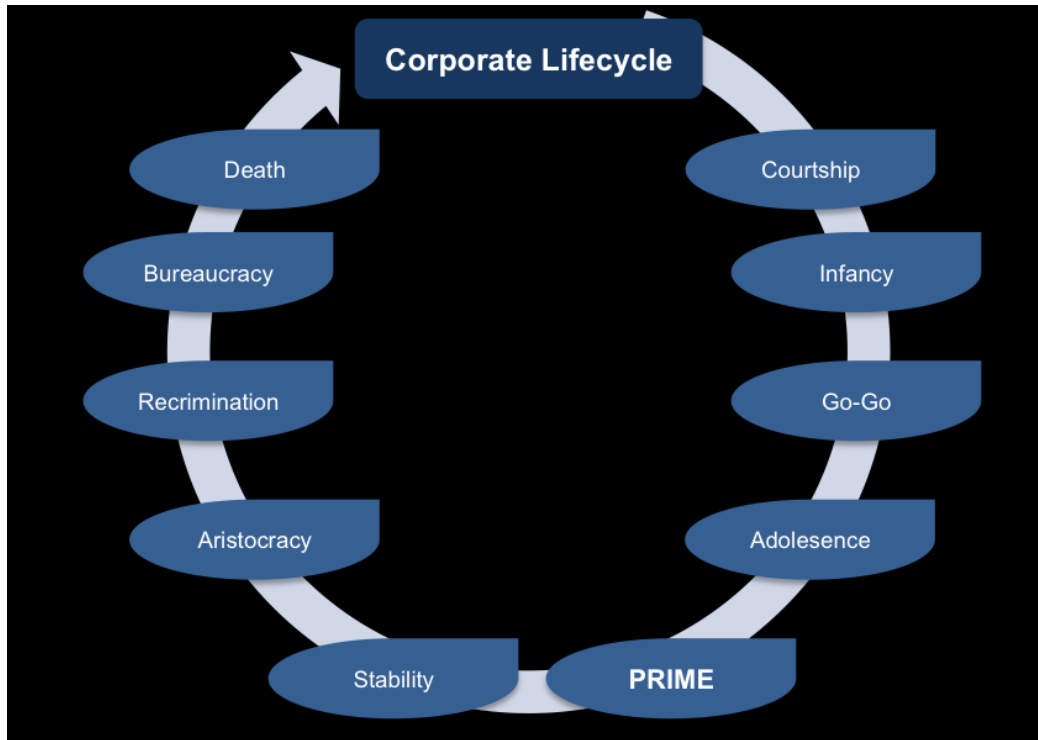
Organizations will be prepared for any possible growing pains, so they can anticipate them.

However, they cannot determine the exact moment growing pains present themselves as it is not possible to determine the duration of a growth phase in advance.

Growing pains can also have a positive effect on a company.

These growing pains are experienced as something negative by the parties involved, but essentially they are an excellent means to shake up the organization and make everyone aware that it is necessary for them to embark on a new course.

Adizes' Corporate Lifecycle



As defined by Dr. Ichak Adizes, the lifecycle of a corporation can be broken down into 10 unique stages.

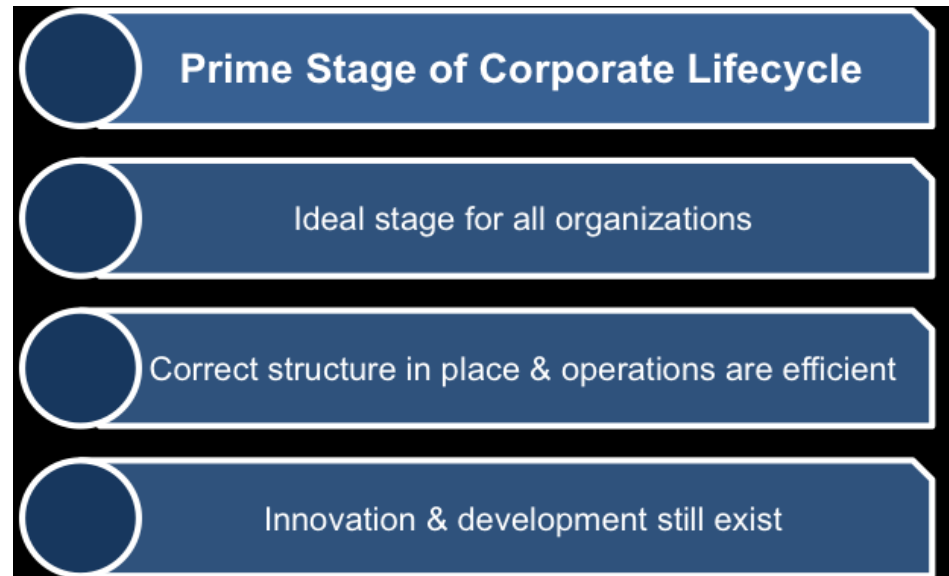
One of these stages – called **Prime** – is the ideal stage, and the one that every company should be striving to land on for as long as possible.

Prime

This is the ideal spot for a business to land, and companies who are successfully occupying the prime stage are going to fight to hold onto it for as long as possible.

Prime Stage

Now that they have an organized structure in place, the company is operating efficiently but is still young enough to keep an eye toward innovation and development. At this stage, there may even be new businesses that develop from within the organization, adding to the potential for future growth.





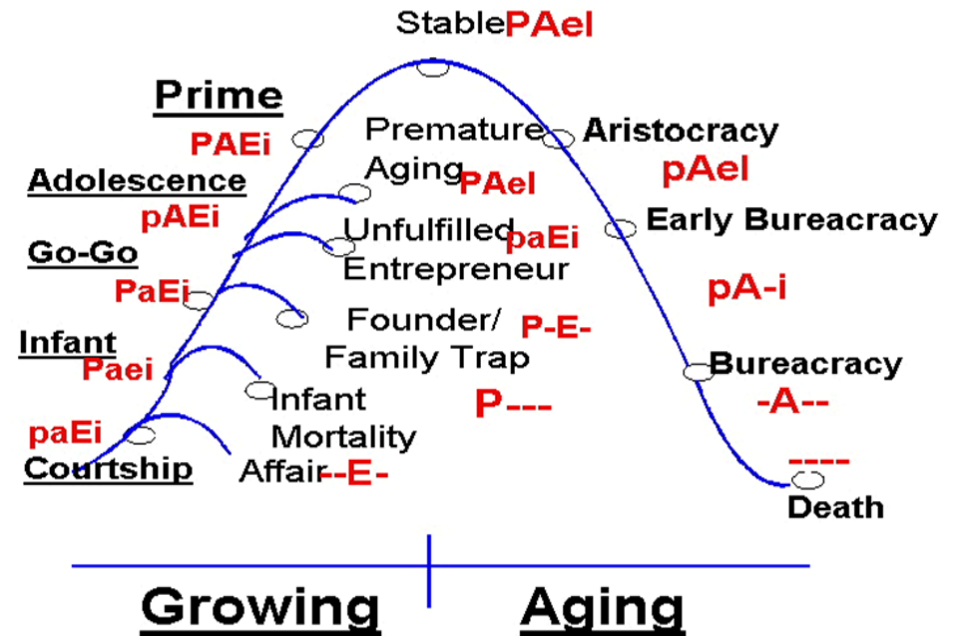
PAEI Model

- Dr Ichak Adizes, a management expert and the founder of the Adizes Institute, developed the PAEI Model in the early 1970s. Since then, he has applied it to thousands of organizations around the world.
- PAEI is an acronym that describes four management roles that any team or organization needs to be successful. These are:
 - Producer.
 - Administrator.
 - Entrepreneur.
 - Integrator.

Cultures: PAEI

Source: "Corporate Lifecycles" - Ichak Adizes 1988

P=Producer, A=Administrator, E=Entrepreneur, I=Integrator



A company can have a strategy that capitalizes on:

- Better service than the competition (P)
- Cheaper cost of production and delivery (A)
- Higher level of innovation (E)
- Better organizational culture that attracts and retains better human capital (I)



1. Producer



- The primary goal of any organization is to produce results, and it typically achieve this by meeting the needs of internal or external customers. The same principle applies to your management team.
- The person in the producer role is ultimately responsible for the product or service that you're offering. He or she is in charge of meeting goals and objectives, and making sure that the end product delivers the expected results.
- Producers often work fast, and they tend to focus on the end result. They work hard and get things done.

2. Administrator



- Administrators focus on how tasks are completed. They're interested in the rules and policies that help your team or organization function, and they are often highly analytical, concentrating on ensuring that people follow procedures correctly. They often take a slow, structured approach to problem solving and decision making.
- Organizations often depend on administrators to develop the processes and systems that keep everyone working efficiently and productively.
- Administrators often work in accounting, or in other process-oriented departments.

3. Entrepreneur



- Entrepreneurs are full of ideas. They're inspired by what's possible, and they're gifted at building a shared vision of the future, seeing things that other people can't see, and taking calculated risks.
- Organizations depend on entrepreneurs to come up with the big ideas that allow them to maintain strategic advantage and enter new markets. They also rely on people in this role to spot opportunities and threats , and help others respond to change. Entrepreneurs can often use an unstructured approach to solving problems and making decisions, and they tend to focus more on a global than a local perspective.
- Entrepreneurs can often be in senior leadership roles or in marketing or research and development teams.

4. Integrator



- Integrators are the "heart" of a team or organization. They are skilled at bringing people together and maintaining harmony within a group. They can also rely on an unstructured approach when solving problems, and tend to work more slowly and methodically, as their focus is on the process and not the end result.
- Integrators have a high degree of emotional intelligence and empathy. They often lead with kindness, they know how to build trust and respect within a team, and they always have time to help a colleague out. Integrators can also play a key role in building an organization's culture, especially in its early stages.

Notice that this follows the code of PAEI and also that **NO ONE COMPANY CAN BE THE BEST IN ALL FOUR**. It costs money to do each role and thus can be prohibitively expensive in the aggregate.

Like the myth of the Ideal Executive, there is no ideal or perfect company, performing all the roles at the highest possible level.

Southwestern Airlines focuses on better service than the competition (P).

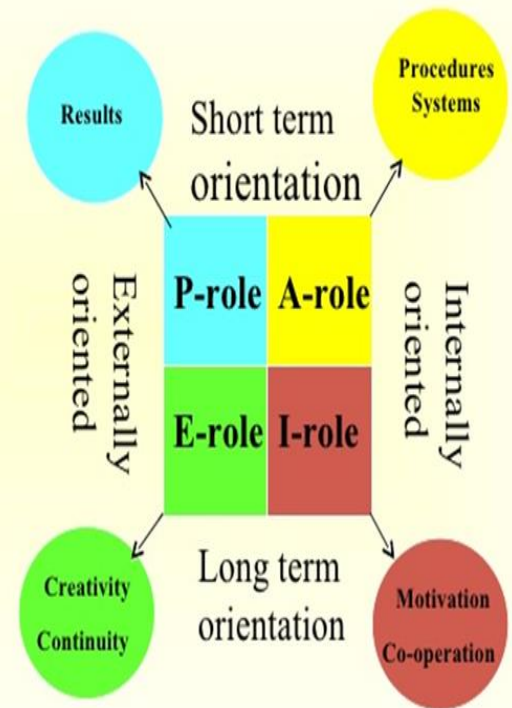
Dell is characterized by cheaper costs (A).

A higher rate of innovation (E) is what 3M relied on to beat the competition.

A great organizational culture (I) made HP stand out in its early days.

Adizes PAEI Model of management roles

Producer – P
Administrator – A
Entrepreneur – E
Integrator – I





No one person can fill all of these roles.

However, by making sure that you have someone cover... each one, you ensure that your management team is strong, effective and able to meet its responsibilities and objectives.

You can also use the PAEI Model to understand your own strengths and weaknesses as a leader. You likely gravitate towards one of these roles naturally, and, when you know which one suits you best, you can then identify which you might unconsciously avoid. This can help you uncover weaknesses and pinpoint skills gaps that you should address.

The V.Tarasenko Concept of "64 Strategems"

- The **external environment** of the enterprise, its **internal environment** and the **leadership group** **can be on different stages** of development. These stages are qualitatively different.
- According to the concept of "64 Strategems" the choice of his subsequent strategy depends from actual state (stage of the life cycle) from enterprise at the moment, taking into account such components as:
 - **Leadership** group (1-st letter)
 - **Internal** environment (2-d letter)
 - **External** environment (3-d letter)

Total - 3

The evolution of each of these three components are observed in the context of the 4 stages of life cycle, such as:

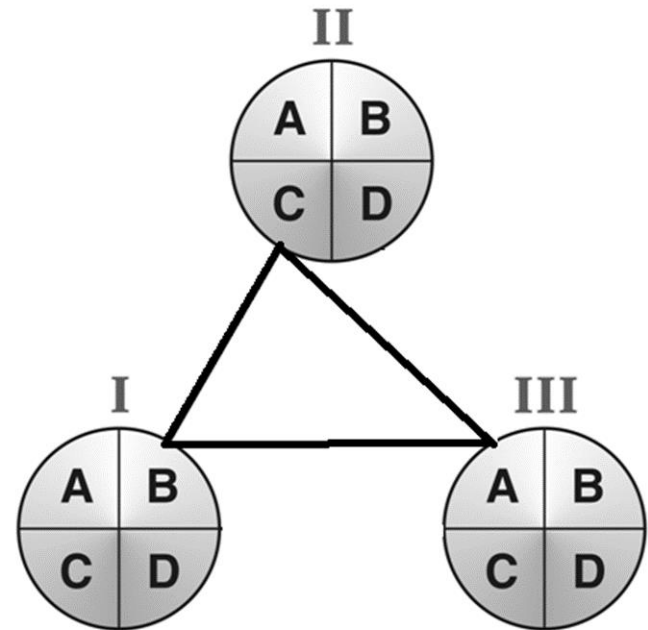
- Birth (A) - 2 points
- Development (B) - 4 points
- Stabilization (C) - 3 points
- Degradation (D) - 1 point

Total - 4

$$4^3=64$$

The external environment, organization and leadership group are changing based on 4 qualitatively different management archetypes.

The combination of 4 different stages of change in the leadership group, the external environment and the organization forms 64 strategems.



If the **leadership** group, the **internal** environment of the enterprise and the **external** environment were at the same stage of the life cycle, we would identify four basic states - **birth**, **development**, **stabilization** and **degradation**.

But in the practice of enterprises such situations, as a rule, are rarity. The internal environment of the enterprise, its leadership group and the external environment can simultaneously be at different stages of development.

*For example, the state of the leadership group is development (B or 4),
the internal environment is in the stage of birth (A or 2),
and the external environment is in the stage of stabilization (C or 3).*

The potential of enterprise BAC is equal $4*2*3=24$

Such combinations may be 64, and therefore, 64 possible states of a particular enterprise can be considered.

The maximum potential of strategema is equal to 64.

It is BBB - missionaries in developing organization operates in developing market.

The minimum potential of the strategma is 1 :

DDD - fundamentalists in the degrading organization in the depressed market.

Depending on the scope of the potential, there are three types of strategies

- Strong - with a potential 32 - 64
- Medium - with a capacity 10 - 32
- Weak - with a capacity 1 - 9.

The matrix of possible business states, leadership groups and the business environment, depending on the stages of the life cycle

Life cycle stage	Subject of development		
	Leadership group (Top-management)	Internal environment (Organizational culture)	External environment (competition, market situation)
Birth (A)	Romantics	Young	Forming
Development (B)	Missionaries	Developing	Developing
Stabilization (C)	Functionaries	Stable	Formed
Degradation (D)	Fundamentalists	Degraded	Depressive

Characteristics of the four stages development of the external environment, the internal environment and the leadership group

Life cycle stage	Characteristics
Birth (A)	Managers begin to realize their responsibility for the outcome of the decisions and seek the goals and resources necessary for them to implement the strategy. Not all decisions are conscious, rational, and formulated as goals.
Development (B)	Managers make decisions and take responsibility for the achievement of the new strategic goals that were established as a result of the previous stage
Stabilization (C)	Regular and effective playback of objects and controls that have been achieved and implemented in the previous stage is supported.
Degradation (D)	the reproduction of goals achieved in the previous stage, loses its effectiveness

Leadership group	Internal environment	External environment			
		Forming	Developing	Formed	Depressive
Romantics	Young	AAA	AAB	AAC	AAD
	Developing	ABA	ABB	ABC	ABD
	Stable	ACA	ACB	ACC	ACD
	Degraded	ADA	ADB	ADC	ADD
Missionaries	Young	BAA	BAB	BAC	BAD
	Developing	BBA	BBB	BBC	BBD
	Stable	BCA	BCB	BCC	BCD
	Degraded	BDA	BDB	BDC	BDD
Functionaries	Young	CAA	CAB	CAC	CAD
	Developing	CBA	CBB	CBC	CBD
	Stable	CCA	CCB	CCC	CCD
	Degraded	CDA	CDB	CDC	CDD
Fundamentalists	Young	DAA	DAB	DAC	DAD
	Developing	DBA	DBB	DBC	DBD
	Stable	DCA	DCB	DCC	DCD
	Degraded	DDA	DDB	DDC	DDD

Using the V.Tarasenko model

Using the method of V. Tarasenko allows to determine in which direction the following changes should be made:

- Leadership group
- Internal environment
- External environment

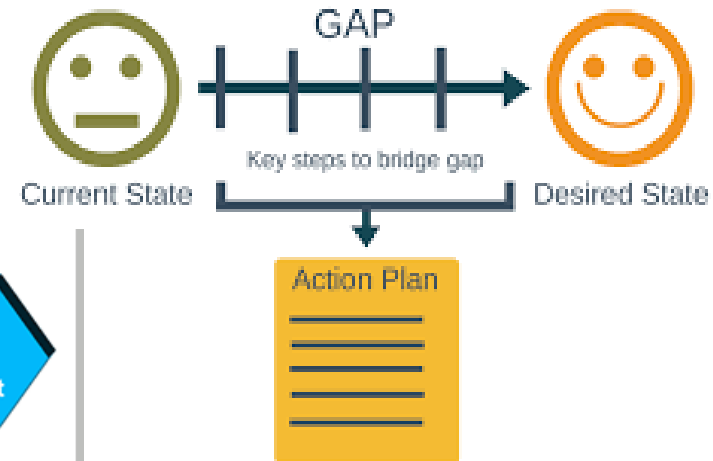
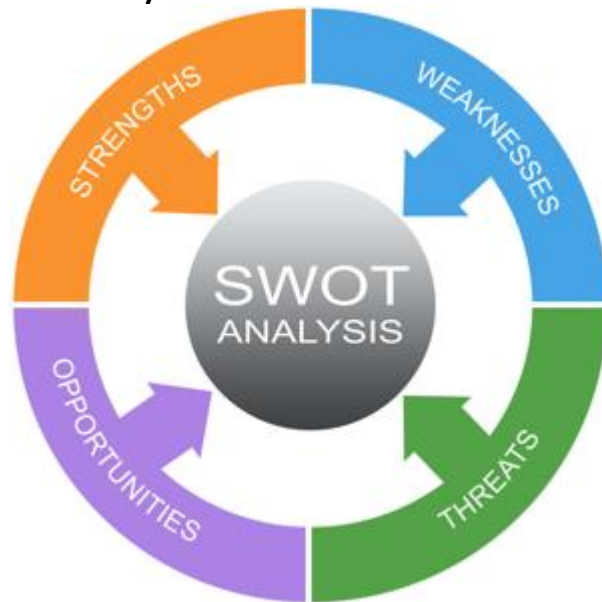
Even if degradation is inevitable, the next close strategy is birth.

Therefore, we must strive for this stage.

Topic 3.

Diagnosis of the need for change

1. SWOT analysis
2. Analysis of organizational resources
3. Analysis of the value chain
4. GAP - analysis



WHAT IS A **SWOT ANALYSIS** AND WHY SHOULD YOU USE ONE?

Strength, **W**eakness, **O**ppportunity, **T**hreat.

A SWOT analysis guides you to identify your organization's strengths and weaknesses (S-W), as well as broader opportunities and threats (O-T). Developing a fuller awareness of the situation helps with both strategic planning and decision-making.

The SWOT method was originally developed for business and industry, but it is equally useful in the work of community health and development, education, and even for personal growth.

WHEN DO YOU USE SWOT?

- **A SWOT analysis can offer helpful perspectives at any stage of an effort. You might use it to:**
- Explore possibilities for new efforts or solutions to problems.
- Make decisions about the best path for your initiative. Identifying your opportunities for success in context of threats to success can clarify directions and choices.
- Determine where change is possible. If you are at a juncture or turning point, an inventory of your strengths and weaknesses can reveal priorities as well as possibilities.
- Adjust and refine plans mid-course. A new opportunity might open wider avenues, while a new threat could close a path that once existed.
- SWOT also offers a simple way of communicating about your initiative or program and an excellent way to organize information you've gathered from studies or surveys.

what are the strengths and weaknesses of your group, community, or effort,
and what are the opportunities and threats facing it?

Internal		External	
Strengths	Weaknesses	Opportunities	Threats

you can group positives and negatives to think broadly about your
organization and its external environment

Positives	Negatives
• Strengths • Assets • Resources • Opportunities • Prospects	• Weaknesses • Limitations • Restrictions • Threats • Challenges

	STRENGTHS	WEAKNESSES
	1. 2. 3. 4.	1. 2. 3. 4.
OPPORTUNITIES	Opportunity-Strength (OS) Strategies Use the strengths to take advantage of opportunities 1. 2.	Opportunity-Weakness (OW) Strategies Overcome weaknesses by taking advantage of opportunities 1. 2.
THREATS	Threat-Strength (TS) Strategies Use strengths to avoid threats 1. 2.	Threat-Weakness (TW) Strategies Minimize weaknesses and avoid threats 1. 2.

LISTING YOUR INTERNAL FACTORS: STRENGTHS AND WEAKNESSES (S, W)

Internal factors include your resources and experiences. General areas to consider:

- ✓ Human resources - staff, volunteers, board members, target population
- ✓ Physical resources - your location, building, equipment
- ✓ Financial - grants, funding agencies, other sources of income
- ✓ Activities and processes - programs you run, systems you employ
- ✓ Past experiences - building blocks for learning and success, your reputation in the community



How do you get information about how outsiders perceive your strengths and weaknesses? You may know already if you've listened to those you serve. If not, this might be the time to gather that type of information.



LISTING EXTERNAL FACTORS: OPPORTUNITIES AND THREATS (O, T)



Cast a wide net for the external part of the assessment. No organization, group, program, or neighborhood is immune to outside events and forces. Consider your connectedness, for better and worse, as you compile this part of your SWOT list.



Forces and facts that your group does not control include:

- ✓ Future trends in your field or the culture
- ✓ The economy - local, national, or international
- ✓ Funding sources - foundations, donors, legislatures
- ✓ Demographics - changes in the age, race, gender, culture of those you serve or in your area
- ✓ The physical environment (Is your building in a growing part of town? Is the bus company cutting routes?)
- ✓ Legislation (Do new federal requirements make your job harder...or easier?)
- ✓ Local, national or international events

Analysis of organizational resources

Very often, the need for change, as well as the peculiarities of their planning and conduct, is determined by the problems associated with the resources used by the organization to achieve their goals.

Types of resources:

- ✓ external (materials, technology, information, workforce, etc.)
- ✓ internal (technologies, organizational skills and knowledge, people, relations with its key stakeholders, etc.).

To diagnose organizational resources:

- ✓ Assess the strategic value of resources;
- ✓ Determine the level of effectiveness of resources;



VRIO Analysis

When you set out to analyze your business and its strengths and weaknesses, using VRIO analysis is one of the best tools for the job. This is a business analysis framework that is used by a wide range of organizations, and there is a good chance that you will find it beneficial for your business regardless of your specific sector or industry.

The title of this framework, VRIO, stands for the following –

Value

Rarity

Imitability

Organization



VRIO Framework

VRIO Model

Is valuable?	Is rare?	Is difficult to imitate?	Is organization organized around?	What is the result?
NO				COMPETITIVE DISADVANTAGE
YES	NO			COMPETITIVE EQUALITY / PARITY
YES	YES	NO		TEMPORARY COMPETITIVE ADVANTAGE
YES	YES	YES	NO	UNUSED COMPETITIVE ADVANTAGE
YES	YES	YES	YES	LONG-TERM COMPETITIVE ADVANTAGE

- A stable competitive advantage can be provided only by the resource that meets all the criteria for VRIO-analysis.
- If a resource is not valuable, its ownership leads to a competitive weakness of the organization.
- If the resource is valuable, but it is easy for competitors to reproduce it, it can only give the organization a temporary competitive advantage, which quickly goes into competitive parity.

Value chain analysis (VCA)

It is a process where a firm identifies its primary and support activities that add value to its final product and then analyze these activities to reduce costs or increase differentiation.

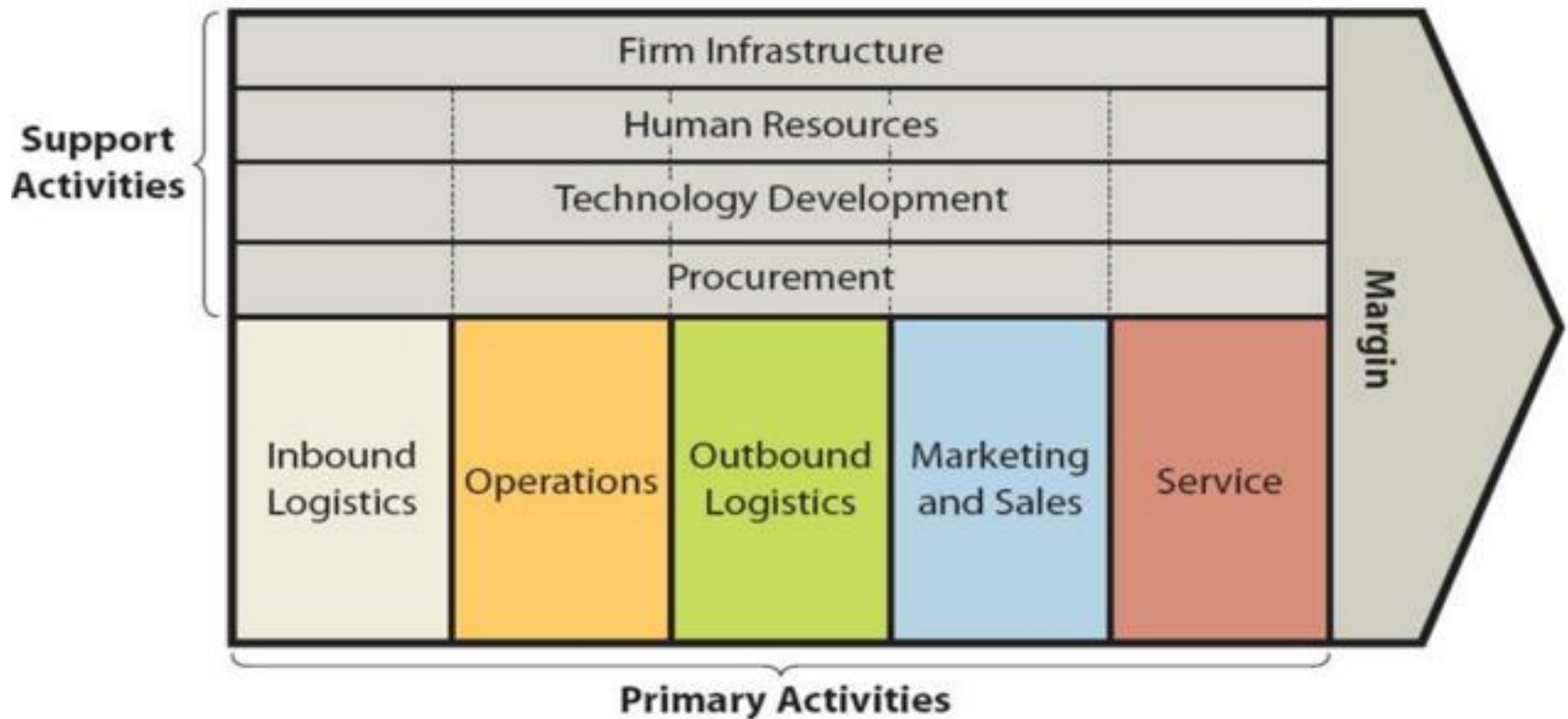
Value chain represents the internal activities a firm engages in when transforming inputs into outputs.

M. Porter introduced the generic value chain model in 1985. Value chain represents all the internal activities a firm engages in to produce goods and services. VC is formed of primary activities that add value to the final product directly and support activities that add value indirectly.

Its goal is to recognize, which activities are the most valuable (i.e. are the source of cost or differentiation advantage) to the firm and which ones could be improved to provide [competitive advantage](#).

The firm that competes through differentiation advantage will try to perform its activities better than competitors would do.

If it competes through cost advantage, it will try to perform internal activities at lower costs than competitors would do.



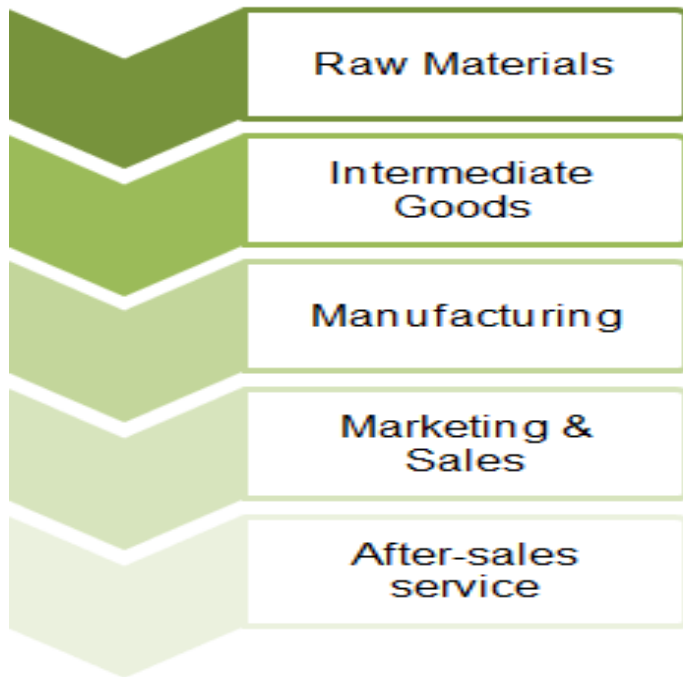
Primary or support

Although, primary activities add value directly to the production process, they are not necessarily more important than support activities.

Nowadays, competitive advantage mainly derives from technological improvements or innovations in business models or processes. Therefore, such support activities as 'information systems', 'R&D' or 'general management' are usually the most important source of differentiation advantage.

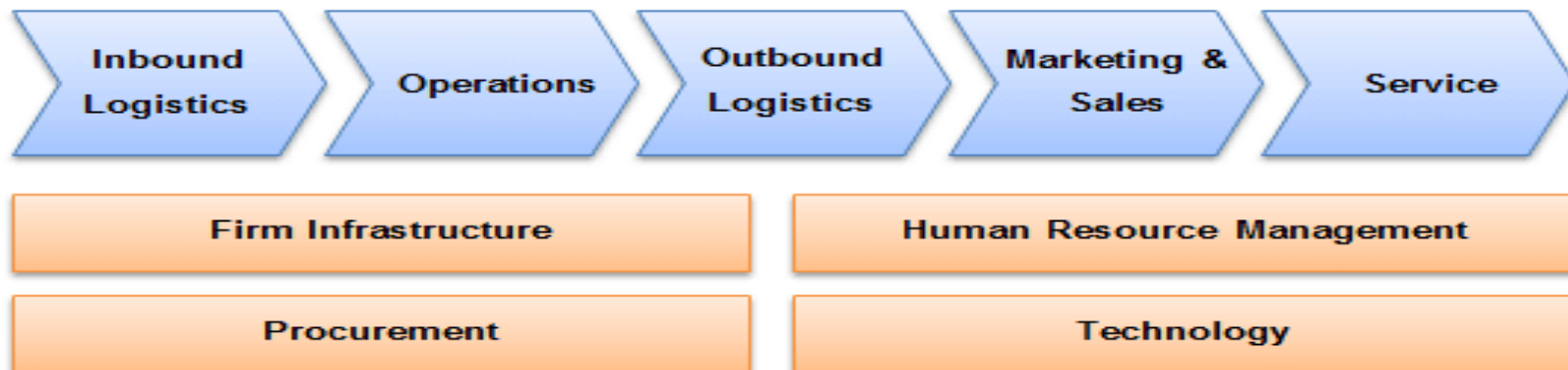
On the other hand, primary activities are usually the source of cost advantage, where costs can be easily identified for each activity and properly managed.

Industry's Value Chain



Firm's VC is a part of a larger industry VC. The more activities a company undertakes compared to industry VC, the more vertically integrated it is.

Company's Value Chain in Manufacturing



Competitive advantage types

Cost advantage	Differentiation advantage
This approach is used when organizations try to compete on costs and want to understand the sources of their cost advantage or disadvantage and what factors drive those costs.	The firms that strive to create superior products or services use differentiation advantage approach.
Step 1. Identify the firm's primary and support activities. Step 2. Establish the relative importance of each activity in the total cost of the product. Step 3. Identify cost drivers for each activity. Step 4. Identify links between activities. Step 5. Identify opportunities for reducing costs.	Step 1. Identify the customers' value-creating activities. Step 2. Evaluate the differentiation strategies for improving customer value. Step 3. Identify the best sustainable differentiation.

Value Chain Analysis Example

Step 1 - Firm's primary activities

Design and engineering	Purchasing materials and components	Assembly	Testing and quality control	Sales and marketing	Distribution and dealer support

Step 2 - Total cost and importance

\$164 M less important	\$410 M very important	\$524 M very important	\$10 M not important	\$384 M important	\$230 M less important

Step 3 - Cost drivers

•Number and frequency of new models •Sales per model	•Order size •Average value of purchases per supplier •Location of suppliers	•Scale of plants •Capacity utilization •Location of plants	•Level of quality targets •Frequency of defects	•Size of advertising budget •Strength of existing reputation •Sales Volume	•Number of dealers •Sales per dealer •Frequency of defects requiring repair recalls

Value Chain Analysis Example

Step 4 - Links between activities

High-quality assembling process reduces defects and costs in quality control and dealer support activities.

Locating plants near the cluster of suppliers or dealers reduces purchasing and distribution costs.

Fewer model designs reduce assembling costs.

Higher order sizes increase warehousing costs.

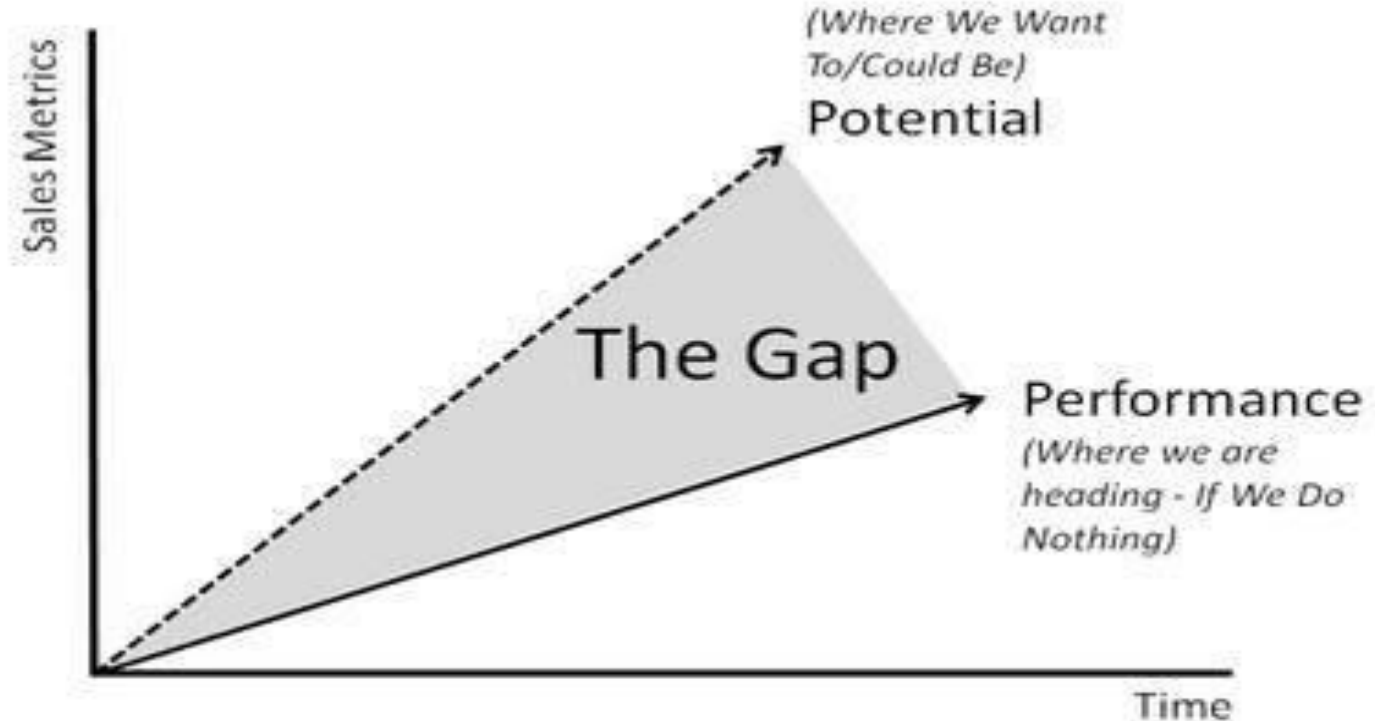
Step 5 - Opportunities for reducing costs

Create just one model design for different regions to cut costs in designing and engineering, to increase order sizes of the same materials, to simplify assembling and quality control processes and to lower marketing costs.

Manufacture components inside the company to eliminate transaction costs of buying them in the market and to optimize plant utilization. This would also lead to greater economies of scale.

GAP - analysis

A set of techniques to examine and describe the gap between current performance and desired future goals.



- The "C delta V" technique is useful to summarize the results of a gap analysis. The vision statements for a set of activities should conform generally to the criteria for the enterprise vision as a whole, but, more importantly, should be as specific as possible with respect to targets and measures.
 - The "A delta T" technique is useful to summarize the results of either a benchmarking study or the results of activity simulations where actuals can be compared to various targets.
-
- For example, during a cycle time analysis of an activity, it may be theoretically possible to fulfill a customer order in four hours, using a variety of methods. Tests of the new methods may only show a fulfillment time of five hours. One or both of these measures can be compared against the current cycle time of one business day.

Application

- To compare the current actual performance of an activity to either its theoretical target or its vision.
- At an organizational level to analyze processes based on strategic goals, or to assist with developing a strategy to move the organization from the existing state to envisioned future state.
- Forms the basis of the service quality measuring tool, which identifies the five gaps as
 - Customer expectations vs. managerial perceptions
 - Manager's expectations of quality vs. quality specs
 - Communication with customer at point of service or sale
 - Service delivery vs. communication
 - Perceived services vs. expected services

Instructions

- Confirm the scope of the gap analysis. Review all available activity information, relying on the activity profile and other sources if required.
- Confirm the key aspects on which comparisons will be made (e.g., cost, time, customer satisfaction, etc.), and determine required measurement activities. Using a table, matrix, or graphic similar to the example shown below, describe the key points about the current operation and/or performance of the activity being analyzed. Conduct research, and/or collect measurements to provide the key details.
- Use brainstorming or other appropriate visioning techniques to identify the key elements of vision, if performing a "C delta V" analysis).
- Use benchmarking, simulation, or other appropriate techniques to determine theoretical or desired targets in the key performance areas, if conducting an "A delta T" analysis.
- Describe the differences, and identify the actions required to reach the vision or target, using an appropriate technique. Be sure to include all aspects of change: managerial, operational, social, and technological (MOST).
- These actions may be summarized in terms of milestones, based on an appropriate time line, after they have been developed. Present as required.

Benefits

- A Gap Analysis can help understand and **prioritize business needs by helping** identify any deficiencies or shortcomings that need to be overcome. Once gaps are uncovered, it becomes easier to quantify them and identify the work effort that will be required to address them. From here, you can help prioritize them so that the greatest gaps can be addressed first.
- A Gap Analysis can give decision makers a **comprehensive overview** of the entire company or particular function such as accounting, information technology or operations. This allows directors and executives to determine whether the department or organization has the resources to meet their mission, goals, and objectives.
- The Gap Analysis helps the business **focus its efforts** and make informed decisions. In addition, a company can allocate limited resources and design efficient budgets by taking into account its main concerns.

Topic 4. Preparing for change

1. Stakeholders and participants in strategic changes
2. Main involved groups in change process
3. Motivation for change
4. Requirements for the structure of the organization in preparation for change
5. Readiness control



Stakeholders and participants in strategic changes

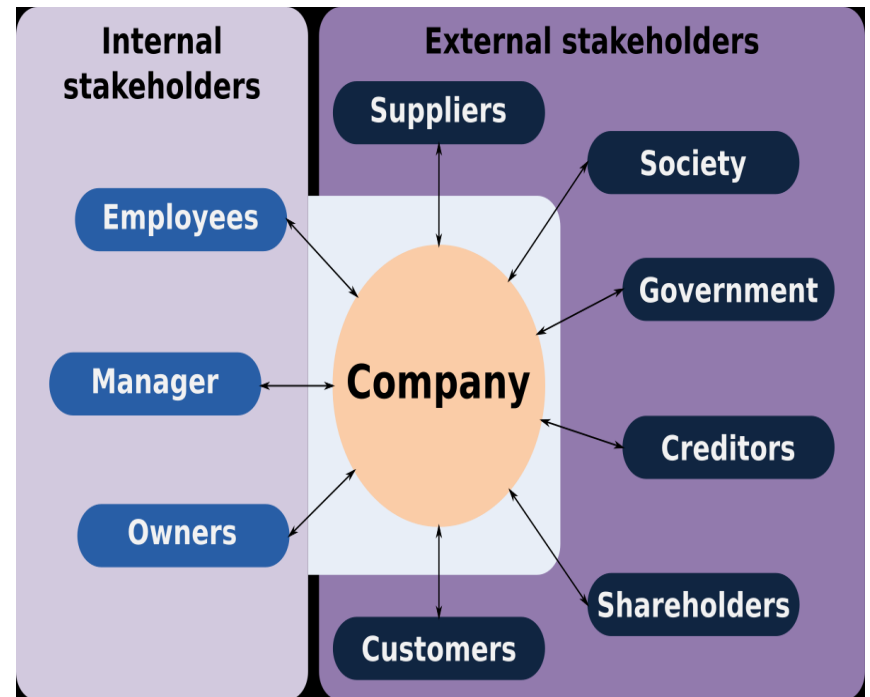
Stakeholders are the partners of the enterprise in the broad sense, that is, individuals and legal entities that are in some way interested in its development, capable of influencing it, can and should be used as participants in the process of implementing strategic changes.

Organizational stakeholders of business need to be involved in planning strategic changes. The extent of involvement of each type of stakeholder in the planning of the change depends on a range of factors such as their influence, their importance, and the degree to which changes are going to affect them.



Stakeholders can be classified into categories:

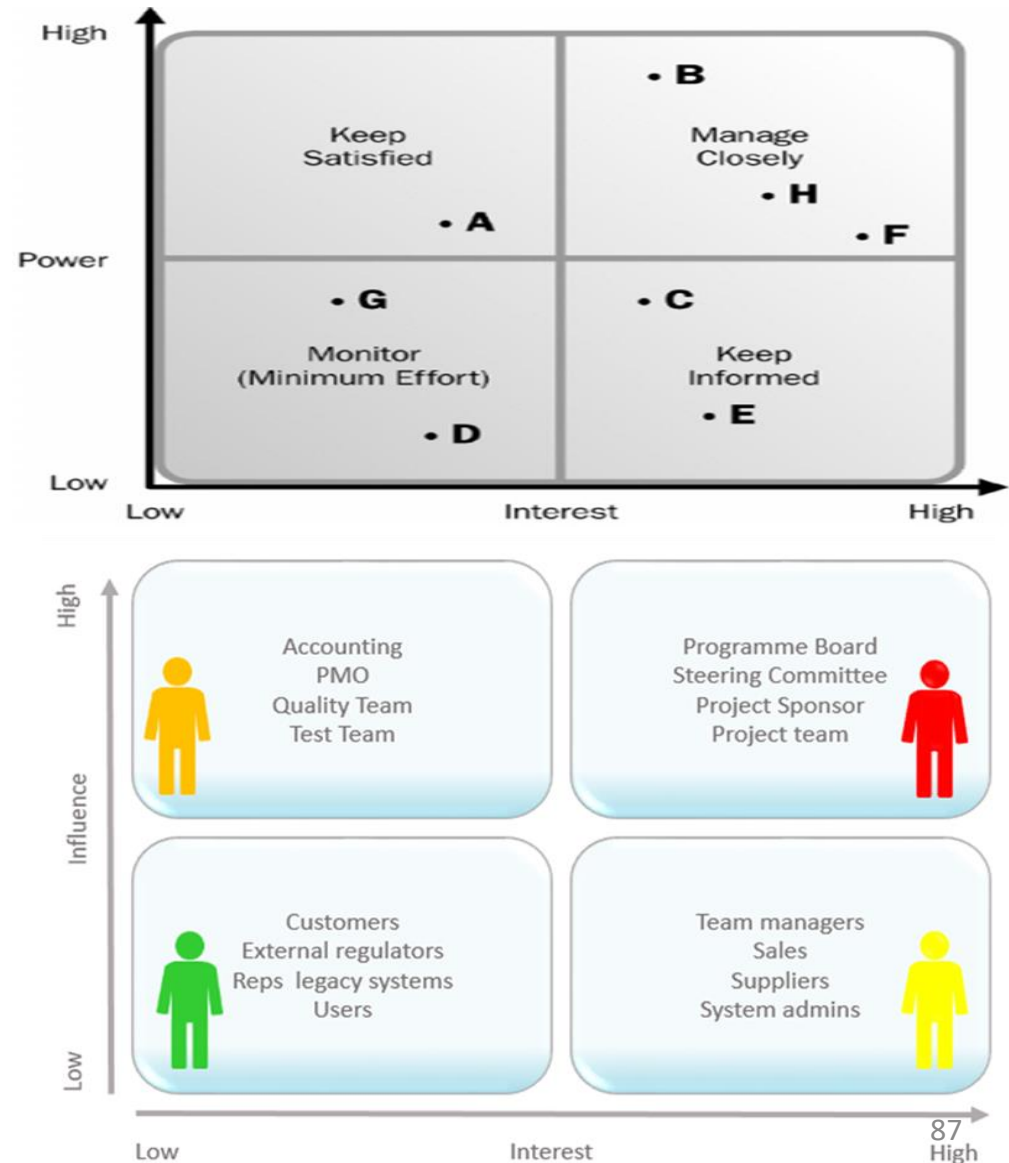
- groups financing the company (owners, shareholders);
- managers;
- personnel working at the enterprise (at least the part that is interested in achieving the strategic goal of the enterprise);
- economic partners, mainly external (suppliers, buyers, partners);
- local authorities (councils, state administrations);
- parties, public organizations and mass media interested in the activities of the enterprise, etc.



Change Management Strategy with Stakeholders

Business's change management strategy with stakeholders primarily depends on the level of power of each stakeholder category, as well as, the level of their interest on the change proposal.

As a general rule, Company is suggested to deal with its stakeholders on the basis of the following figure as it has been suggested by Murphy and Willmot (2010):





Group 2 – Keep Satisfied.

These are leaders who have less interest than Group 1 – maybe because they're not impacted as directly or have a smaller team that will experience the change.

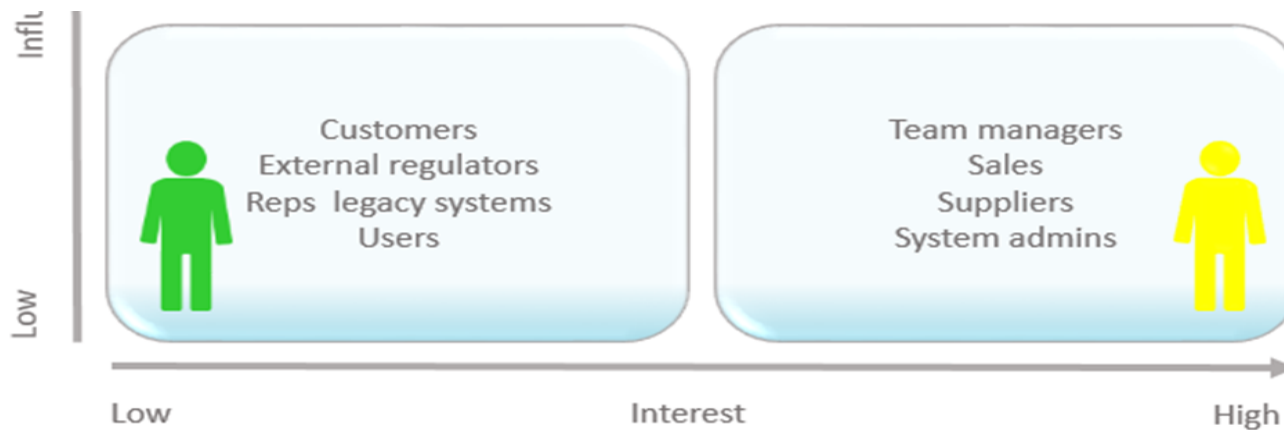
But this group is critical because they still have a high degree of influence on your project – and if you're not careful, they can swoop in and pursue drastic changes that can take you off course.

This group needs some degree of regular updates and a chance to provide feedback at critical junctures before key decisions are finalized. You can also utilize your sponsors to check in with these leaders depending on the nature of/type of relationships they have.

Group 1 – Manage Closely.

These are the leaders with the highest degree of interest and influence over your initiative.

Keep them close by checking in on status with regularity, soliciting their input, advice and questions on an ongoing basis over time and making time for one-on-one conversations to obtain their feedback.



Group 4 – Monitor.

These are people who are on your radar but don't have as much influence or interest in your project.

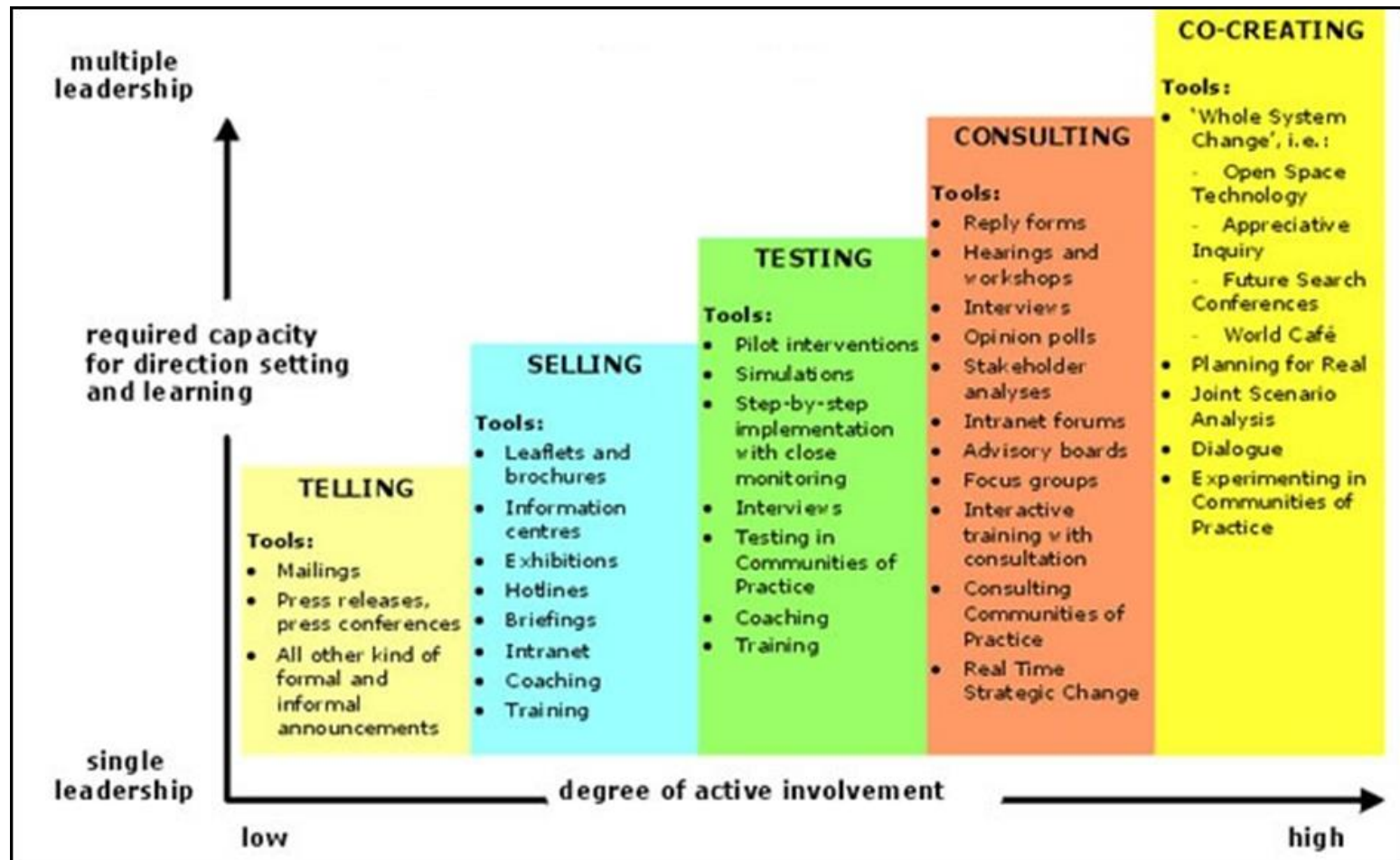
Monitoring them is key to ensure that you haven't missed how they may be impacted by change (and keeping them on your radar will help you know if major questions/concerns are arising from them as well).

Group 3 – Keep Informed.

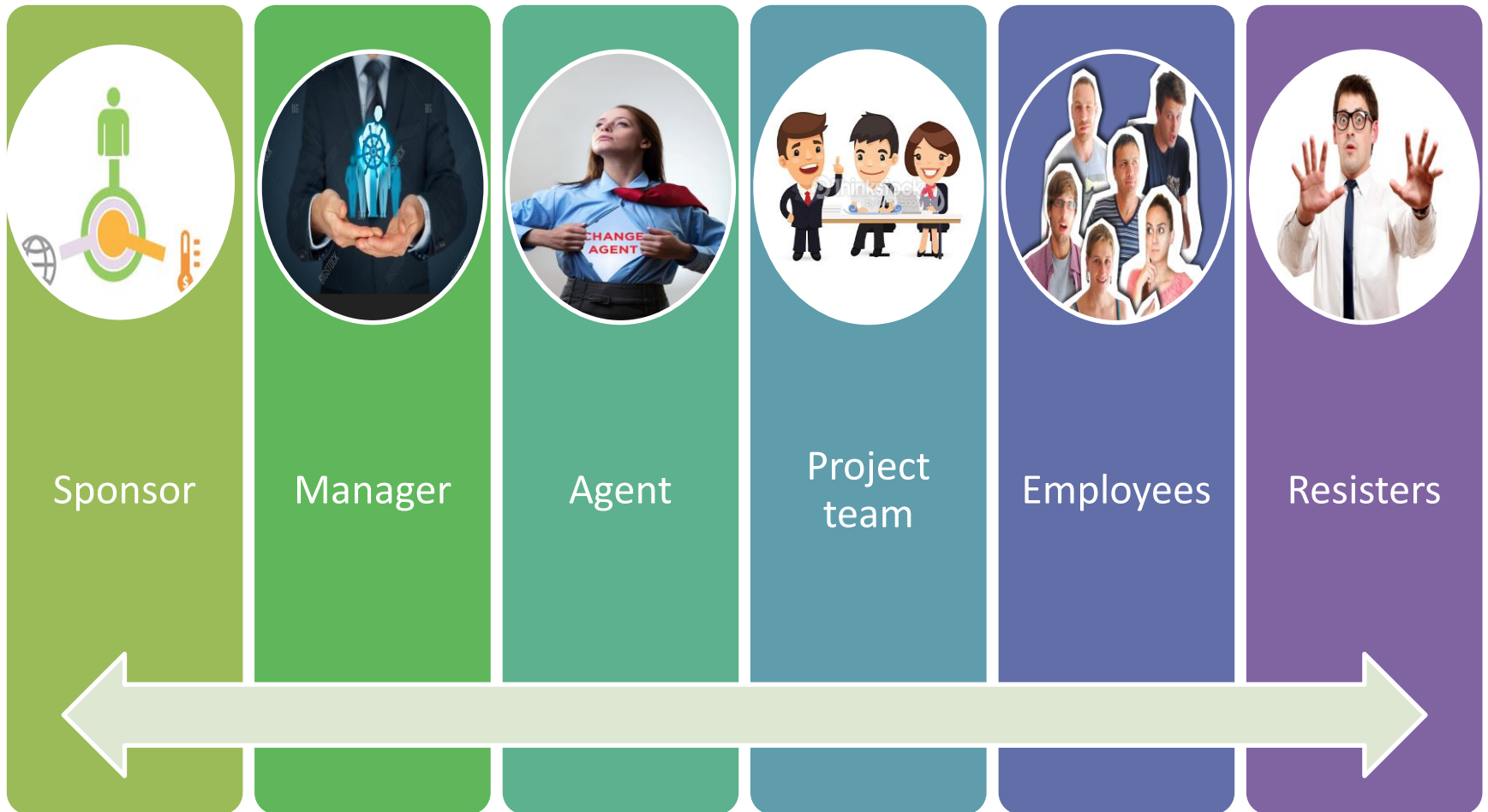
People in this category are typically your audience and users who have less influence over the change but are highly interested in what's going on.

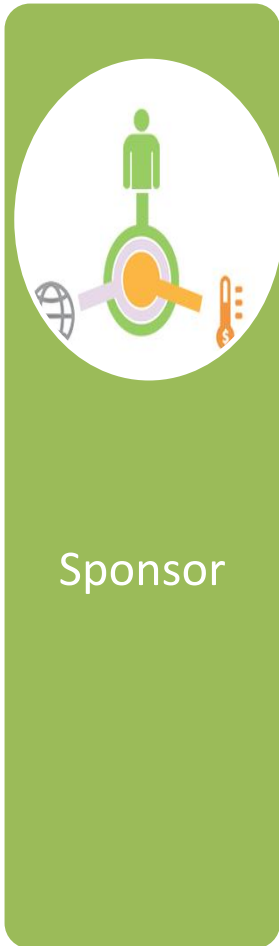
Proactively plan how you announce and explain the change at the right time with this group – and don't go for long periods of time without giving them an update or the water cooler talk and rumor mill can be rampant.

The extent of involvement of each type of stakeholder in the planning of the change is best explained by referring to the following graph.



Involved in Changes





The role of the sponsor

The sponsor is the stakeholder who bares the final responsibility for the change is highly responsible for the change itself.

He can be called the change owner.

The sponsor has four major characteristics

S1. Sufficient Power

- Power to legitimate change;
- Prepared and able to monitor;
- Consequence management: Prepared to reward and punish/show displeasure.

S2. Sufficient Motivation

- A sufficient degree of pain with the present situation;
- The commitment to pursue the task knowing that a personal, political, or organizational price may be paid for implementation.

S3. Sufficient Understanding

- of the impact of change on the organization;
- of the impact of change on the target group involved;
- of the full scope of the target group involved;
- of the resources necessary for implementation.

S4. Ability and willingness to Support

- Ability and willingness to show support in public;
- Ability and willingness to meet with key individuals to influence them;
- Capacity to demonstrate sustained support for the change in case of short-term disadvantages.



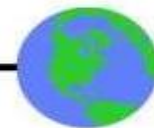
Manager

The role of the manager

Managers make various kinds of relationships that are given names like "executive sponsors," where the executive sponsor watches over this thing to make sure that it proceeds in an orderly way.

Managers are trying to push things along, but it's trying to minimize disruptions, i.e., keep things under control. They are trying to make sure change is done efficiently in the sense of you don't go over budget—another control piece.

Change Management



1. Stakeholders buy into the change
2. The process stays under control
3. The project keeps on budget



Agent = Leader



Agent

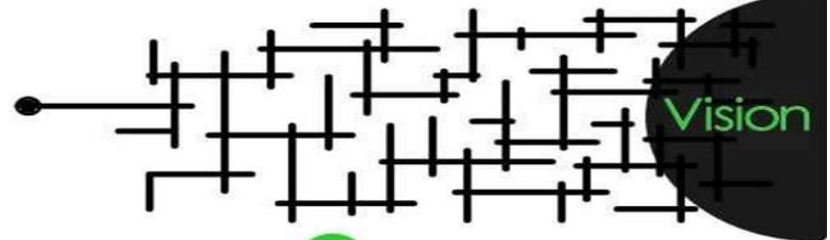
Agent - is the engine of change. He creates the idea, sees prospects, drags and convinces people. He but could be assigned temporarily to assist in the improvement of the organization, department or unit, sometimes called the interim manager.

He should be committed to a widely accepted solution and should have sufficient personal skills to influence the human side of change.

Change Leadership



1. Articulate a vision of the future 
2. Mobilize resources needed 
3. Put an engine on the whole change process



A1. Managing the acceptance of a vision

- Facilitate the creation of a clear and acceptable picture with positive and realistic expectations;
- Allow room for participation;
- Leave choices open;
- Share information to the fullest extent possible;
- Look for and reward pioneers, innovators and early successes to serve as models;
- Address interests.

A2 Managing Faith

- Avoid obvious „losers“ from the change, but if there are some: be honest with them from early on;
- Make standards and requirements clear: tell exactly what is expected of people;
- Repeatedly demonstrate your own commitment;
- Offer positive reinforcements: let people know that they can do it.
-

A3. Managing Time & Energy

- Allow digestion of change requests, getting accustomed to the idea;
- Help people feel compensated for the extra time and energy required;
- Divide a big change into familiar and manageable steps.

A4 Managing Emotions

- Minimize surprises;
- Allow expressions of nostalgia and grief related to the past, then create excitement about the future.

Tips for Identifying Change Agents

- Find out **who people listen to**. Change agents lead with the power of their ideas. But be warned: These may not be employees with formal authority to lead.
- Be alert to people who “**think otherwise**.” Change agents are not satisfied with things as they are—a fact that may not endear them to management.
- Take a close look at new **employees** who have come **from outside** the circle of traditional competitors. They may not be infected with the same mind-set as everyone else.
- Look for people with **unusual training** or experience. For example, if all your marketing people have business degrees and heavy quantitative research backgrounds, look for who has a degree in social anthropology.



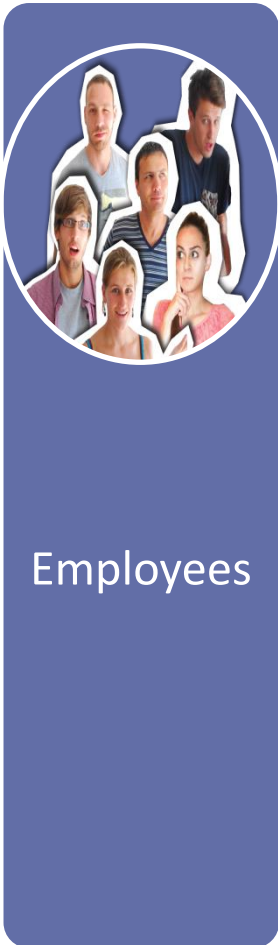
Project team

The project team designs and develops the 'change' – they are the ones who introduce new processes, systems, tools, job roles and responsibilities

This group provides much of the specific information about the change to the other 'gears'.

It is a coalition of key people, in support of which it is necessary to enlist

- Provide timely, accurate and succinct information about the change (or project)
- Integrate change management activities into project management plans and activities
- Distribution and support of change projects in different structural subdivisions



The Rank and File Employees

Organizations are social systems.

The people in these systems have identities, relationships, communities, attitudes, emotions, and differentiated powers.

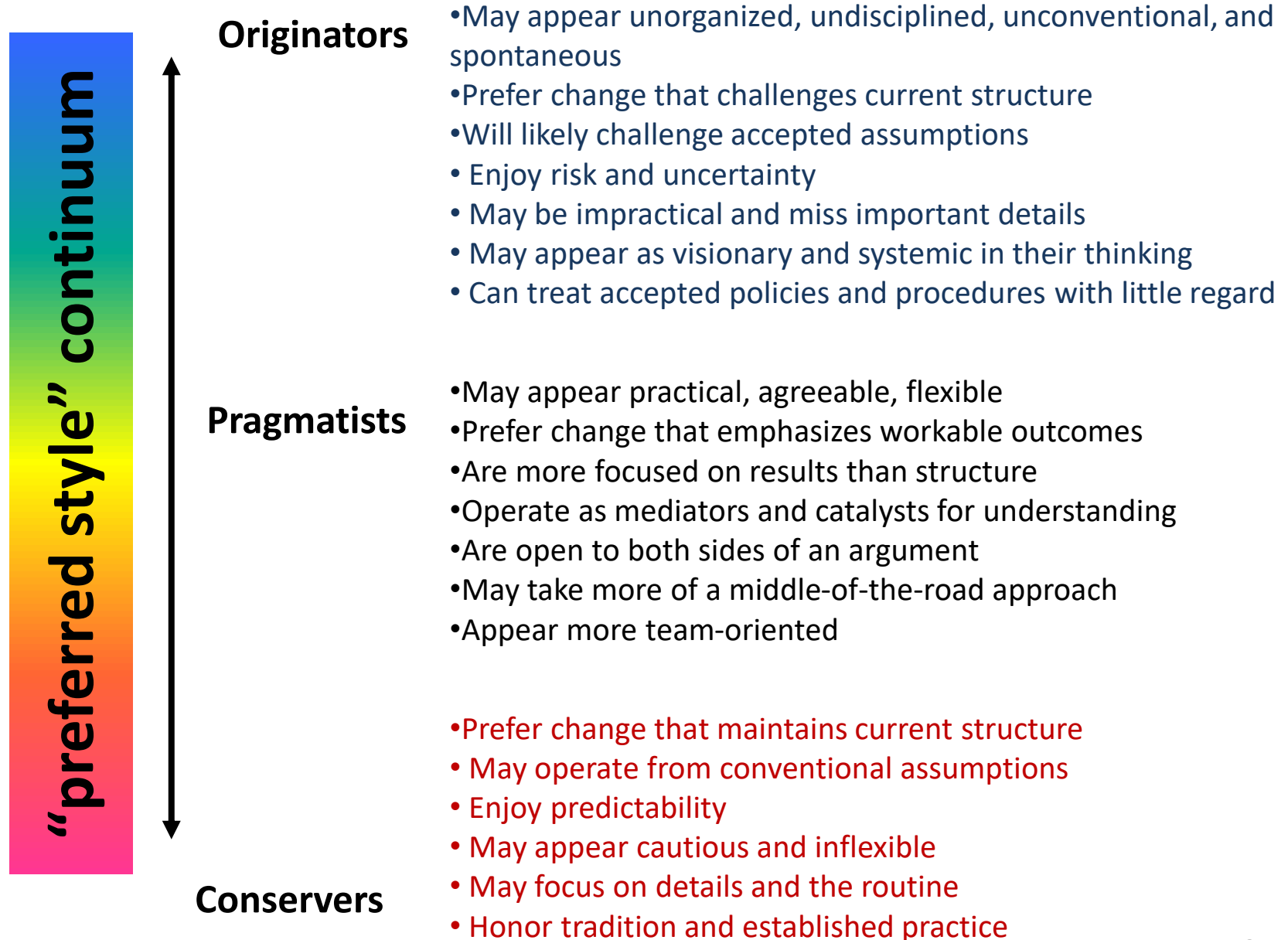
So when we try to change any part of the system, all of these factors come into play, adding complexity to a change process.

People develop routines

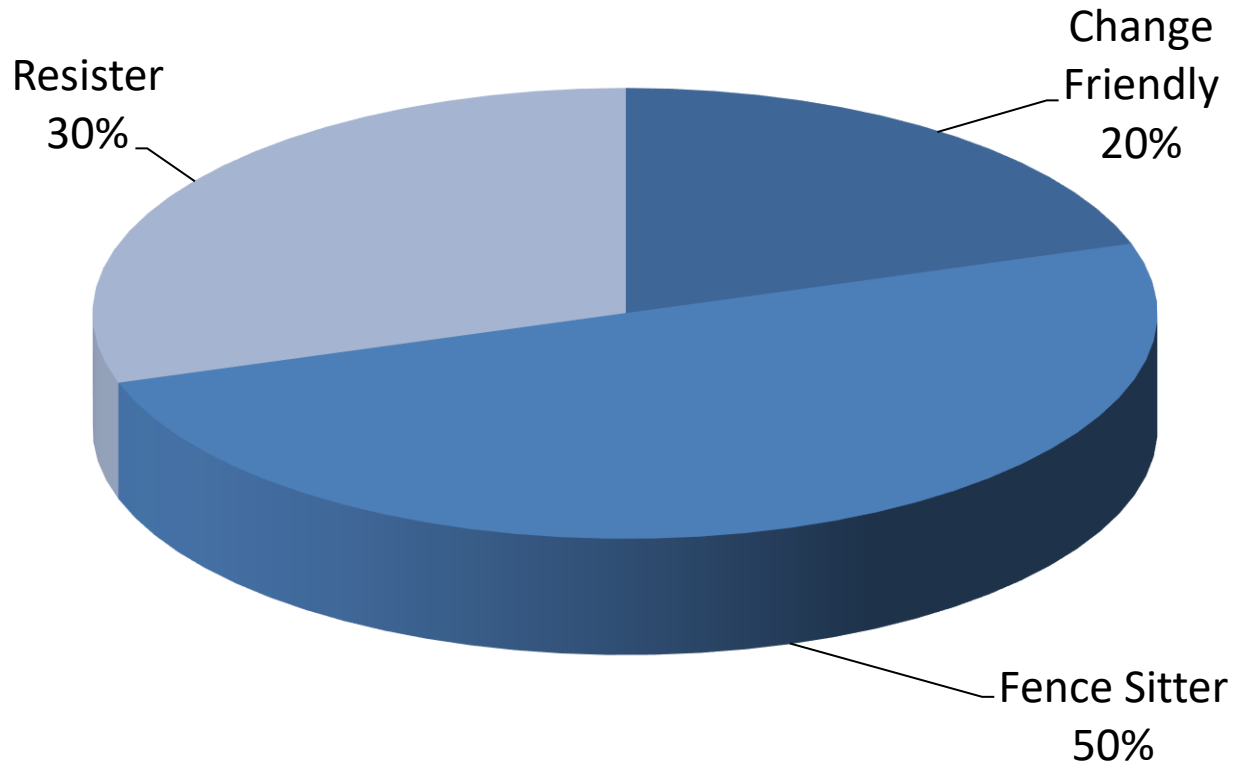
Successful management of change requires that we recognize the primacy of people factors and the social systems in which they operate.

Occasional diversions from routines and existing social patterns add variety and interest—which please us.

But diversions may also create tension, anxiety, discomfort, and even fear.



20-50-30 Rule



Never presume you must have support from everyone before moving forward.

For some, support will only come later (if at all) after the results are in which prove the change was both appropriate and successful.

Need to deal with the full range

- Think about the people who will participate in your change initiative. Who will react negatively to having their routines disrupted, and who will positively enjoy the experience?

Make a list.

- Once you've identified people likely to be uncomfortable with change, think about their roles in the change initiative. They probably aren't the ones you'll want in key positions where initiative and enthusiasm are needed.

- For individuals with pro-change dispositions, consider ways to optimize the energy they bring to the program, and how they can work with others.

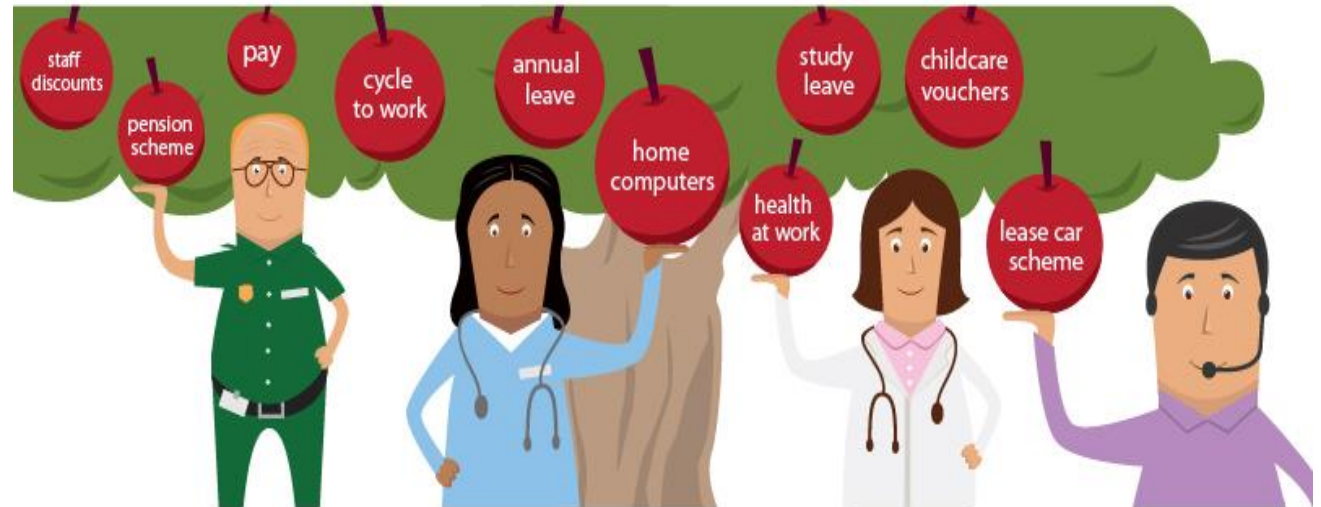
Motivation to Change

Complacency level.

This motivation typically results from tangible dissatisfaction with the status quo.

Com-pla-cen-cy:
Self-satisfaction,
especially when
accompanied by
unawareness of actual
dangers or deficiencies.

Rewards



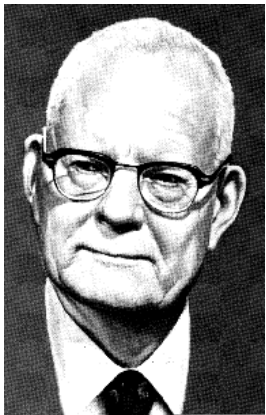
Complacency level.

The essential theories of motivating are based on person's complacency level.



Comparison of the position of American and Japanese industrial companies after World War 2

	American	Japanese
Industrial base	satisfied, complacent	destroyed
resources	sufficient	few
product	competitive	imperfect and poorly designed
people	comfortable stirring life	unemployed
Change-readiness	low	high



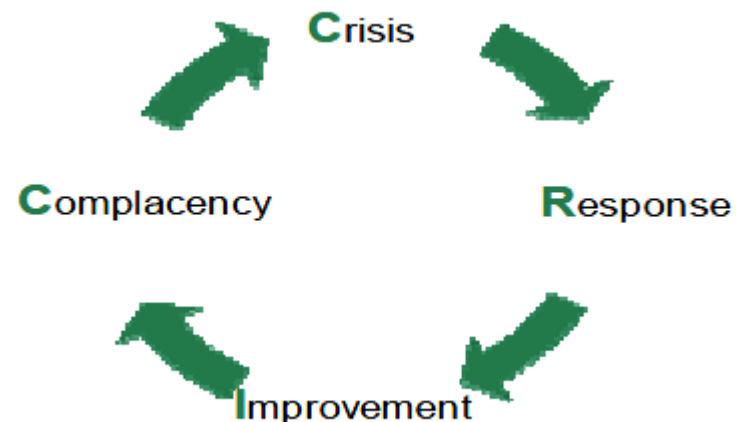
That is why the principles of SPC (Statistical Process Control), developed by American E. Deming were not interested in America. But in Japan, it has been adopted with enthusiasm. And consumers were discovering that Japanese-made products, paradoxically, offered higher quality and lower cost.

But partial dissatisfaction is the progress driver

Hygiene Factors	Motivation Factors
• Working Conditions • Salary & Job Status • Company Policy & Benefits • Working Relationships	• Recognition • Achievements • Level of Responsibility • Need for Personal Growth

Change leaders can **raise attention** about a **current, problematic situation**.

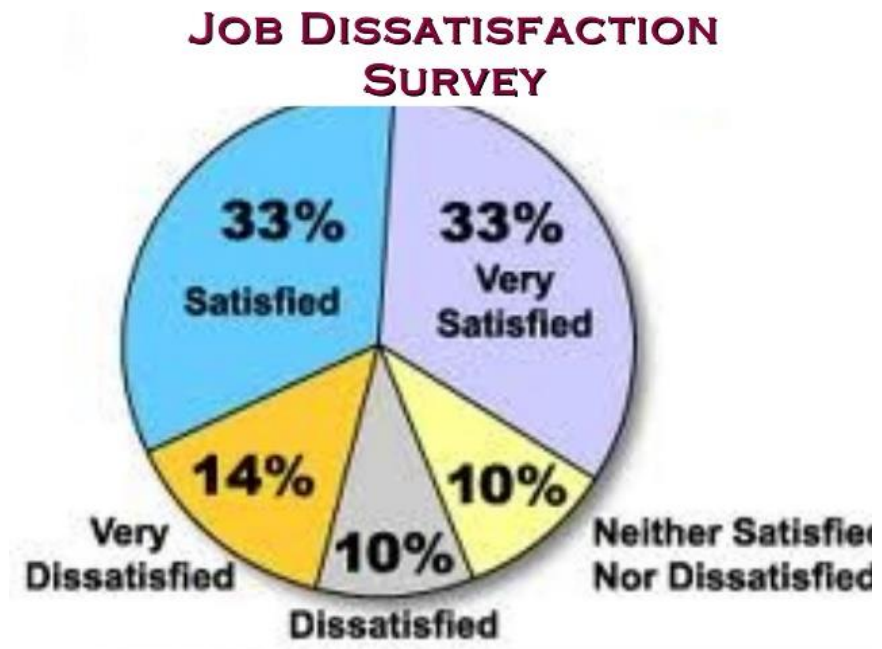
How to do this?



raise attention

1. Use information about the organization's **competitive situation** to generate discussion with employees about current and prospective problems.

2. Create opportunities for employees to **educate** management about the **dissatisfaction** and problems they experience.



raise attention

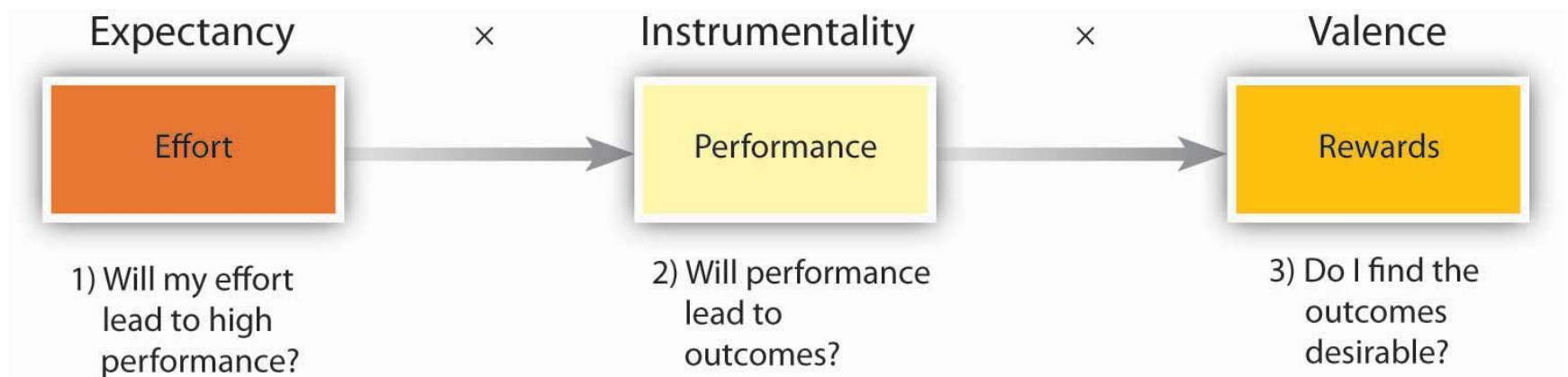
3. Create dialogue on the data for a joint understanding of company problems.

4. Set high standards and expect people to meet them. The act of setting high standards creates dissatisfaction with the current level of performance



Rewards

Procedural theories of motivating concentrate their attention on person's reward system



Different reward systems are more appropriate at different phases of a change initiative

phase	reward systems
motivation stage of change	performance-based pay plans, such as stock options and profit sharing
the implementation phase	bonuses for achieving performance targets
change has been effected	focuses on the strategic performance and the attraction/retention of talented people

NOTE

Rewards alone cannot produce desired changes



if the people charged with making change happen lack the **knowledge, information, and power** they need to do the job.

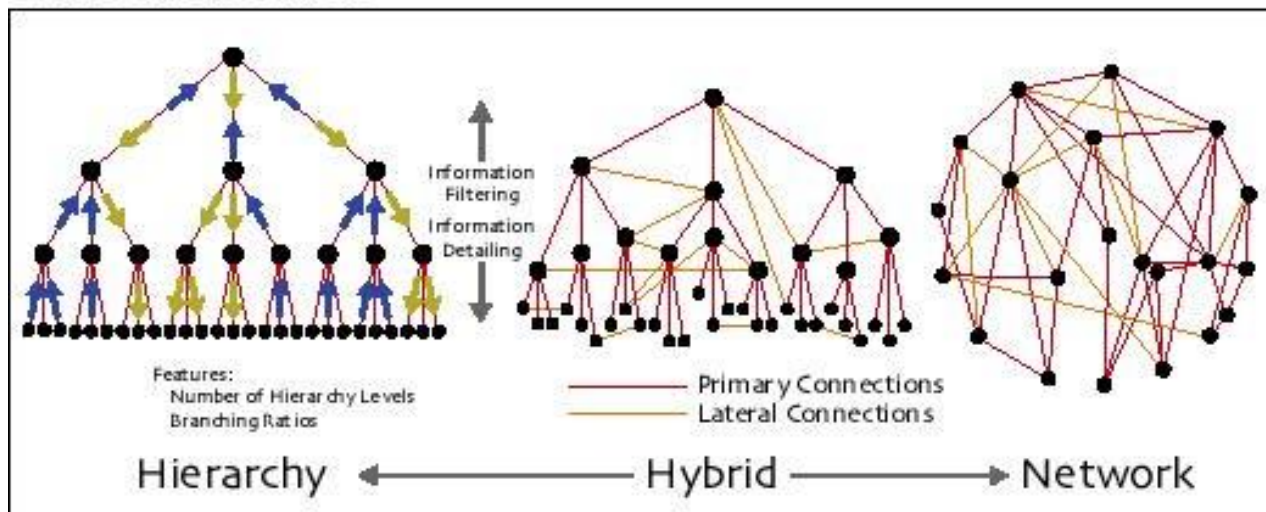
Thus, rewards must be part of a larger package of transformational levers.

Requirements for the structure of the organization in preparation for change

In fact, a highly managed, command-and-control structure may be optimal for such an initiative to take hold.

But other types of change—of processes and culture—require something much different.

Control Structures



Hierarchical structure reduce your odds of success

- 1) **In hierarchical organizations**, decisions are made at the top and passed down through intermediaries. But **people resist solutions** imposed by people who lack familiarity with day-to-day operations.
- 2) Organizations that aim to change need a certain number of **entrepreneurial employees**—people who like to try new things and who are comfortable with taking risks.

But these entrepreneurial spirits are usually **rarities in hierarchical firms.**



hierarchical structure reduce your odds of success

- Hierarchy protects two enemies of change: **bureaucracy** (the protectors of “**how we do things around here**”) and a **sense of entitlement** among employees—that is, a sense that “If I just stay in my little cubicle and continue doing what I’ve always done, my job will be guaranteed.”
- A **sense of entitlement** is a psychological attitude to the world, such that people feel:

I have a right to X. , I must be given X.

I shouldn't need to earn X, it should be given me.

(X could be anything - but the term is used mainly nowadays of welfare/benefits and education).

sense of entitlement means that you expect something without earning it or working for it



Beware of bureaucracy

Bureaucracy is politics, systems, processes; anything that bogs down the organization.

Its primary virtue is to stabilize, providing structure.

It can have a habit of reproducing itself – without removing out dated bureaucracy.

Encourages doing things the same as always.
Beware of “informal” networks.

Bureaucracy



"We cannot become what we want to be by remaining what we are."

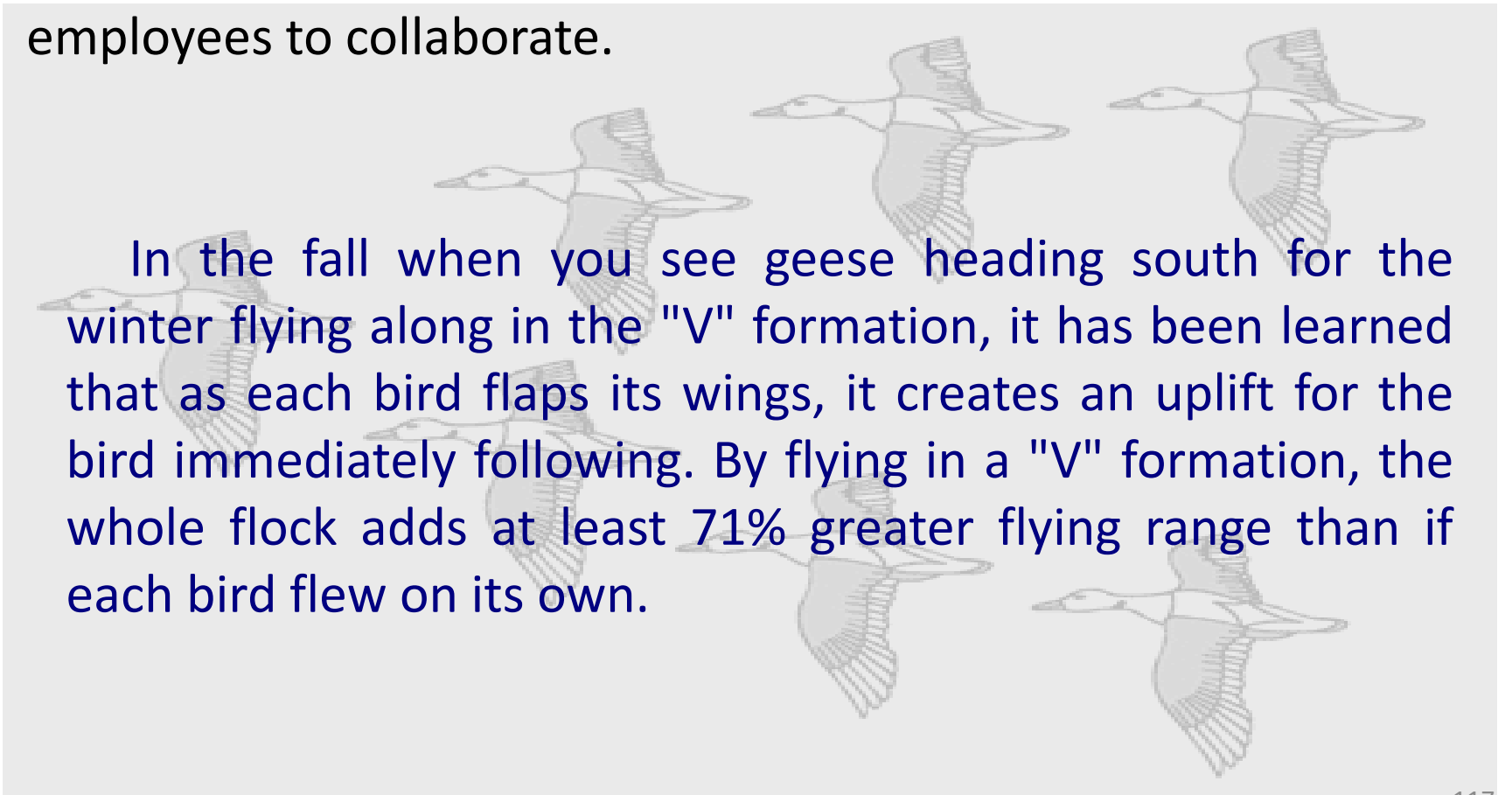
- Max DePree

"Things are this way because they got this way and unless things change, things will continue to remain the same."

- Scott J. Simmerman

hierarchical structure reduce your odds of success

-No collaboration. Effective change demands collaboration between willing and motivated parties. Unfortunately, hierarchical companies are better at telling people what to do than at getting employees to collaborate.

A faint, light gray illustration of a flock of geese flying in a V-formation, serving as a background for the text. The geese are shown in various stages of wing flapping, creating a sense of movement. The text is overlaid on this background.

In the fall when you see geese heading south for the winter flying along in the "V" formation, it has been learned that as each bird flaps its wings, it creates an uplift for the bird immediately following. By flying in a "V" formation, the whole flock adds at least 71% greater flying range than if each bird flew on its own.

There are two ways to overcome the problem of hierarchy

- 1) to push the organization toward a more **decentralized business model** in which individual units have greater autonomy.
- 2) create opportunities for **collaboration between people** in different units and at different levels.

For example, set up cross-functional teams to deal with key issues such as employee benefits or improvement of processes that span several departments.

Control of readiness

Most change management projects kick off with a survey to establish a baseline measurement for the critical success factors to change acceptance. Surveys can also identify cautious or resistant users or groups for additional planning, mitigation and response.

More Participative Approaches to Everyday Business

Give People a Voice

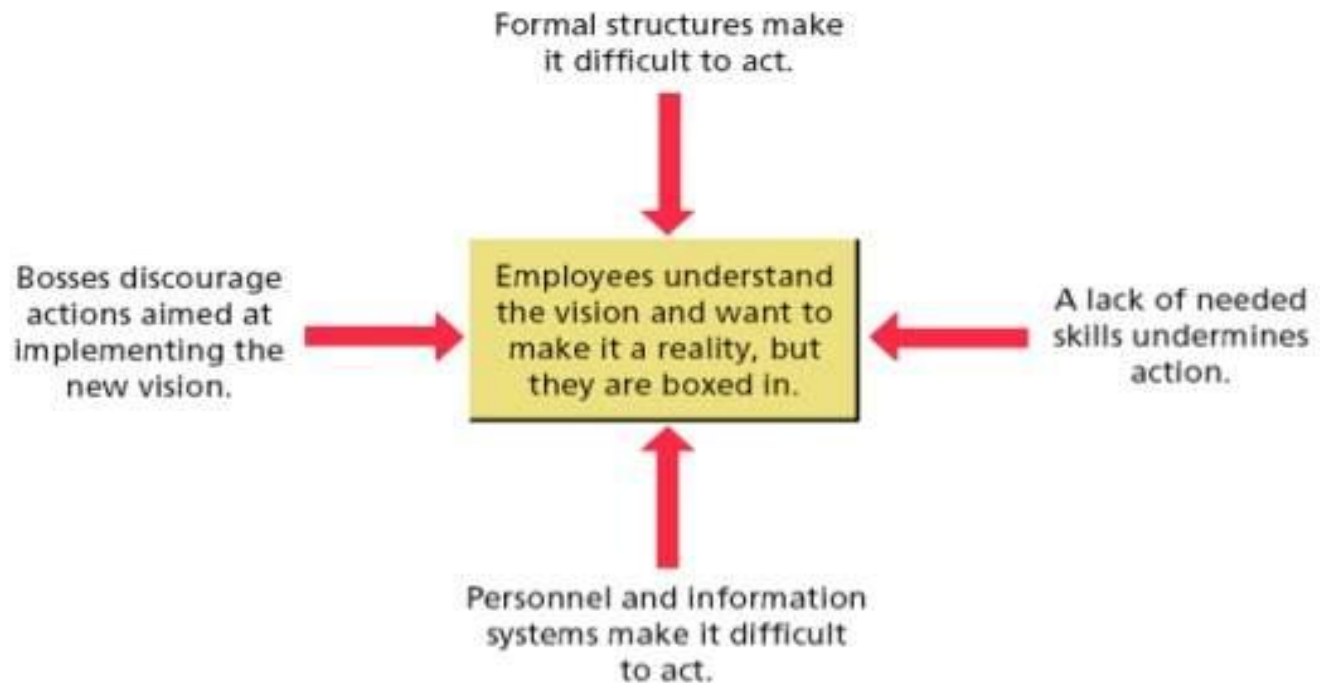
Drive Out Fear

Unit-by-Unit Change-Readiness Assessment



John Kotter makes the point that employees generally won't help—or cannot help—with a change effort if they feel relatively powerless or voiceless.

Barriers to empowerment



Unit-by-Unit Change-Readiness Assessment

Key Factors for Change Acceptance	Staff Readiness			
	Aware	Interested	Understands	Engaged
Clear and shared vision				
Leaders engaged				
Effective change organization				
Case for change				
Change plan				
Benefits of change				
Communication & engagement				
Business process impact				
Technology impact				
Role changes				
Training for new skills				

Unit-by-Unit Change-Readiness Assessment

Although the organization as a whole may be unprepared, specific units are often ready to go—that is, they have respected and effective leaders, they are motivated to change, and people in those units are accustomed to working together in collaborative ways.



Start change programs in these prepared units, and use them as test beds for your change initiative.

Topic 5. Strategies of changes implementation

1. Classification of strategies.
2. The theory of "E" and the theory of "O" the changes implementation.
3. Types of strategies and tactics

The concept of "strategy" in this context means that the manager has chosen a certain sequence of actions for their implementation, has decided to what extent and when in the process of implementation a sponsor of the changes will take part and which time interval should be guided.

HARD AND SOFT VERSIONS

	Hard strategy	Soft strategy
Initiation	Performed "from above"	Performed "from above" and "from below"
Projecting	Performed by a separate (often outside) group, without involving the staff in the process. Informing staff about plans and goals is minimal.	It is implemented by a separate group, with a wide involvement of staff in the process. Informing staff about the plan and purpose of change is one of the main tasks
Implementation	Implemented by order of top management in accordance to the developed regulations. The task of motivating staff is not put	It is implemented by mid-level managers as the units are ready. Managers are as much as possible to motivate staff to achieve
Conditions	Strong time limit	Any time limit

Approaches to Change

There are two very different goals typically drive a change initiative:

1. “Theory E” - *near-term economic improvement*

The central goal of Theory E change is to greatly and rapidly increase shareholder value, as measured by improved cash flow and share price.

2. “Theory O” - *improvement in organizational capabilities*

The goal is to develop an organizational culture that supports learning and a high performance employee base.



(Harvard Business School professors
Michael Beer and Nitin Nohria)



Characteristics of “Theory E”

- 1) Priority of financial results (performance bonuses, headcount reductions, asset sales, and strategic reordering of business units),
- 2) Outside consultants are used in strategic planning, business valuation, investment, asset sales and/or acquisitions, layoff issues.
- 3) Directed from the top down (does not involve the active participation of other members),
- 4) Corporate departments, operating units, and employees are like pieces on management’s strategic machine; they are rearranged, or combined, and occasionally cashed out.

Characteristics of “Theory O”

- 1) Encourage cultures and capabilities through individual and organizational learning because employees are committed to change and improvement,
- 2) Flatter organizational structure,
- 3) Strong bonds between the organization and its people,
- 4) Leaders are less interested in driving the success themselves than in fostering employee behaviors and attitudes which will lead to successful changes.

Comparison and evaluation of approaches to change

	advantages	weakness
Theory E	Rapid improvements in profitability Short-term results	Demoralized and disloyal employees Most marketable employees leave organization and looking for new job
Theory O	Provides stable improvement at all levels	Multiyear proposition companies that really need change cannot wait that long for results.

“Companies that effectively combine hard and soft approaches to change can reap big payoffs in profitability and productivity.

Those companies are more likely to achieve a sustainable competitive advantage [and] . . . reduce the anxiety that grips whole societies in the face of corporate restructuring.”

Key Factors in Theory E and Theory O Change

Dimensions of Change	Theory E	Theory O	Theories E and O Combined
Goals	Maximize shareholder value	Develop organizational capability	Embrace the paradox between economic value and organizational capabilities
Leadership	Manage change from the top	Encourage participation from the bottom up	Set direction from the top and engage the people below
Focus	Emphasize structure and systems	Build up corporate culture: employees' behavior and attitudes	Focus simultaneously on the hard (structures and systems) and the soft (corporate culture)

Key Factors in Theory E and Theory O Change

Dimensions of Change	Theory E	Theory O	Theories E and O Combined
Process	Plan and establish programs	Experiment and Evolve	Plan for spontaneity
Reward system	Motivate through financial incentives	Motivate through commitment—use pay as fair exchange	Use incentives to reinforce change but not to drive it
Use of consultants	Consultants analyze problems and shape solutions	Consultants support management in shaping their own solutions	Consultants are expert resources who empower employees

3 strategies of change

- **Big Bang Change** - adoption of a process or system is an instant changeover, a “one-and-done” type of approach in which everyone associated with a new system or process switches over in mass at a specific point in time.
- Trial implementation or model research
- Parallel operating



- The choice depends on divisibility, scope, and urgency.



Big Bang Change

PROs

- **Big bangs fit some types of changes.** Perhaps it was a failure in imagination, but due to regulations and the need for notifications, it was easier for everyone to change at once. Organizational transformations rarely have the same external drivers, regulations and notification rules; however, because of interactions between teams, it might be easier not to take an incremental approach.
- **Big bangs generate a too big to fail focus.** Large, expensive, and risky changes create their own atmosphere. These types of implementations garner full management sponsorship and attention because they are too big to fail. Big bang changes are often too big to fail and therefore people ensure they don't.
- **Management Expectations.** In many circumstances, management has little patience for the payback of continuous process improvement.
- **Highest speed and lowest cost of implementation**

CONs

- **Slower feedback.** Big bang programs gather production feedback only once when the project is implemented. Because there is only one implementation, defects are discovered late in the project and not contained early when they can have less of an impact. Slower feedback increases risk; you have only one shot to get it right.
- **Too many moving parts.** Because of their size, big bang projects are hard to control, therefore require more administrative overhead. This is complicated by the late production feedback, which makes it difficult to recognize risks.
- **Late recognition of value.** Big bang projects deliver a significant amount of value late in the project. This makes Big Bang process improvement more apt to be canceled if management's focus wavers. Arguably, late recognition of value is a specialized version of delayed feedback that increases cancellation risk. *Dominique Bourget: "It's like losing weight... is it better to do a bit each day rather trying to lose it all on the last day"*
- **Risk of resistance growth**

Trial implementation or model research

The change is being implemented experimentally on one site, in a single subdivision, a branch, etc. in order to try and test innovation, make the necessary adjustments, and only then implement it in organization at all.

PRO: The ability to improve innovation, its modification and refinement as it detects shortcomings and difficulties.

CON: The problem of choosing testing innovation.



Parallel operating

The new system is being implemented gradually, but the old one is not canceled. For some time both systems - old and changed - exist together

PRO: Minimal risk, the ability to make changes to the new system and eliminate disadvantages without compromising the organization's core activities.

CON: Demands great material and human costs



FOUR STRATEGIES FOR MANAGING CHANGE

1. Empirical-Rational (E-R)
2. Normative-Reeducative (N-R)
3. Power-Coercive (P-C)
4. Environmental-Adaptive (E-A)

Empirical-Rational (E-R) People are logical: appeal to their self-interest via incentives	Normative-Reeducative (N-R) People are social; redefine and reinforce new norm and values
Power-Coercive (P-C) People are complaint; provide clear direction backed by sanctions	Environmental-Adaptive (E-A) People are adaptive: build a new organisation and move people to it

THE POWER-COERCIVE STRATEGY

UNDERLYING ASSUMPTIONS. People are basically compliant and will generally do what they are told or can be made to do. Successful change is based on the exercise of authority and the imposition of sanctions.

This can range from the iron hand in the velvet glove to downright brutality – “My way or the highway.” The basic aim here is to decrease people’s options, not increase them. Surprisingly, in many situations, people actually want and will readily accept a Power-Coercive strategy, particularly when all feel threatened and few know what to do. This strategy is the “stick” side of carrot-and-stick management.

SELECTION FACTORS. Two major factors influencing the choice of the Power-Coercive strategy are time and the seriousness of the threat faced.

If the organization sits astride the fabled “burning platform,” the threat is grave and the time for action is limited. The metaphor of a burning platform is useful but only if all concerned can in fact see that the platform is on fire. This is rarely the case in an organization. Few companies are filled with people who understand the way the business works and fewer people still appreciate the threats it faces or the opportunities it encounters.

THE EMPIRICAL-RATIONAL STRATEGY

UNDERLYING ASSUMPTIONS. People are rational beings and will follow their self-interest – once it is revealed to them.

Successful change is based on the communication of information and the proffering of incentives.

For the most part, people are reasonable and they can be reasoned with. This is the “carrot” side of carrot-and-stick management. But for reason and incentives to work, there has to be very little in the way of a downside to the change and/or the upside has to greatly outweigh it.

SELECTION FACTORS. Change strategy here centers on the balance of incentives and risk management.

The Empirical-Rational strategy is difficult to deploy when the incentives available are modest. Why risk what we have for an uncertain future that promises to be no more than modestly better than the present? This is especially true when people currently have it pretty good.

The stratagem of use here is to cast doubt on the viability of the present state of affairs.

You can attempt to convince people that they are on a burning platform (not a good choice if they really aren't) or you can simply try to persuade them that the current state of affairs has a short shelf life. In either case, the story you tell has to convince them, not you.

THE NORMATIVE-REEDUCATIVE STRATEGY

UNDERLYING ASSUMPTIONS. People are social beings and will adhere to cultural norms and values. Successful change is based on redefining and re-interpreting existing norms and values, and developing commitments to new ones.

For the most part, most people do want to “fit in” and “go along.” They will “go with the flow.” The trick here is figuring out how to establish and define the flow. Again, set aside value judgments and you will see such common-place practices such as advertising, positioning, and so on. Central here also is charismatic and dynamic leadership. It is also the case that the influence of the informal organization is felt strongly here, especially in the form of communities of practice.

SELECTION FACTORS. The Normative-Reeducative strategy focuses squarely on culture – what people believe about their world, their work and themselves and the ways in which people behave so as to be consistent with these beliefs.

Ordinarily, culture doesn’t change quickly and certainly not overnight. This, then, is not the strategy of choice in a turnaround situation on short dead-lines.

Moreover, an organization’s culture is as much in the grip of the informal organization as it is the formal organization. For this reason, the Normative-Reeducative strategy works best when relationships between the formal and informal organizations are at least cordial and hopefully harmonious. If they are at odds with one another, this change strategy is denied to management.

THE ENVIRONMENTAL-ADAPTIVE STRATEGY

UNDERLYING ASSUMPTIONS. People oppose loss and disruption but they adapt readily to new circumstances. Change is based on building a new organization and gradually transferring people from the old one to the new one.

This strategy shifts the burden of change from management and the organization to the people. It exploits their natural adaptive nature and avoids the many complications associated with trying to change people or their culture.

Essentially, this is a strategy of self-cannibalization, that is, you set out to eat your own lunch – before someone else does.

SELECTION FACTORS. The major consideration here is the extent of the change. Time frames are not a factor. This strategy can work under short time frames or longer ones. However, under short time frames, a key issue will be that of managing what could be explosive growth in the new organization and, if it is not adequately seeded with new folks, the rapid influx of people from the old culture can infuse the new organization with the old culture.

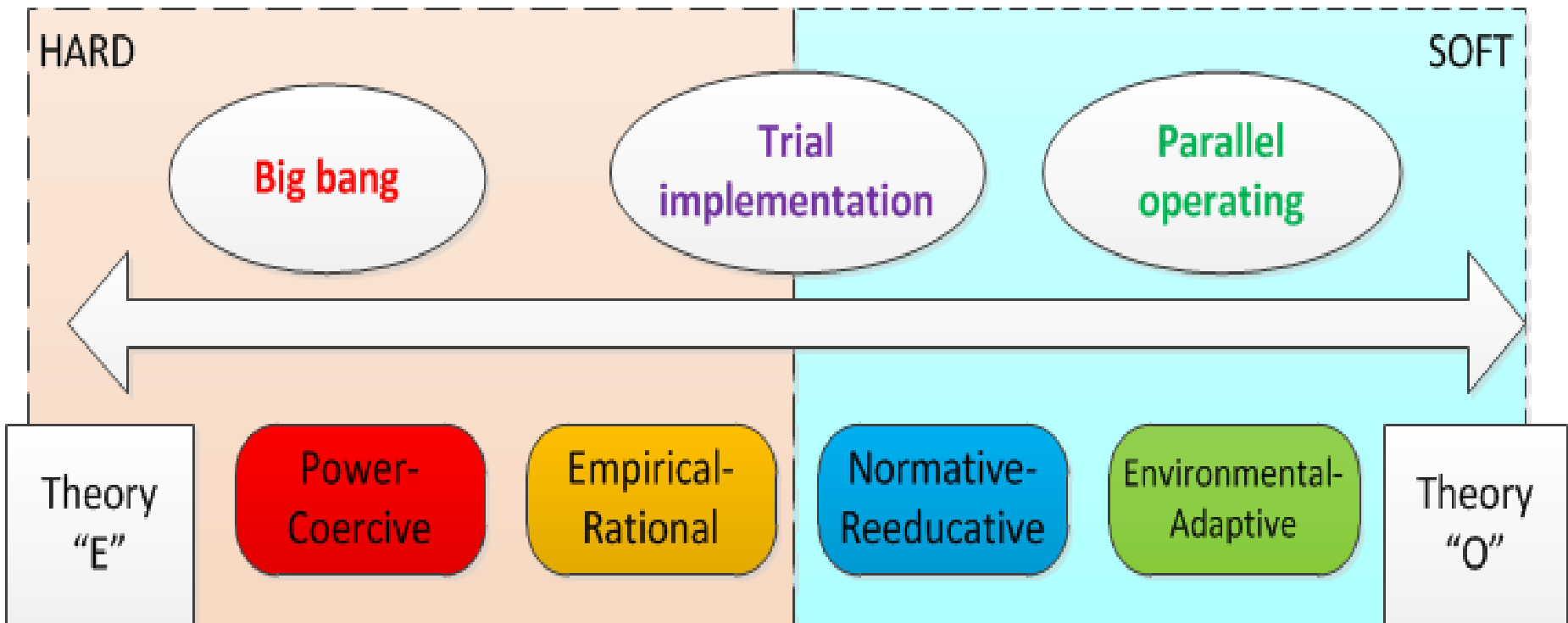
CONSIDERATIONS IN FORMULATING A STRATEGY MIX

Generally speaking, there is no single change management strategy. You can adopt a general or grand strategy (say, a Power-Coercive one) but, for any given initiative (and there will always be multiple initiatives), you are best served by some mix of strategies and tactics.

A useful exercise is to queue up the change initiatives and examine each of them in relation to the various strategies and selection considerations listed below.

Your mix of strategies will emerge from this examination.

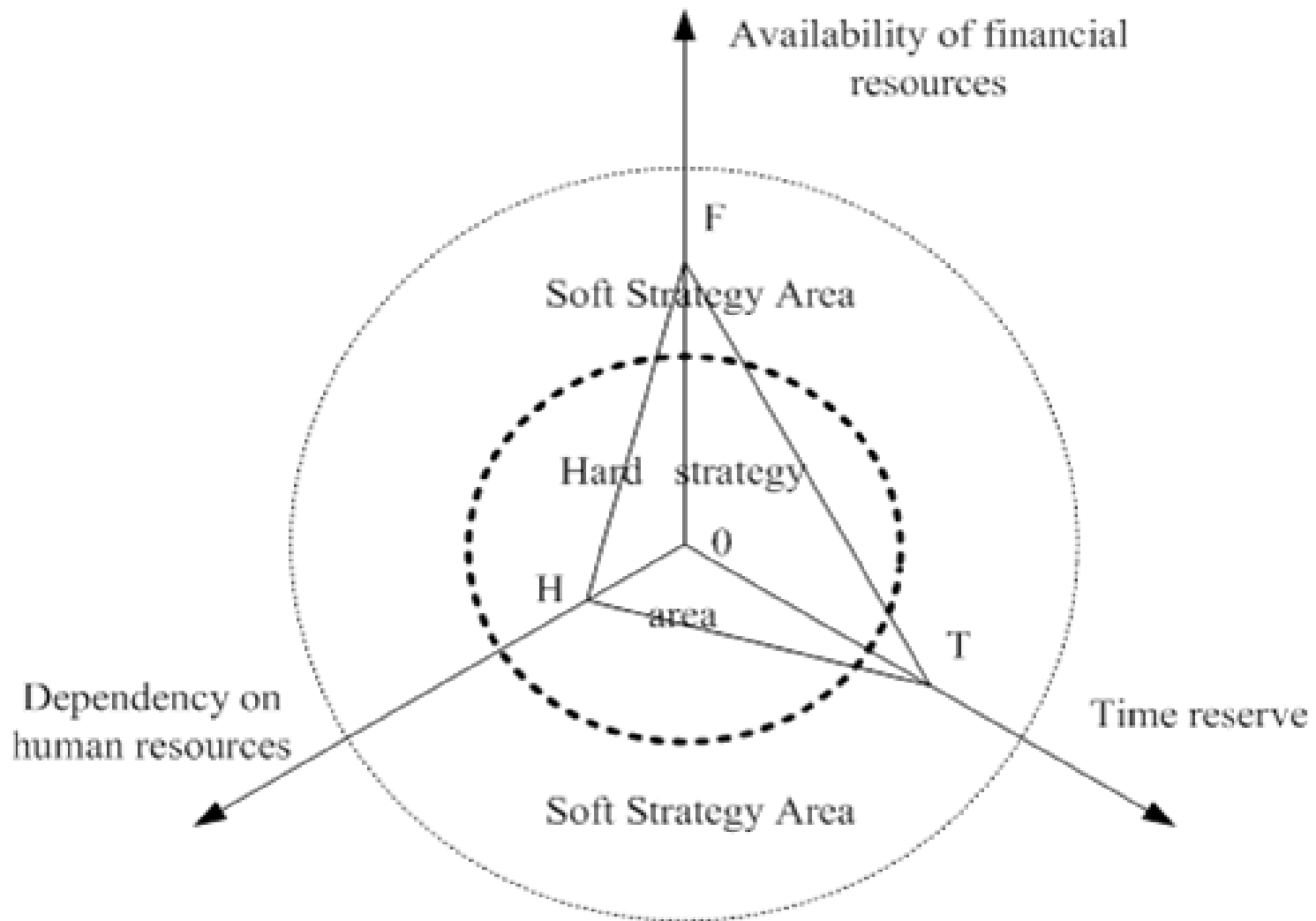
strategic continuum



on what factors does the choice of strategy depend?

1. Time limits
2. Financial resources
3. Competition degree
4. Degree of employee motivation
5. Character of technology implemented
6. Type of current leadership and structure
7. Degree of certainty of final result
8. Age and generation of employee
9. HR dependency

Choosing a strategy in dependence of 3 factors



Topic 6. The change process in the organization

1. Kurt Lewin's Concept
2. Context approach
3. Monster changes
4. Model ADKAR
5. Concept of "7 steps"
6. Model of John Cotter's changes
7. 10 steps approach
8. A DICE score of the likely success of change

1. The Kurt Lewin Change Management Model

Lewin's three stage theory of change is commonly referred to as **Unfreeze, Change, Freeze** (or Refreeze).

The world has changed since the theory was originally presented in 1947, but the Kurt Lewin model is still extremely relevant. Many other modern change models are actually based on the 3-stage Lewin model.



Stage 1: Unfreezing

The Unfreezing stage is probably one of the more important stages to understand in the world of change we live in today. This stage is about getting ready to change. It involves getting to a point of understanding that change is necessary, and getting ready to move away from our current comfort zone.

This first stage is about preparing ourselves, or others, before the change (and ideally creating a situation in which we want the change).

The more we feel that change is necessary, the more urgent it is, the more motivated we are to make the change. Right? Yes, of course! If you understand procrastination then you'd recognize that the closer the deadline, the more likely you are to snap into action and actually get the job started!

With the deadline comes some sort of reward or punishment linked to the job. If there's no deadline, then the urge to change is lower than the need to change. There's much lower motivation to make a change. If there's no urgency or motive to change most of us will do....nothing!



- Determines what needs to change
- Ensure there is strong support from management
- Create the need for change
- Manage and understand the doubts and concerns

Force Field Analysis

Unfreezing and getting motivated for the change is all about weighing up the 'pro's' and 'con's' and deciding if the 'pro's' outnumber the 'con's' before you take any action. This is the basis of what Kurt Lewin called the [Force Field Analysis](#).

[Force Field Analysis](#) is a fancy way of saying that there are lots of different **factors (forces) for and against making change** that we need to be aware of (analysis). If the factors **for** change outweigh the factors **against** change we'll make the change. If not, then there's low motivation to change - and if we feel pushed to change we're likely to get grumpy and dig in our heels.

This first 'Unfreezing' stage involves moving ourselves, or a department, or an entire business towards motivation for change.

FORCE FIELD ANALYSIS: PRACTICAL APPLICATION TOOL

For instructions on using this tool visit www.change-management-coach.com/force-field-analysis.html

Driving Forces (<i>for change</i>)	Rate It!

Proposed
Change:

Restraining Forces (<i>against change</i>)	Rate It!

Stage 2: Change - or Transition

Kurt Lewin was aware that **change is not an event, but rather a process**. He called that process a transition.

That said this stage is often the hardest as people are unsure or even fearful. Imagine bungee jumping or parachuting. You may have convinced yourself that there is a great benefit for you to make the jump, but now you find yourself on the edge looking down. Scary stuff! But when you do it you may learn a lot about yourself.

Support is really important here and can be in the form of training, coaching, and expecting mistakes as **Using role models and allowing people to develop their own solutions will help the change process.** part of the process.

It's really useful to keep communicating a clear picture of the desired change - and the benefits - so people don't lose sight of where they are heading.

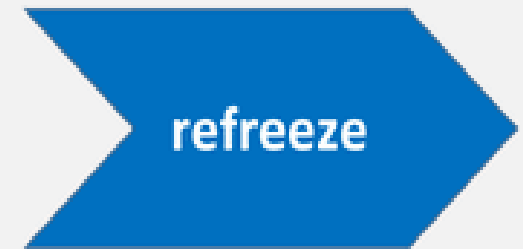


- Communicate often
- Dispel rumors
- Empower action
- Involve people in the process

Stage 3: Freezing (or Refreezing)

Kurt Lewin refers to this stage as freezing although a lot of people refer to it as 'refreezing'. As the name suggests this stage is about establishing stability once the changes have been made. The changes are accepted and become the new norm. People form new relationships and become comfortable with their routines. This can take time.

It's often at this point that people laugh and tell me that practically there is never time for this 'freezing' stage. And it's just this that's drawn criticism to the Kurt Lewin model.



- Anchor the changes into the culture
- Develop ways to sustain the change
- Provide support and training
- Celebrate successes

What does Kurt Lewin mean by 'Freeze'?

In today's world of change the next new change could happen in weeks or less. There is just no time to settle into comfortable routines. The rigidity of freezing does not fit with current thinking about change being a continuous, sometimes chaotic process in which great flexibility is demanded.

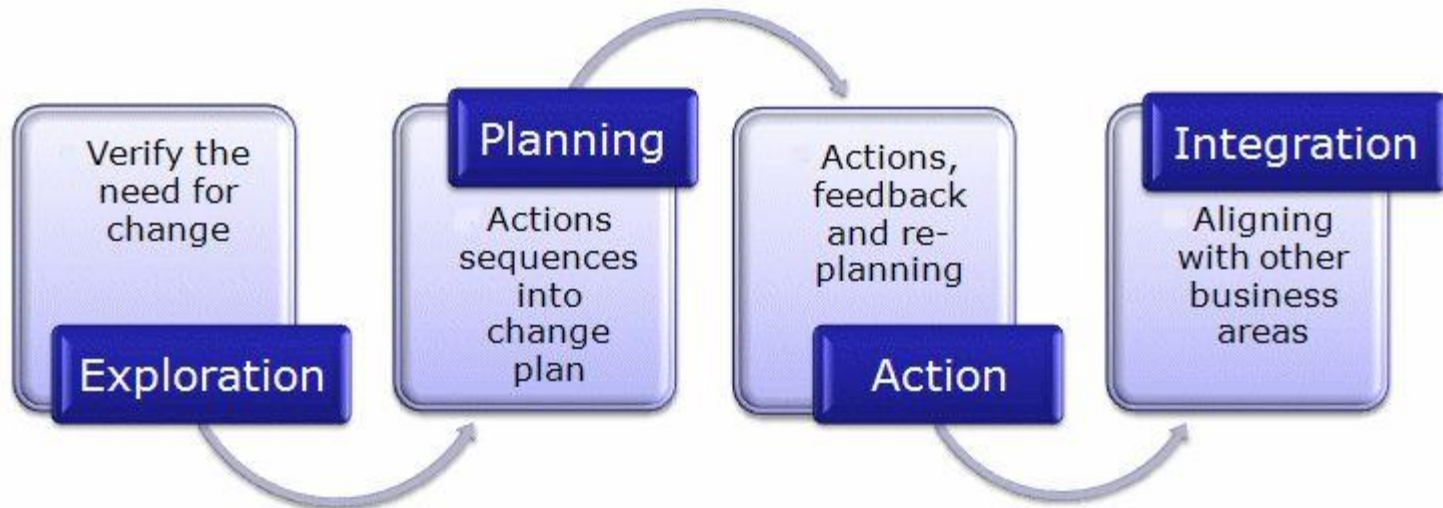
Popular thought has moved away from the concept of freezing. Instead, we're urged to think about this final stage as being more flexible, maybe like a milkshake or soft serve ice cream, rather than a rigid frozen block. This way 'Unfreezing' for the next change might be easier.

2. Integrated Four Phase Model

(Bullock & Batten, 1985)

Lewin's model does not however pay much attention to the PROCESSES which characterise each stage associated with change.

The processes are the methods, activities and strategies which bring about movement from one stage to another. An integrated Four Phase Model for change was developed by Bullock and Batten in 1985. This model examines the phases which an organisation moves through, and takes account of the processes which are useful at each phase. The four phases they identify are:



Exploration Phase



Any organisation identifying, for example, a recurring problem or encountering new legislation is also identifying a need for change. Management will begin to explore the change need and what resources are required to implement the change. To support the organisation at the time of instability a search may be made for an outsider or facilitator. In other words, someone who can help with the change process.

Planning Phase



During the planning phase the organisation is making moves to understand exactly what its needs are. Thorough examination and understanding is necessary to build a realistic plan. Processes to move the planning phase along include, diagnosing the problem, collecting information, establishing goals and examining how these goals can be achieved. There is also a need to identify where support will come from – wither externally or internally, in order to move from planning into the next stage of Action.

Action Phase



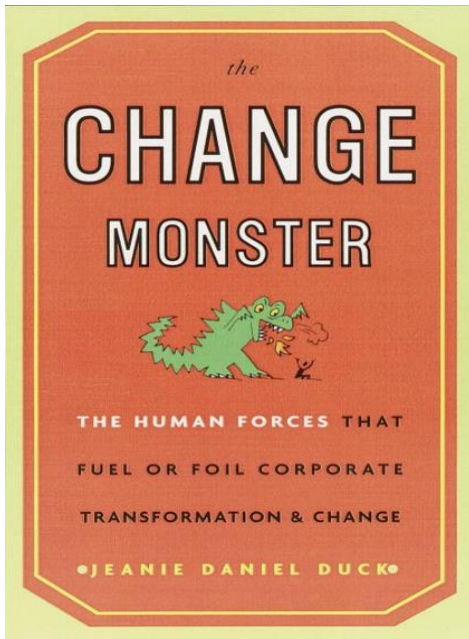
The action phase builds upon what has been done during the planning phase. This means staging, prioritising and implementing the strategy that has been determined. It also includes evaluating the activities as they develop, and making any necessary adjustments.

Integration Phase



Once the change has been implemented, the phase of integration follows. The change needs to become an integral part of the organisation's natural structure and routine. Therefore the processes are built around maintaining your change and ensuring it is accepted in the organisation.

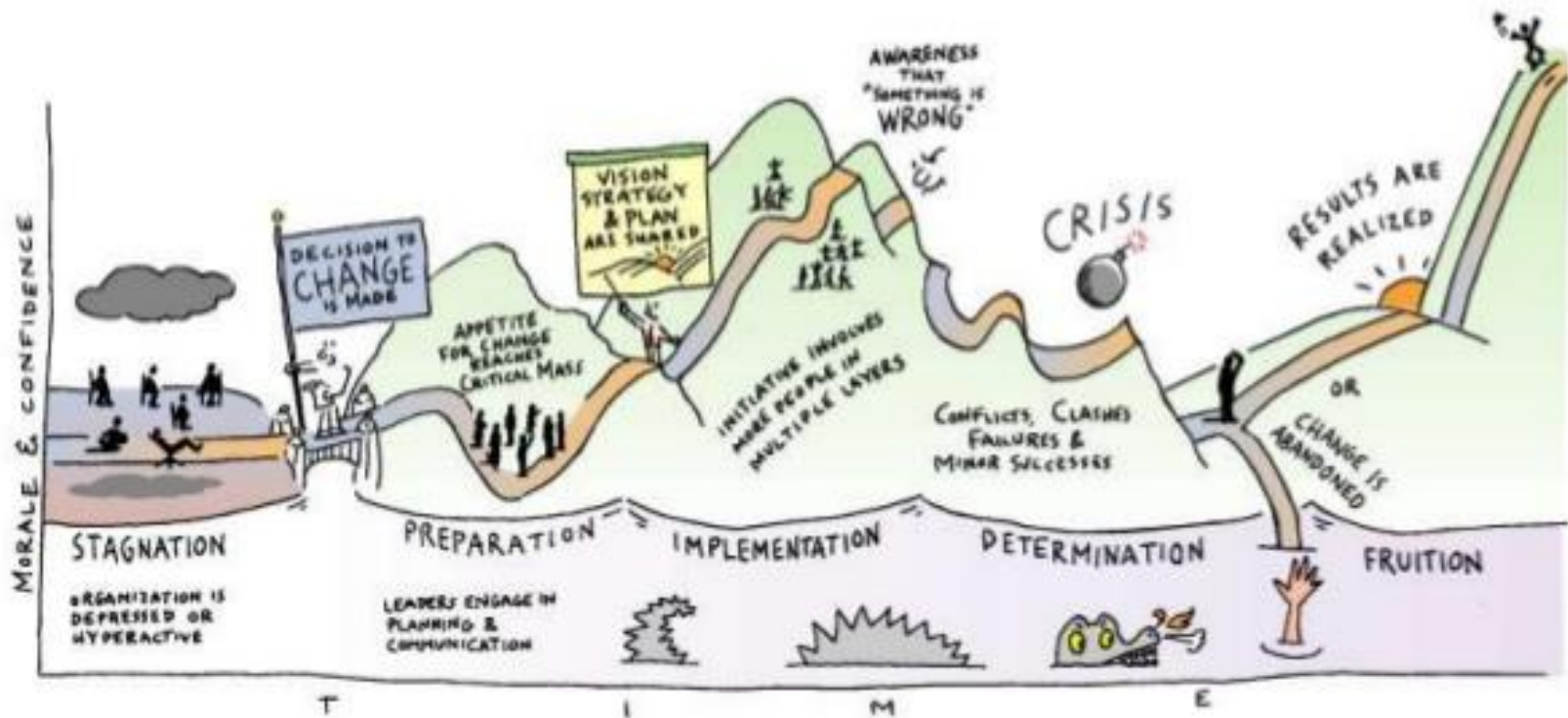
Maintaining feedback and reinforcing behaviour which drive the change are important. Maintenance of the forces that create the change require constant feedback so that behaviours that support the change are reinforced. Therefore it can be seen that the change process needs to be supported by monitoring behaviour and continually striving to improve upon the situation.



3. THE CHANGE MONSTER: The Human Forces That Fuel or Foil Corporate Transformation and Change *Jeanie Daniel Duck*

Although the concept of managing the implementation of major changes in business has existed for at least two decades, Duck contends that senior management often overlooks or underestimates the emotional impact of fundamental changes—such as mergers, reengineering and strategic initiatives—on employees. While "emotional data" (e.g., fear of job elimination, the sense that senior management doesn't know what it's doing) may not be easy to define, it's as critical to executing strategic change as financial data.

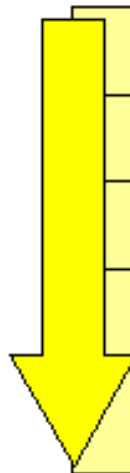
Change Curve



Source: Du ck, J D. (2001). *The change monster: The human forces that fuel or foil corporate transformation and change*. New York: Crown Business, pgs. 16-17

4. ADKAR

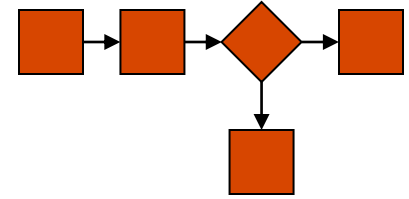
- While many change management projects focus on the steps necessary for organisational change, ADKAR® emphasises that successful organisational change occurs only when *each person* is able to transition successfully.
- It makes sense then that this model, developed by **Jeff Hiatt, CEO of Prosci® Change Management (www.prosci.com)**, and first published in 2003, focuses on 5 actions and outcomes necessary for successful individual change, and therefore successful organisational change.



A	Awareness of the need for change
D	Desire to support and participate in the change
K	Knowledge of how to change
A	Ability to implement the change
R	Reinforcement to sustain the change

www.change-management-coach.com

Comparing processes



- Project management
 - Initiation
 - Planning
 - Executing
 - Monitoring and controlling
 - Closing
- Process groups defined in the Project Management Institute's PMBOK®
- Change management
 - Organizational:
 - Preparing for change
 - Managing change
 - Reinforcing change™
 - Individual:
 - Awareness
 - Desire
 - Knowledge
 - Ability
 - Reinforcement®

The right amount

- How much *project management* is needed?
 - Depends on the complexity and degree of change to processes, systems, organization structure and job roles
- How much *change management* is needed?
 - Depends on the amount of disruption created in individual employees' day-to-day work and the organization attributes like culture, value system and history with past changes

1. Awareness of the need for change.

- Understanding why change is necessary is the first key aspect of successful change. This step explains the reasoning and thought that underlies a required change. Planned communication is essential.
- When this step is successfully completed the individual (employee) will fully understand why change is necessary.

2. Desire to participate in and support the change.

- In this step the individual is able to reach a point where they make a personal decision to support the change and participate in the change.
- Naturally a desire to support and be part of the change can only happen after full awareness of the need for change is established. Building desire is partly achieved by addressing incentives for the individual and creating a desire to be a part of the change.

3. Knowledge on how to change.

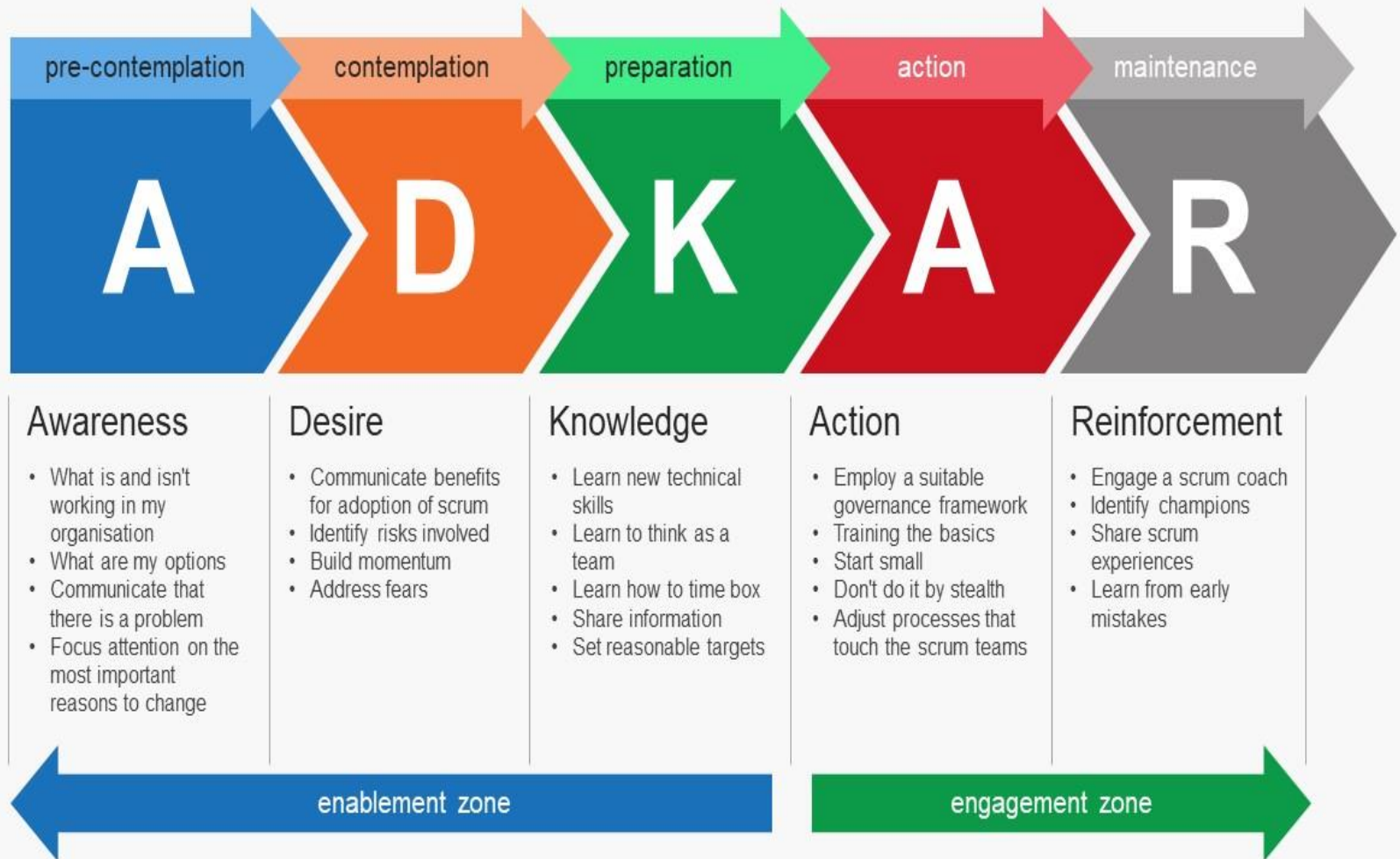
- The third building block of the model, providing knowledge about the change, can be achieved through normal training and education methods.
- Other methods of transferring knowledge, such as coaching, forums and mentoring, are equally useful, so don't limit this process to formal training. Two types of knowledge need to be addressed: knowledge on how to change (what to do during the transition) and knowledge on how to perform once the change is implemented.

4. Ability to implement required skills and behaviors.

- In this model Ability is understood to be the difference between theory and practice. Once knowledge on how to change is in place (theory) the practice, or actual performance of the individual, needs to be supported.
- This can take some time and can be achieved through practice, coaching and feedback.

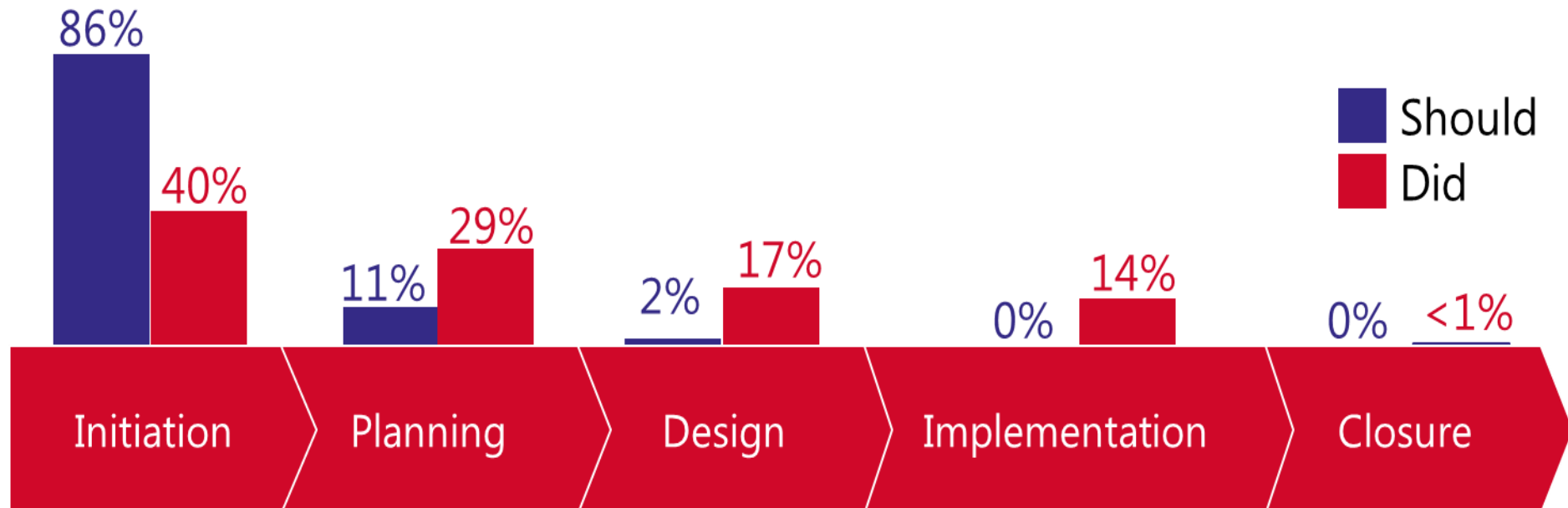
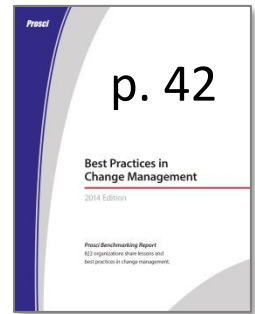
- **5. Reinforcement to sustain the change.**
- This final stage of the model is an essential component in which efforts to sustain the change are emphasized. Ensuring that changes stay in place and that individuals do not revert to old ways can be achieved through positive feedback, rewards, recognition, measuring performance and taking corrective actions.
- This is often the part of change management that is most difficult as organisations are already moving towards the next change.
- In fact, the [Kurt Lewin change management model](#) receives the most criticism in this area. However, for successful change, reinforcement is essential to ensure that changes are maintained and new outcomes can be measured.

ADKAR Change Management PowerPoint Templates



Research results

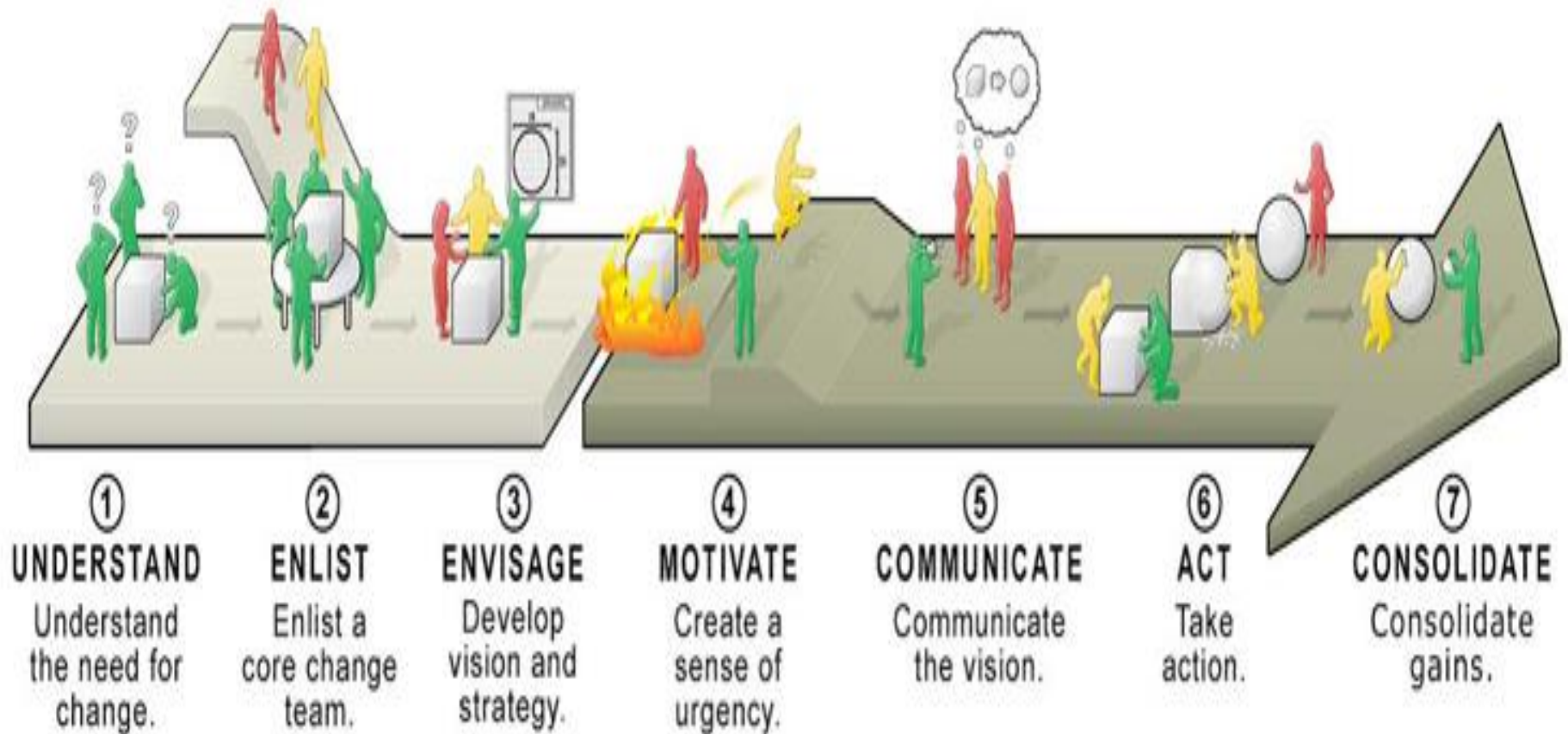
When to start change management



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5. A Seven-step Process For Change

Experience Point Change Model



Eight Steps To Successful Change - John Kotter

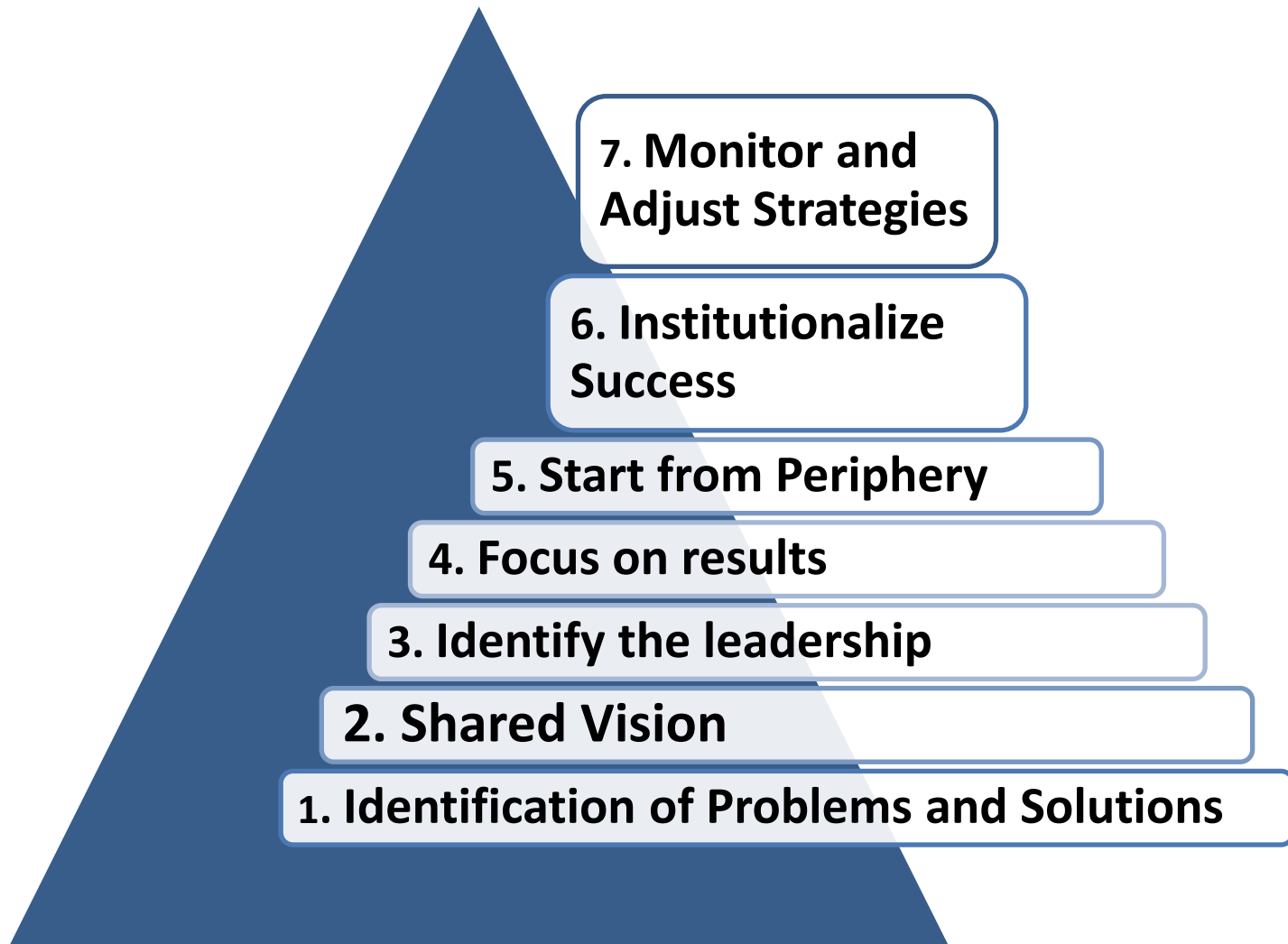


A Nine-step Process For Change

G.Dessler, 2003

1. Create a Sense of Urgency
2. Decide What to Change
3. Create a Guiding Coalition and Mobilize Commitment
4. Develop and Communicate a Shared Vision
5. Empower Employees to Make the Change
6. Generate Short-Term Wins
7. Consolidate Gains and Produce More Change
8. Anchor the New Ways of Doing Things in the Company Culture
9. Monitor Progress and Adjust the Vision as Required

Combined approach



Step 1.

Mobilize Energy and Commitment through Joint Identification of Business Problems and Their Solutions

St.1.1. Problem identification

answers the most important question that affected personnel want to know: **Why must we do this?**

It is may be:

- looming crisis,
- years of declining profit margins,
- research that indicates that the public doesn't like doing business with your company...

St.1.1. Problem identification

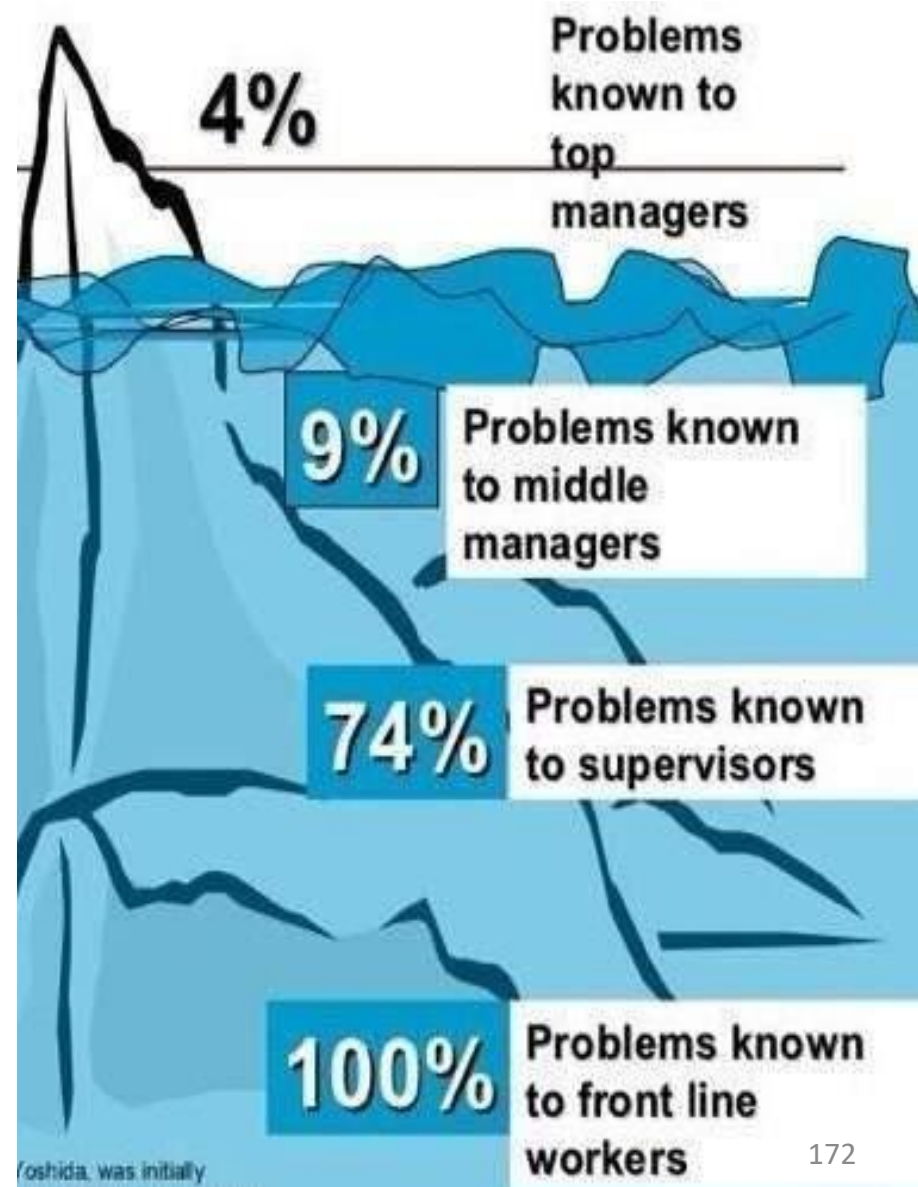
St 1.1.1. How much urgency is required?

Your change goals cannot be achieved
unless 75 percent of managers are genuinely convinced
that sticking with the status quo is more dangerous or more painful than striking out on another path.

St 1.1.2. How much identification is correct?

People at the top often assume (wrongly) that they have identified the entire problem.

The truth is that they generally understand ***part of the problem but fail to understand it in total.***



The same can happen

When the CEO puts a consultant on the case.

Consulting companies have a habit of creating solutions to problems and then peddling them to organizations that appear to have the right symptoms.

- No objective testing by disinterested parties
- No control groups, and no control of the many variables that affect success and failure
- No warning of possible “side effects.”

Organizational Insanity:

Solving all business problems with the same solution expecting different outcomes.



Rachel Brennan



As John Kotter has written:

“Major change is impossible unless the head of the organization is an active supporter.”

In his experience,

successful transformation is supported by a coalition of key individuals

that include the CEO, division general manager, and other leaders, in some instances, a key customer or union official.

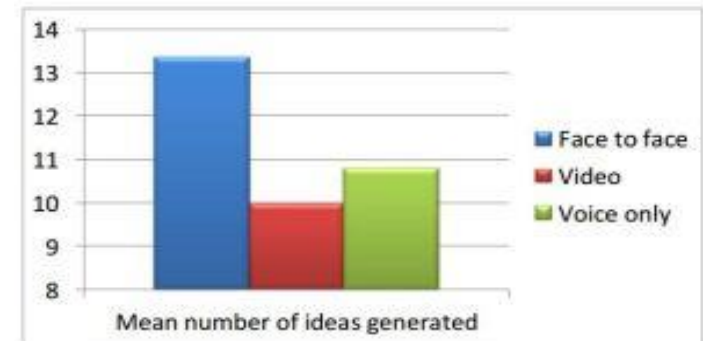
But there is a big difference between **top-level support** and **top-level control**.

St.1.2. Developing a solution

Here again employees should be involved...

- 1) The first task is to bring people face-to-face with urgent business problems and their root causes.

In a [2012 study by the Meetology Group](#), face-to-face pairs generated 30% more ideas than virtual pairs (phone or video). The face-to-face pairs also had ideas of slightly higher quality and variety.



- 2) Then make sure they understand the possible consequences—in personal terms—if those problems are not solved:
 - bonuses eliminated,
 - layoffs,
 - possible sale of the company...

Doing so will puncture any sense of complacency.

"What to do?" or "Who is to blame?"

The implementation of the last paragraph of the first step is very important not to sink to find the guilty.

It will only takes your time



One should not exaggerate the problem.

This can lead to surrender and employee's "give up"

Step 2. Develop a Shared Vision of How to Organize and Manage for Competitiveness

In communicating the vision, be very specific about **how the change will:**

1) improve the business

(through greater customer satisfaction, product quality, sales revenues, or productivity),

2) benefit employees

(higher pay, larger bonuses, new opportunities for advancement, or greater job security)

John Kotter's six characteristics of effective vision

1. describe a **desirable future**—one that people would be happy to have right now if they could;
2. be compelling—that is, it must be **so much better** than the current state that they will gladly undertake the effort and sacrifice as necessary to attain it;
3. be **realistic**—the vision must be perceived as being within the grasp of a **hardworking** group of people;
4. be **focused**—for example, it should limit itself to a manageable and coherent set of goals, *such as six sigma quality, or customer service that resolves a customer's problem with a single phone call*;
5. be flexible—that is, **able to adapt** to changing circumstances;
6. be easy to communicate to **different levels**.

Two cautions about the “vision.”

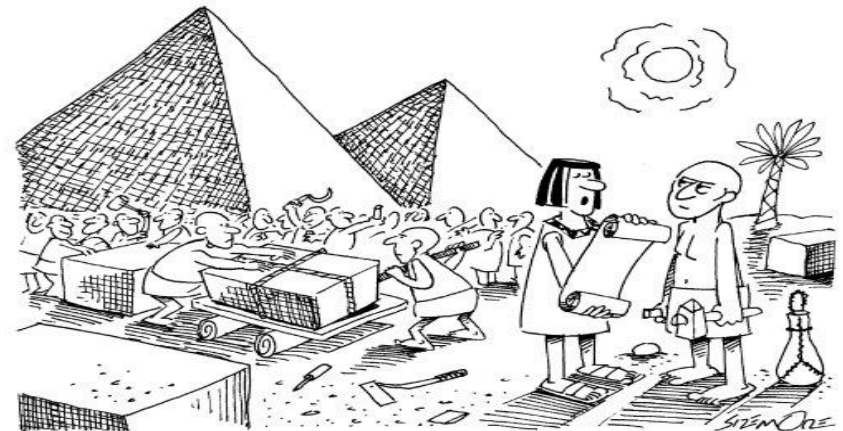
A vision must be “translatable” into **tangible results**.

It might be a 25 percent reduction in production rejects, a 20 percent profit improvement next year, or a loan approval decision in one day instead of three.

A vision must be **compatible** with the core **values** of the organization—the values that have sustained it over the years.

If a vision does not resonate with those values, the change process could invite conflicted behavior and confusion about what’s the right thing to do.

**but what if these values
are an obstacle to the changes?**



"You do as you're told, we pay as we please. You work like a slave, we punish at random. That, in a nutshell, is our corporate culture."

Step 3. Identify the Leadership

Back to topic 3:

Be sure that you have a visible **leader** and **sponsor of change**, someone who owns and leads the change initiative.

sponsor of change

Executive Leader

who has overall authority:

- Legitimizes and approves change
- Has control (or power) over necessary people and resources.

Step 4. Focus on Results, Not on Activities

Training, team-creation, and other activities -
sound good, look good, and allow managers to feel good,

but contribute **little or nothing** to bottom-line performance.

CSF?

BSC?

KPI ?

ENAPS?

How does Change Management add value?

$$R = Qs \times A$$

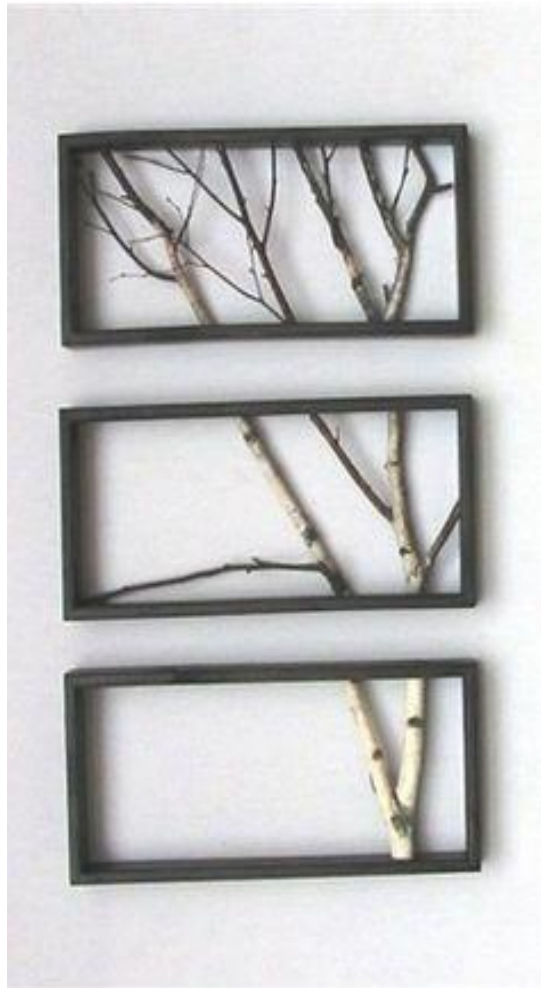
Results = Quality of Solution x Its Acceptance

Antidote to activity-focused programs is shifting to **measurable short-term performance improvement.**

For example, “Within ninety days we will reduce fuel costs by 15 percent.”

Activities 	Goals 
Writing weekly sales report	Increase sales by 10%
Handling customer complaints and other problems	Reduce customer turnover by 15%
Meeting weekly to discuss new product development project	Launch five new products this year
Participating in quality-control training programme	Cut production waste by 20%

Step 5. Start Change at the Periphery, Then Let It Spread to Other Units without Pushing It from the Top



The likelihood of success is greatest when change is initiated in small, fairly autonomous units.

Changing an entire organization at once is much more difficult and less likely to succeed.

Step 6. Institutionalize Success through Formal Policies, Systems, and Structures

To follow through on the change process, it is critical that employees be as concerned with institutionalizing the “journey” as with implementing the process itself.

Continuous improvement is the ultimate goal.



Step 7. Monitor and Adjust Strategies in Response to Problems in the Change Process

Change programs almost never proceed according to plan.

All types of unanticipated problems crop up as people move forward. Developments in the external environment can also affect what's going on inside the company.

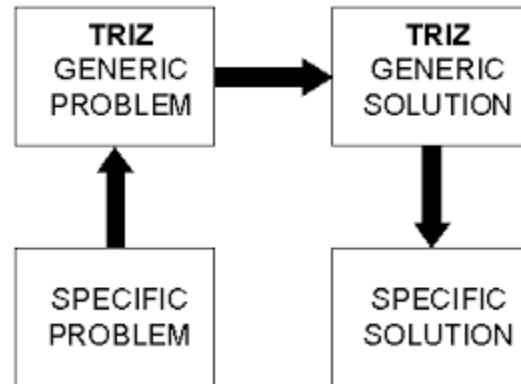
So change leaders must be flexible and adaptive, and their plans must be sufficiently strong to accommodate alterations in schedules, sequencing, and personnel.



Mistakes to Avoid

1. Don't try to impose a canned solution developed somewhere else. Instead, develop the solution within the unit that needs change.

2. Don't place your bets on a Company wide solution driven from the top. Make the solution specific to the unit or units that need change.



Mistakes to Avoid

- 3. Don't bank on a technical fix alone.** Technical solutions usually miss the root causes of problems and fail to deal with the attitudes, skills, and motivations associated with them.



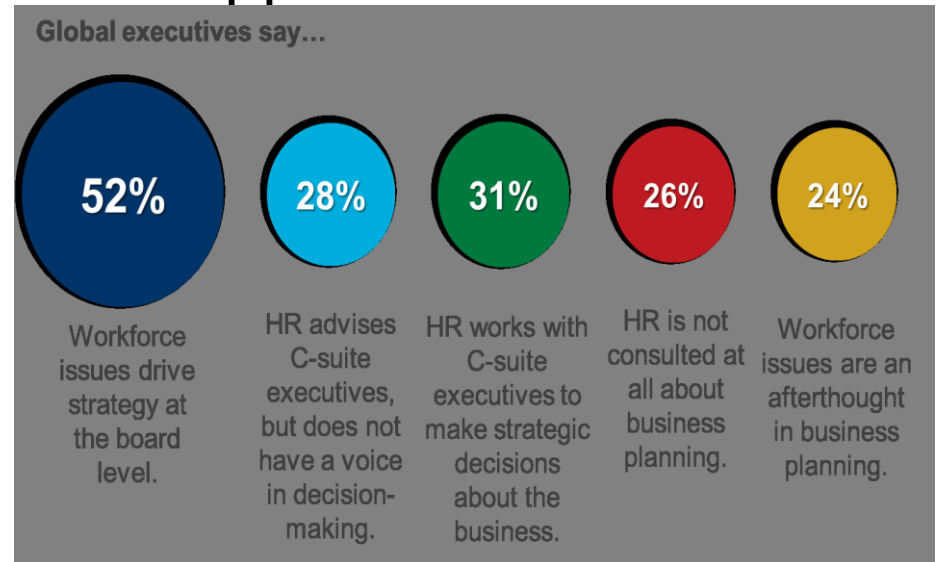
- 4. Don't attempt to change everything at once.** Unless the entire organization is in crisis, begin change at the periphery, in units far from corporate headquarters, where local managers and their people can run the show and maintain control.

Mistakes to Avoid

5. Don't put HR in charge. Put responsibility on the shoulders of unit leaders, and let them run their own show—with top management support.

Role for HR

- helping management with the hiring and assignment of consultants;
- reassigning and/or outplacing personnel displaced by change;
- arranging for employee training;
- facilitating meetings and off-site conferences;
- helping institutionalize successful change through employee development, rewards, and organizational design.



Expect a greater probability of success

- clear advantages over the status quo;
- compatibility with peoples' deeply-held values, experiences, and needs;
- requirements that are understandable;
- the option for people to experiment with the change model on a small scale;
- the possibility for people to observe the result of the change in another setting.

Causes of unsuccessful changes

- Leaders don't express, model and reinforce the change
- Change saturation – many change of the same time
- Not clear change definition
- Not building readiness early enough
- One way communication plan

DICE-model of BCG

The ability to deliver successful change is increasingly becoming a real determinant of competitive advantage. Yet, delivering successful change is one of the toughest challenges that companies face, especially complex, high-stakes, breakthrough change. Studies show that, depending on complexity, **50-75% of major change efforts fail to realize intended results.**

What if you could minimize that risk of failure, powerfully flipping the odds in favor of success?

Based on our findings, we created a systematic, **Technology Enabled Change Management** approach that addresses:

- Operational and organizational changes
- Behaviors that affect program outcomes and are critical to success
- Rigorous program development, tracking and reporting to stay on schedule and on budget
- Assessing projects against these four elements, which we call **DICE**, can greatly help institutions achieve successful change from ideation to impact. We have created a methodology for scoring and statistically analyzing the dynamics of **DICE**, thereby allowing objective assessment of the likely outcome of transformations (or a transformation) - helping to "load the DICE" in your favor.

DICE Acronym

Duration (D) either the total duration of short projects, or the time between two milestones on longer projects

Team Performance **Integrity (I)** the project team's ability to execute successfully, with specific emphasis on the ability of the project leader

Commitment (C) levels of support, composed of two factors:

C₁ visible backing from the sponsor and senior executives for the change

C₂ support from those who are impacted by the change

Effort (E) how much effort will it require to implement/

$$\text{DICE} = D + 2I + 2C_1 + C_2 + E$$

DICE CALCULATOR

Duration

< 2 months = 1
2-4 months = 2
4-8 months = 3
> 8 months = 4

Team Performance Integrity

Very good = 1
Good = 2
Average = 3
Poor = 4

Commitment (Senior Management)

Clearly and strongly communicate the need = 1
Seem to want success = 2
Neutral = 3
Reluctant = 4

Commitment (Local)

Eager = 1
Willing = 2
Reluctant = 3
Strongly Reluctant = 4

Effort

< 10% additional = 1
10-20% additional = 2
20-40% additional = 3
> 40 % additional = 4

$$D + (2 \times I) + (2 \times C_1) + C_2 + E$$

DICE CALCULATOR

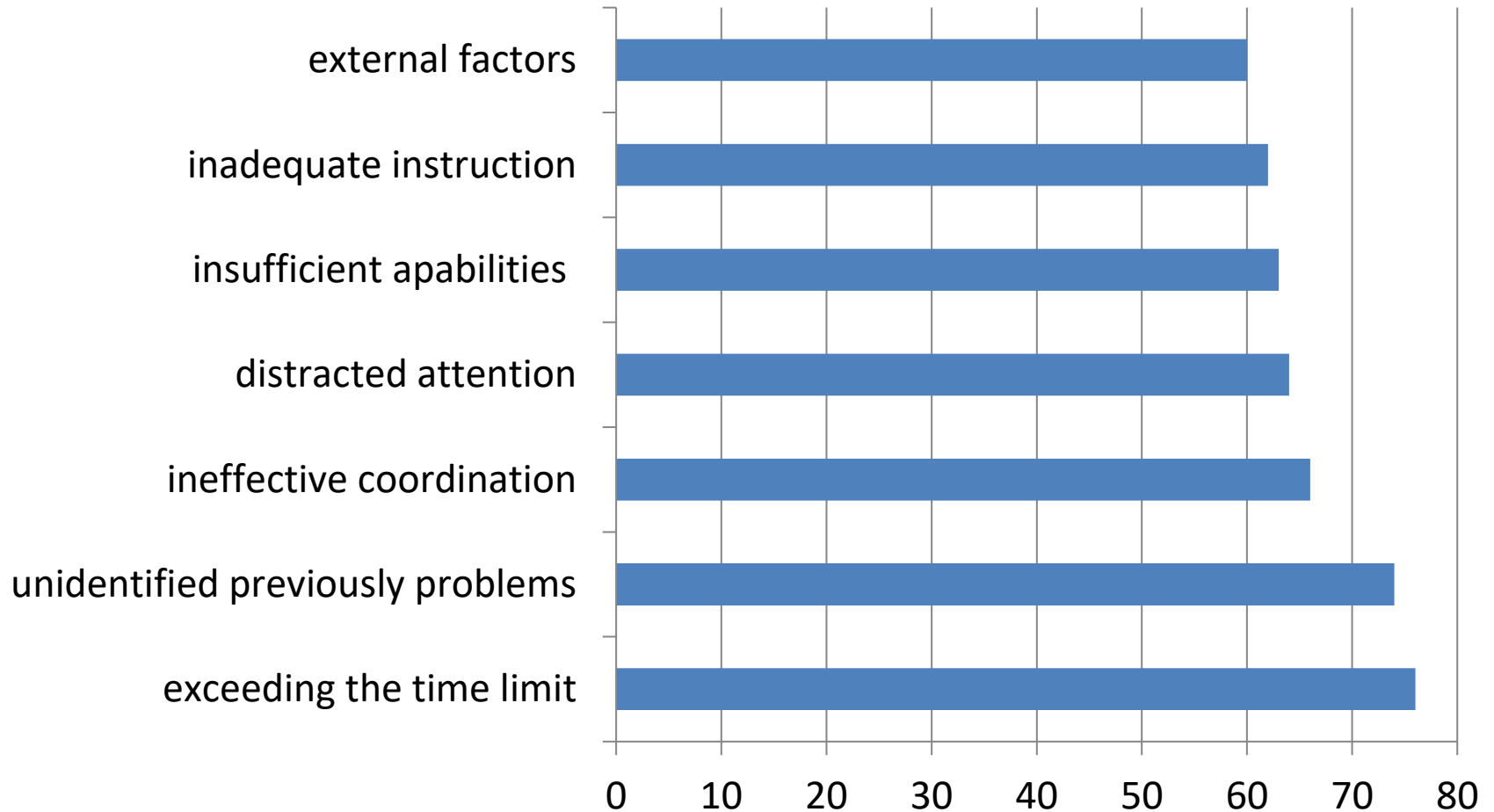
Scores from 1 (favorable) to 4 (unlikely) are assigned to each factor.

DICE projects

- between 7 and 14 are the most potentially effective (are in the zone of success),
- between 14 and 17 - risky (in the area of concern),
- more than 17 - very risky (in the disaster zone).

Interfering factors

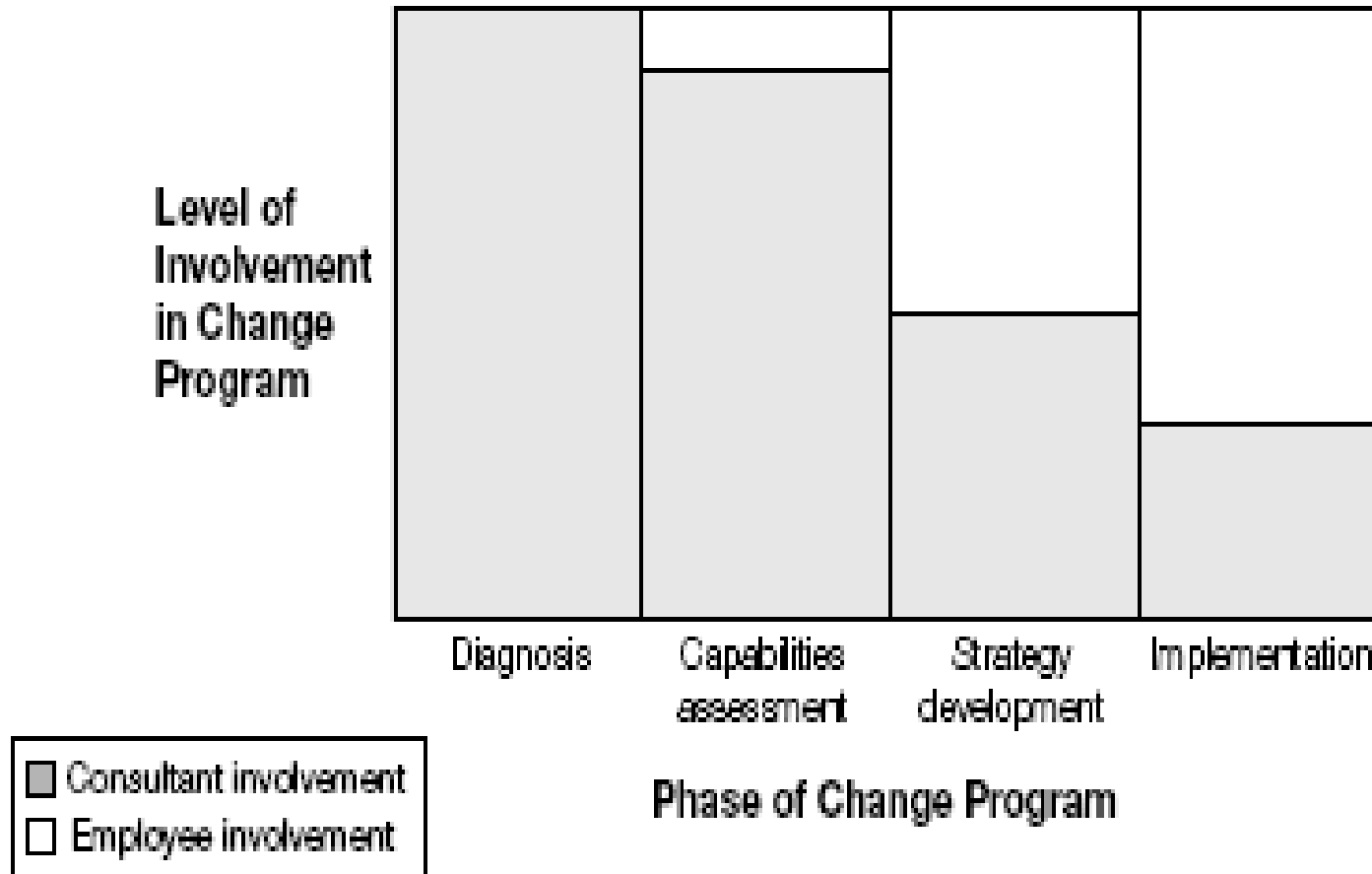
% of respondents



Results of survey

1. Implementation took more time than originally allocated (76 percent).
2. Major problems surfaced during implementation that had not been identified beforehand (74 percent).
3. Coordination of implementation activities (for example, task forces or committees) was not effective enough (66 percent).
4. Competing activities and crises distracted attention from implementing this strategic decision (64 percent).
5. Capabilities (skill and abilities) of employees involved with the implementation were not sufficient (63 percent).
6. Training and instruction given to lower-level employees were not adequate (62 percent).
7. Uncontrollable factors in the external environment had an adverse impact on implementation (60 percent).

The Roles of Consultants and Employees in Change Programs



The Roles of Consultants in the Theory E

A SWAT team educated MBAs, armed with an arsenal of state-of-the-art ideas, is brought in to find new ways to look at the business and manage it.

The consultants can help CEOs get a fix on urgent issues and priorities.

They also offer much-needed political and psychological support for CEOs who are under fire from **financial markets**.



STRATEGIC ADVISORSSM
financial consultants

The Roles of Consultants in the Theory O

Consultants act as expert resources who **prepare and empower employees** to do the heavy lifting of change, including business analysis and the crafting of solutions.



what type to choose?

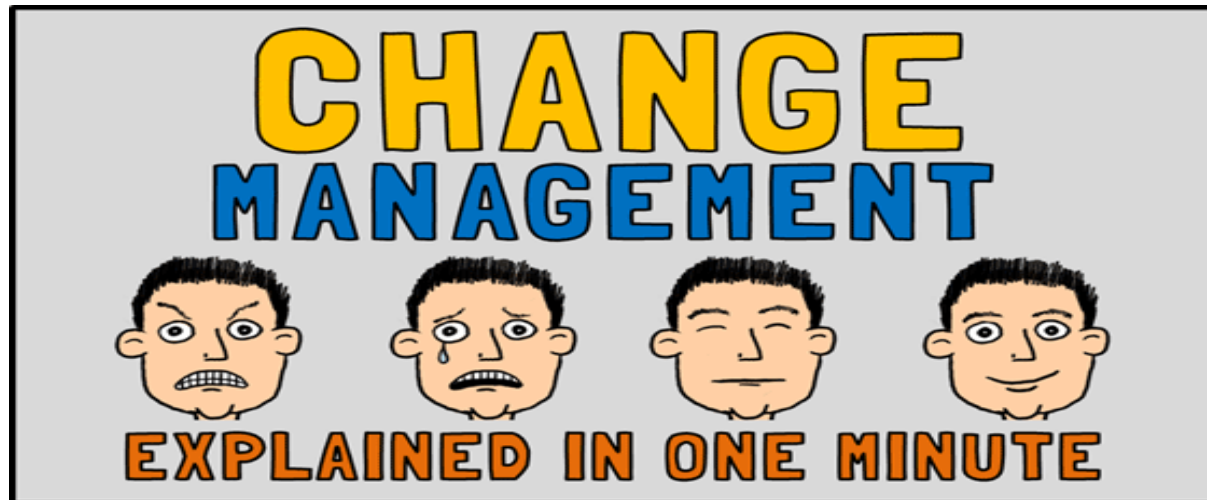
Thus, the best approach to using consultants is bound to be heavily situational.

If the **goal is restructuring**, change consultants can and should play a major role—they have very specialized knowledge and experience for these rare events.

But if the change involves **changing how people work**, put your own people in charge and use consultants as facilitators.

Topic 7 Psychological stages of change

1. The nature and the main stages of reaction to change.
2. Interaction of different participants groups in the process of change



The nature of reaction to change

- ▼ What is it?
- ▼ What are the barriers to change?
- ▼ How can you help?
- ▼ Change stages



Why do you think the caterpillar does not want to be a butterfly?

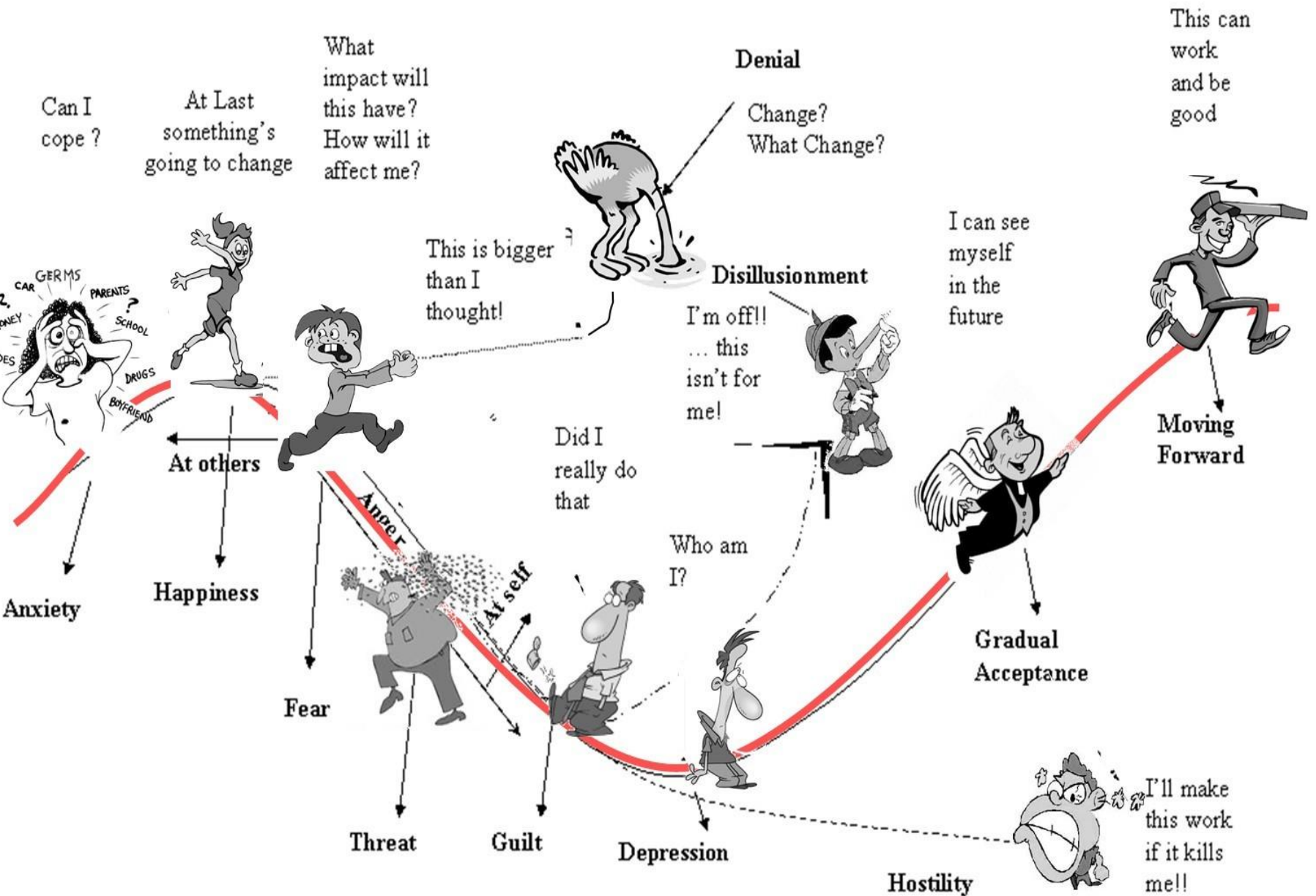
Both unsuccessful and successful change programs produce stress, and many result in the displacement of good people.



Their morale is poor,
trust in the company is at
rock bottom,
and employee loyalty is out
the window.

A good manager cannot
restore the world for
these people,
but he or she can help them
through the turmoil,
and get them back into a
productive frame of mind.

Transition to Change



Shock and Surprise



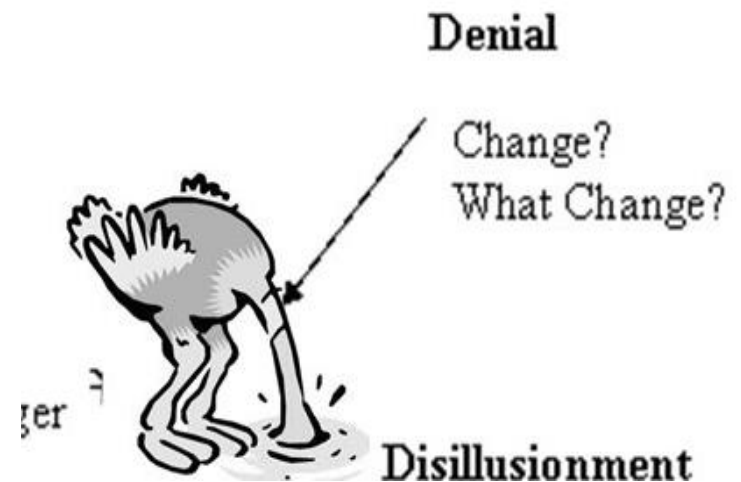
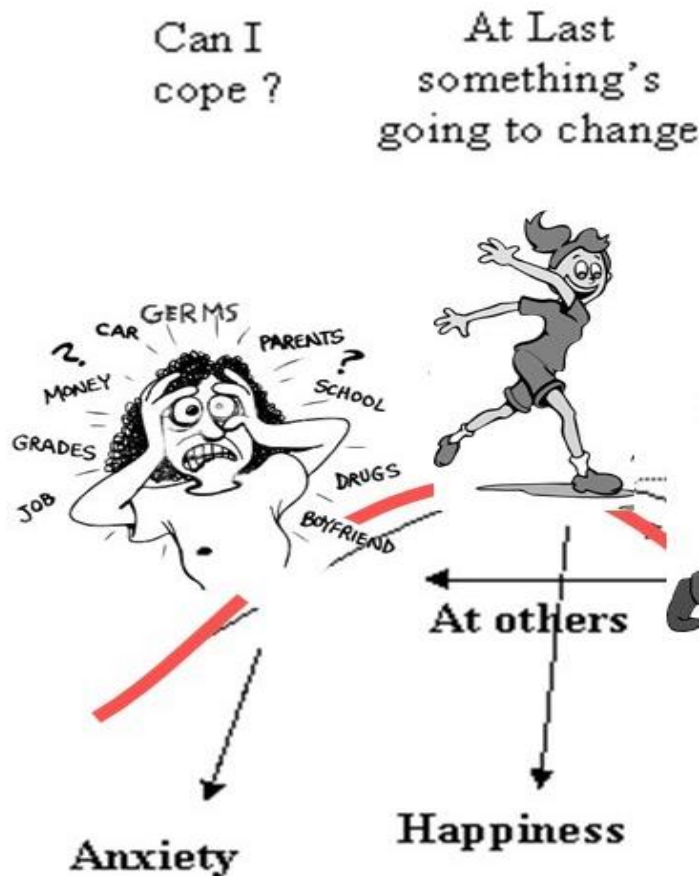
Confrontation with unexpected situations. This can happen 'by accident' (e.g. losses in particular business units) or planned events (e.g. workshops for personal development and team performance improvement).

These situations make people realize that their own patterns of doing things are not suitable for new conditions any more. Thus, their perceived own competence decreases.

Denial and Refusal

People activate values as support for their conviction that change is not necessary.

Hence, they believe there is no need for change; their perceived competency increases again.



ge
What
impact will
this have?
How will it
affect me?

This is bigger
than I
thought!

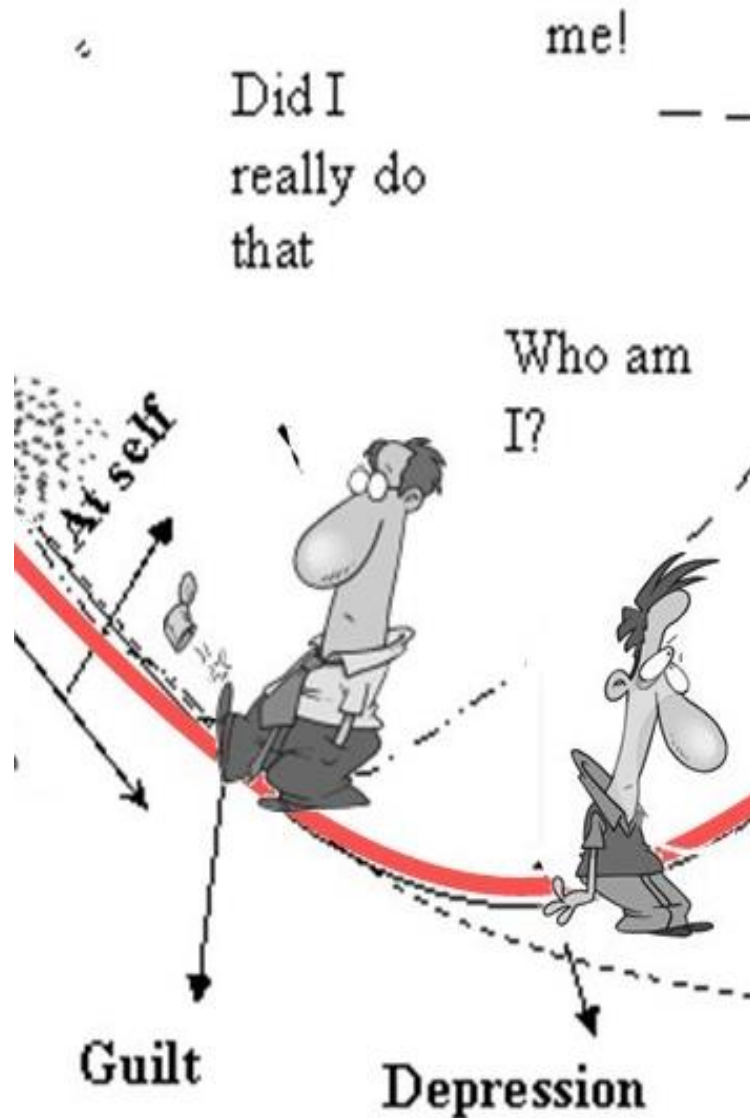


Rational Understanding

People realize the need
for change.
According to this insight, their
perceived competence decreases
again.

People focus on finding short
term solutions, thus they only cure
symptoms.

There is no willingness to
change own patterns of behavior.



Emotional Acceptance

This phase, which is also called 'crisis' is the most important one.

Only if management succeeds to create a willingness for changing values, beliefs, and behaviors, the organization will be able to exploit their real potentials.

In the worst case, however, change processes will be stopped or slowed down here.

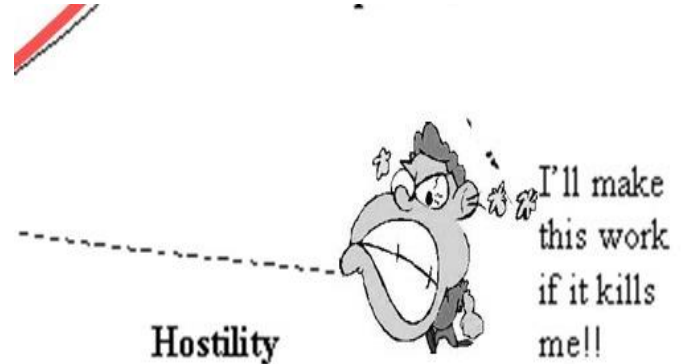
Exercising and Learning

The new acceptance of change creates a new willingness for learning.

People start to try new behaviors and processes. They will experience success and failure during this phase.

It is the change managers task to create some early wins (e.g. by starting with easier projects).

This will lead to an increase in peoples perceived own competence.



Realization.

People gather more information by learning and exercising. This knowledge has a feedback-effect.

People understand which behavior is effective in which situation.

This, in turn, opens up their minds for new experiences.

These extended patterns of behavior increase organizational flexibility.

Perceived competency has reached a higher level than prior to change.



Integration

People totally integrate their newly acquired patterns of thinking and acting.

The new behaviors become routine.



2. Interaction of different participants groups in the process of change



How Managers Can Help Employees to Cope

As well as usual employees, managers have rational and emotional sides of beings.

Rational managers concentrate their efforts on technical issues — such as the new department layout, or who gets what training.

But Managers are paid to get things done with all kind resources given to them—

the human,

technical,

information,

financial etc.

So, managers can't ignore human factor, they have to get everyone into the fight.

**Shock, sense of
Loss and
Anxiety**

What's happening

In the shock phase, people feel threatened by anticipated change.

They may even deny its existence: "This isn't happening."

They become immobilized and often shut down in order to protect themselves.

People feel **unsafe, timid, and unable to act, much less take risks.**

Productivity drops during this stage.

**I'M NOT
HERE. THIS
ISN'T
HAPPENING**

Aaron Sussman

A Sense of Loss and Anxiety

1. Unknown

- Can I handle the job?
- How will my friendships with people in the department be affected now that I'm their boss?
- Will the required travel and longer hours create problems at home?

2. Loss of control over

- Incomes
- Influence
- sources of pride
- how they have grown accustomed to living and working.



When these factors are threatened, expect to see anxiety and anger.

**Shock, sense of
Loss and
Anxiety**

What Individuals Can Do for Themselves

Recognize the Emotional Side

We have rational and emotional sides of our beings, and each must be paid its due.

The secret to success is to allow the emotional side to express itself—that is, to give it due recognition—but to gradually pass control to the rational side.



**Shock, sense of
Loss and
Anxiety**

How managers can help

1. Prepare your people for the shock of change by periodically inoculating them with small doses of it
2. Apply some “first aid”

Prepare your people for the shock of change by periodically inoculating them with small doses of it

- Change work processes whenever you see real opportunities for **improvement**.
- Give people periodic reassignments that force them to **learn new things** and deal with new situations.
- Use **stretch goals** to encourage flexibility and greater effort.
- **Never** allow anyone to get **too comfortable** in his or her job.
- Root **out** any sense of **entitlement**.

Apply some “first aid”:

- Find **new roles** for people in their new work groups.
- Provide opportunities for people to **vent** their **feelings**.
- Be a good listener, **but avoid trying to sell them on the idea that things are actually better for them—they are not yet ready to hear this.**

Defensive retreat

What's happening

People get angry and lash out at what has been done to them, even as they hold on to accustomed ways of doing things.

They attempt to keep a grip on the past while decrying the fact that it's changed.

The situation is perceived as too unsafe.



Defensive retreat

What Individuals Can Do for Themselves

Inventory the Gains and Losses



We are able to develop the capacity to see benefits, not just losses, in new situations.

“What have I lost?” should be balanced
by “What am I gaining?”

This is far different than “looking on the bright side.”

Inventorying personal losses and gains is a tangible step that people can take in gathering the strength to move on.

Defensive retreat

How managers can help

Help people connect to others in their new circumstances.

Group activities, lunchtime meetings, or outings all help build connections between strangers.



Provide a verbal outlet for the grievances and the angst that needs to be vented. The opportunities for grievances and frustrations to be aired constructively, employee bitterness and frustration may be diminished.

Acknowledgment

What's happening

Eventually, most people cease denying the fact of change, and acknowledge that they have lost something.

They mourn.

The psychological dynamics of this stage include both grief and liberation.



At this point the notion of taking risks becomes more admissible and people begin to explore the pros and cons of the new situation.

Each “risk” that succeeds builds confidence and prepares people for more.

What Individuals Can Do for Themselves

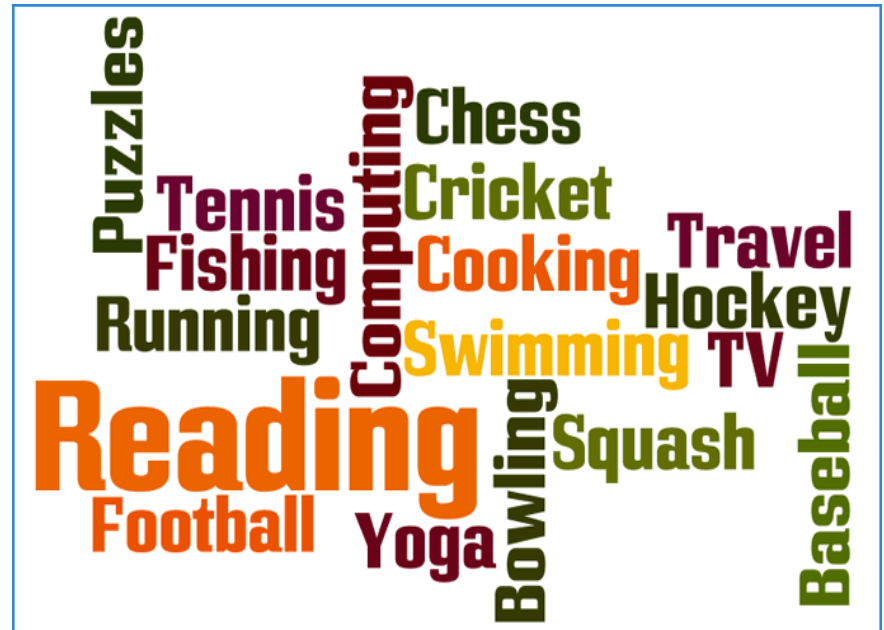
Overcome Powerlessness

One antidote to feeling powerless is to establish a sense of personal **control in other areas of our lives**

Another antidote is to avoid taking on other efforts that require a lot of energy

For example:

- get enough sleep
- pay attention to diet and exercise
- take occasional breaks at the office
- relax with friends
- engage in hobbies



The psychological dynamics of this stage include both grief for what has been lost and starts feelings of liberation

Continue role as a sounding board for complaints and questions.

But begin now to stress the benefits of the new situation.

Encourage people to try new things—to take some risks.
Ask “What could we do about this?”

Each risk that succeeds will build confidence and prepare people for the final stage.

What's happening

Most people eventually internalize the change, make any needed adaptations, and move on.

They see themselves “before and after” the change and, they consider the change “for the best.”

In some cases, people actively advocate for what they had previously opposed.

Acceptance and adaptation means relinquishing the old situation, as well as the pain, confusion, and fear experienced in the earlier stages of change.

Acceptance and adaptation

What Individuals Can Do for Themselves

Re-anchor

The **anchors** are our principles, habits, patterns of behavior, relationships, combination of work and personal life.

Thus, when one or more anchor points at the workplace is uprooted, the person can remain steady by creating or strengthening anchor points elsewhere

- Get to meet new friends with the same interests;
- join a basketball (football, chess, poker, etc.) team;
- solidify your friendships outside work
- engage with your friends jogging or fitness



We all have other sources of strength

How managers can help

- Keep working on **group dynamics**. Remember that people are generally *less concerned with the tasks* they are given than *how they fit in with the group*.
- Try to understand what each of your people needs to feel a **sense of accomplishment**. For each person, find that special talent and give him or her an opportunity to use it and to earn some recognition.
- Move the focus **from feelings to action**. Action will take their minds off their hurt feelings and insecurity, which will eventually fade away.
- Be prepared to **“outplace”** those individuals who simply cannot or will not fit into the new situation. These individuals will be a permanent drag on performance and cast a negative pall over the unit.



“time heals all”?

Progress through these four stages is linear and should only be accelerated with great care.

Although most people work through the four emotional stages—some more quickly than others—some will **get stuck** in defensive retreat and channel their energies into resistance.

Causes being stuck

Change is not a single event with neat and tidy beginnings and endings;

People's experiences with change vary with individual circumstance.



Thus, framework discussed above is far from perfect. To further complicate matters, change often hits from two or more directions at the same time.

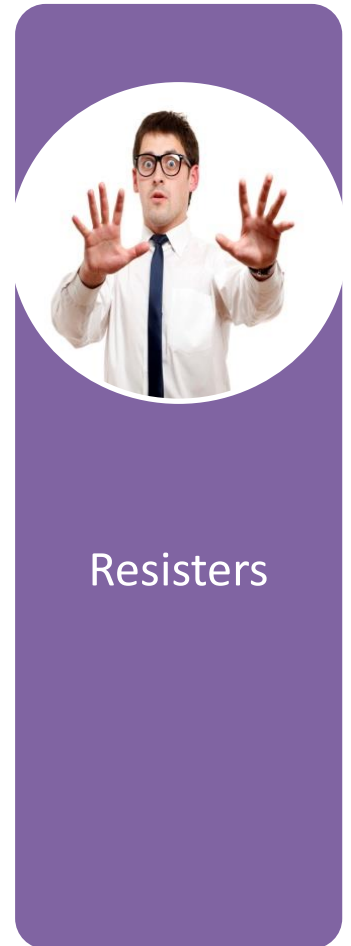
Topic 8. Management of Resistance to Changes

1. The essence and causes of resistance to change
2. Types of resistance to change
3. Approaches to managing change resistance

Resistance to change is the act or omission of employees, aimed at discrediting, delaying or counteracting changes in the organization required at the stage of strategy implementation.

“Resister” typically describes anyone who refuses to accept the change, or who doesn’t change as fast as we do.

As such, a resister is considered an obstacle to be overcome.



I. Ansoff gives the following definition: "Resistance to change is a multifaceted phenomenon, leading to unforeseen delays in planned measures, to additional costs and instability in managing change processes."



Resistance to change is the action taken by individuals and groups when they perceive that a change that is occurring as a threat to them.

Key words here are **'perceive' and 'threat'**. The threat need not be real or large for resistance to occur.

In its usual description it refers to change within organizations, although it also is found elsewhere in other forms. Resistance is the equivalent of objections in sales and disagreement in general discussions.

Change Equation (Gleicher, Beckhard, Harris)

$$\mathbf{D \times V \times F > R}$$

D = Dissatisfaction

V = Vision

F = First Steps

R = Resistance to Change

Resistance causes

- fear to break the established life - routine
- perception change as endangering their livelihoods, their perks, their workplace social arrangements, or their status in the organization
- knowing that their specialized skills will be rendered less valuable

*Machiavelli:
“The reformer has enemies in
all those who profit by the
old order”*



The 5 Main Reasons People Resist Change

1. Fear of the unknown/surprise: This type of resistance occurs mainly when change is implemented without warning the affected stakeholders before the change occurs.

When change (especially what is perceived as negative change) is pushed onto people without giving them adequate warning and without helping them through the process of understanding what the change will include and how their jobs/work will be affected, it can cause people to push back against the change due to their fear of the unknown.



The 5 Main Reasons People Resist Change

2. Mistrust: If the individuals in a department highly respect their manager because the manager has built up trust over a period of time, the team will be more accepting of any changes.

If the manager is new and has not yet earned the trust of their employees, then mistrust can manifest itself into resistance to change.



The 5 Main Reasons People Resist Change

3. Loss of job security/control: This type of resistance often occurs when companies announce they will be restructuring or downsizing.

This causes fear among employees that they will lose their jobs or be moved into other positions without their input.



The 5 Main Reasons People Resist Change

4. Ineffective timing: As the old saying goes, “Timing is everything”. Heaping too much change on employees over a short period of time can cause resistance.

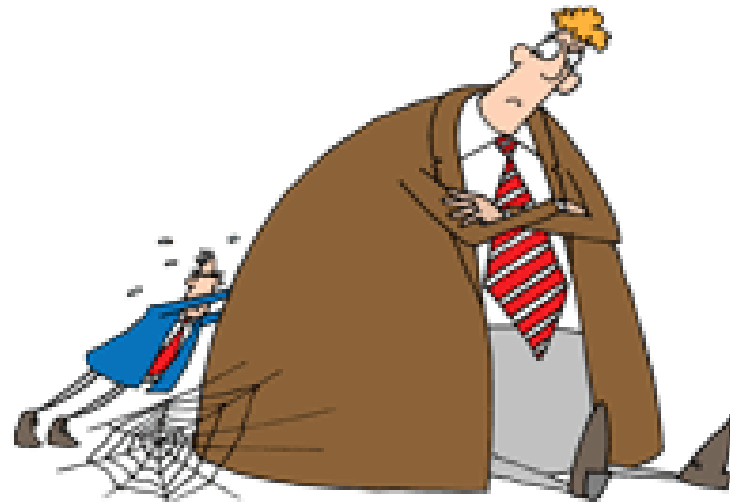
If change is not implemented at the right time or with the right level of tact or empathy, it usually won't work.



The 5 Main Reasons People Resist Change

5. An individual's predisposition toward change: Differences exist in people's overall tolerance for change. Some people enjoy change because it provides them with an opportunity to learn new things and grow personally and professionally.

Others abhor change because they prefer a set routine – these are usually the people who become suspicious of change and are more likely to resist.



Spectrum of Possible Behavior Toward Change

Acceptance —

Indifference —

Passive Resistance —

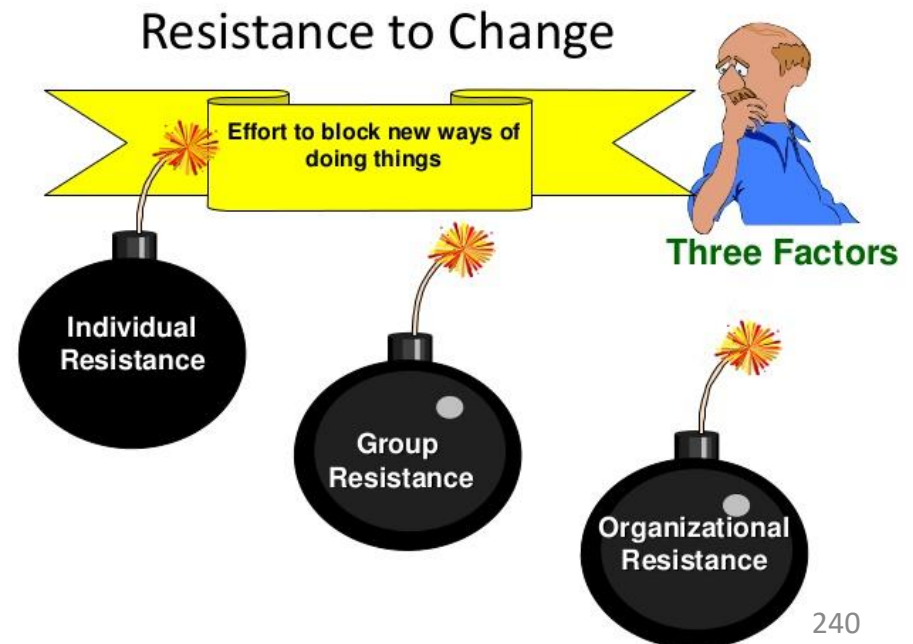
Active Resistance —

- Enthusiasm
- Cooperation
- Cooperation under pressure
- Acceptance
- Passive resignation
- Indifference
- Apathy; loss of interest in the job
- Doing only what is ordered
- Regressive behavior
- Non-learning
- Protests
- Working to rule
- Doing as little as possible
- Slowing down
- Personal withdrawal (increase time off)
- Committing “errors”
- Spoilage
- Deliberate sabotage

Types of resistance to change

Resistance may take many forms, including:

- ✓ active or passive,
- ✓ overt or covert,
- ✓ individual or organized,
- ✓ aggressive or timid.



Types of resisters

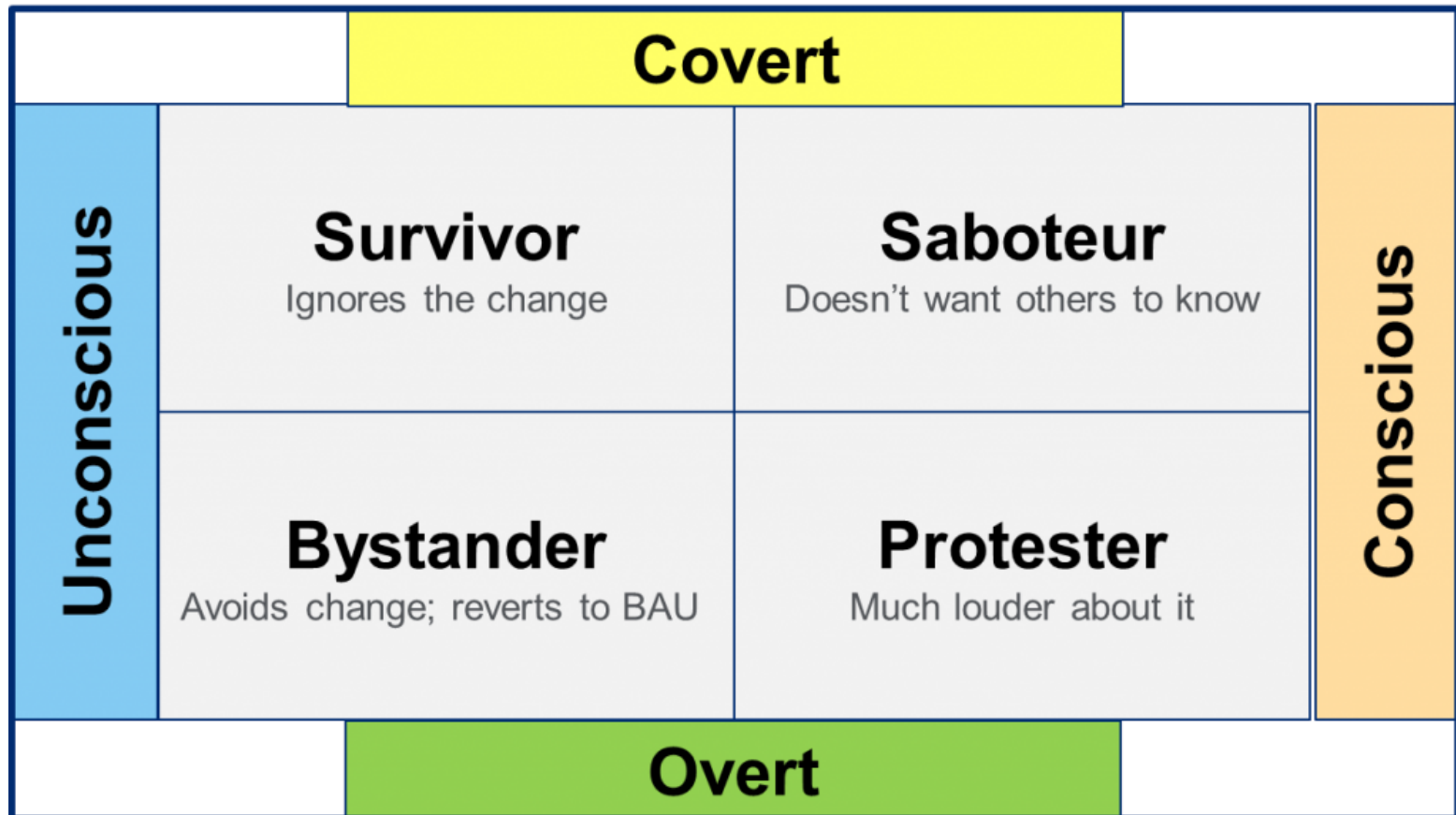
- active –
- direct opposition or subversion.



- passive –
- non-commitment to the goals and the process for reaching them



Four Common Styles of Resistance to Change

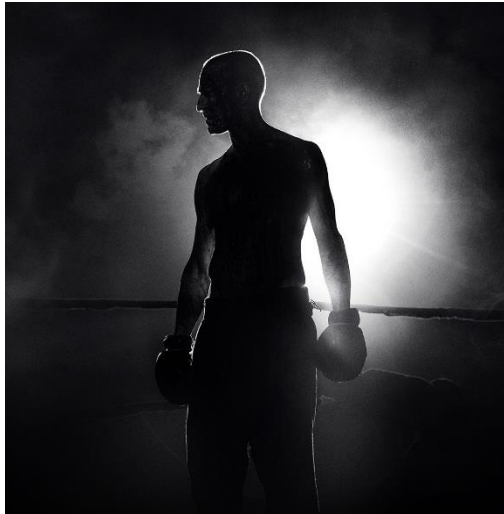


1. Overt and Unconscious: The Bystander



While they verbally agree to do whatever is asked of them, they have neither the will nor the ability to create the change. Gradually and openly, they revert to their former patterns of behavior.

While they realize that they are not doing what they agreed to do, they mysteriously do not regard this as resistance. They are simply avoiding the change until they are reminded again that they must alter their behavior.



2. Covert and Unconscious: The Survivor

These resistors don't realize that they are undermining change. They often do not know that they are failing to meet targets or even understand the implications of their behavior.

Their activities are undetected because higher profile projects screen or mask them. They simply soldier on, getting the job done in a way they know how to do it.

When their lack of adaptation to change is discovered, they are as surprised and disappointed as anyone is in management. They often believe they are doing a good job and feel discouraged by the wasted effort.

3. Covert and Conscious: The Saboteur



Saboteurs

These resistors undermine change while pretending to support it. Some are motivated by a wish to minimize disruption and discomfort.

They believe that by verbally supporting the change and then doing nothing, the initiative will go away.

Others have a more sinister motive. These individuals intend to sabotage the company or an individual's plans for their own gain.



4. Overt and Conscious: The Protester

The resisters believe that their refusal to change makes a positive contribution to the company. An alternative title given by some managers of this extreme group is “Pain in the a**.”

Protester resisters never seem to rest when pointing out the filings of a change. On the positive side, they serve to protect the company tradition and discourage rash or sudden change. On balance, these are the easiest and certainly the most interesting kind of resisters to manage. Their resistance is not only open, and they are able to discuss their position clearly and rationally.

Collectivism of resistance

Resistance can happen both on an individual case-by-case basis or people may band together.

Collective action

When people find a common voice in organized resistance, then their words and actions can create a significant threat to the change, even though they are individually less powerful

Organized resistance is usually a sign of a deep divide. People will not go to the bother of organizing unless they have serious issues with the change.

Manage collectives by negotiating with their leaders. You may well need to make concessions, but you at least should be able to rescue some key elements of the change. You can also 'divide and conquer' by striking deals with individual key players, although this must be done very carefully as it can cause a serious backlash.



Organizational factors which result in resistance to change

- **Resistance Due to the Structural Rigidities or Limitations:** Structural resistance is a characteristic feature of bureaucracies, which focus more on stability, control, set methodologies or routine.
- Ignoring all the interconnected factors which require change or **lack of clarity** in understanding the ground realities.
- **Inertia from the Groups:** Groups may resist change because just like individuals, groups equally follow set behavioral patterns, norms or culture and as a result of change the groups might have to change their existing ways of conduct or behavior.
- **Possible threats** to Power, Resources or Expertise can also result in resistance towards an organization level change. Any kind of devolution of power or transfer of resources from some agency or group to some other agency or a group will definitely lead to a feeling of fear or inertia towards a change initiative.

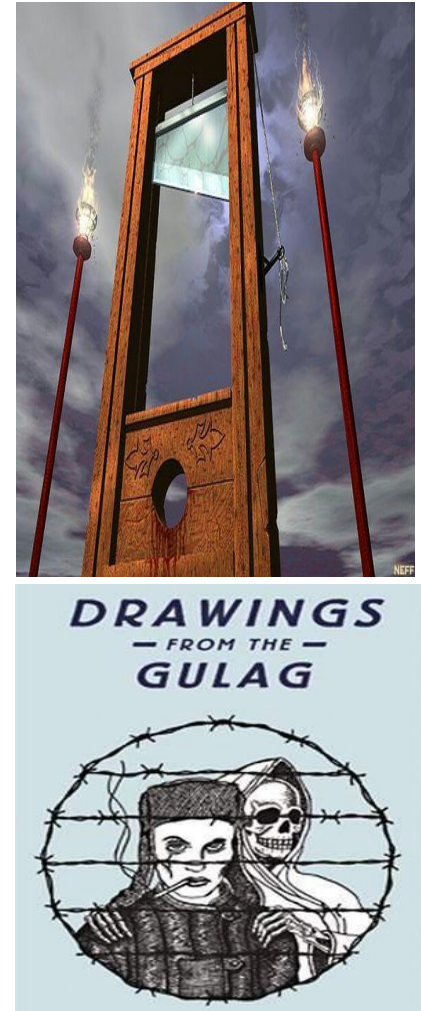
Approaches to managing change resistance

Always try to answer the question,

“Where and how will change create pain or loss in the organization?”

Identify people who have something to lose, and try to anticipate how they will respond.

At the very minimum, resistance denotes energy—energy that can be worked with and redirected.



Active resisters

- Resisters may provide **important information**, and dismissing them as naysayers may be a genuine error.
- So, instead of viewing all resistance as an obstacle, **try to understand** its sources, motives, and potentially affirmative core.
- Communicate the “why” of change to potential resisters. **Explain** the urgency of moving away from established routines.
- **Emphasize the benefits of change** to potential resisters. There’s no guarantee that the benefits of change will exceed the losses for these individuals. However, explaining the benefits will help shift their focus from negatives to positives.
- Help resisters **find new roles**—roles that represent genuine contributions *and mitigate their losses*.
- People resist change because it represents a loss of control over their daily lives. You can return some of that control by **making them active partners** in the change program.

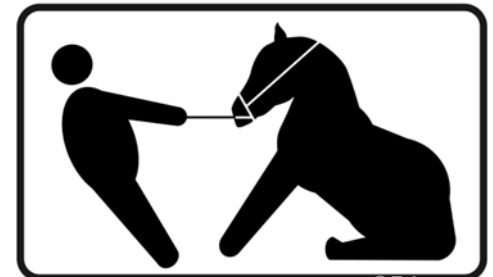
The reasons of passive resistance

- “competing commitment” —a subconscious, hidden goal that conflicts with the stated commitment.
- burn out syndrome - people with burnout syndrome are passive resisters

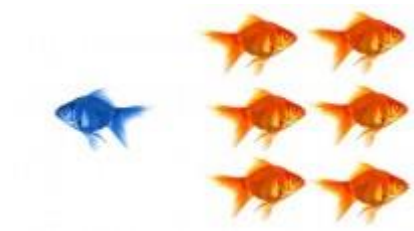
While they don't sabotage the program, they certainly don't help the initiative move forward.

The most practical advice here is to engage in one-on-one communication with the passive resister.

You need to find out what's keeping this person from participating in an active way.



If these interventions fail...



...move resisters out of your unit.

**Do what you can
to relocate them to positions
where their particular skills can be better used**

Ways to overcome resistance to strategic change

Actions	Prerequisites of application	Advantages	Disadvantages
Training and providing information	Lack of information, inaccurate information or misinterpretation	Convinced of the need for action employees are actively involved in the transformation	A lot of time if you have to cover a large number of employees
Involvement in the project	Lack of information about the program of changes and anticipated resistance	Participants are keen to support changes and actively provide relevant information for planning	A lot of time if participants are misinformed about the goals of the changes

Ways to overcome resistance to strategic change

Actions	Prerequisites of application	Advantages	Disadvantages
Stimulation, support, motivation	Resistance due to the complexity of individual adaptation to individual changes	To assist in adapting and taking into account individual wishes to facilitate the objectives change	A lot of time, as well as high costs, which can lead to a failure of the project
Negotiations and agreements	Resistance of management groups, who are afraid of losing their privileges as a result of changes	Providing incentives in exchange for support can be a relatively easy way to overcome resistance	High costs and claims from other groups

Ways to overcome resistance to strategic change

Actions	Prerequisites of application	Advantages	Disadvantages
Personnel permutations and appointment	Failure of other "tactics" of influence or unacceptably high costs on them	The resistance is relatively quickly eliminated without the need for high costs	Threat to future projects due to mistrust of individuals, development of fear
Covert and overt coercion measures	The acute shortage of time or the lack of an appropriate power base in the initiators of change	The threat of sanctions drowns resistance, makes it possible for a quick implementation of the project	It is associated with risk, generates persistent gossip in relation to initiators, passive resistance in case of possible reorientation of the project

Topic 9. Changes in organizational structure.

1. Diagnostics of structural problems
2. Types of restructuring
3. Restructuring
4. Modern directions of reorganization and development of organizational structures



Problems of organizational structures can be represented as follows:

- 1) Volume of management;
- 2) Management hierarchies;
- 3) Centralization and decentralization;
- 4) Specialization;
- 5) Regulation;
- 6) Uniformity and double submission;
- 7) Communications.

Five Common Causes of Organizational Dysfunction

No matter what size it is, when an organization falls apart, it's usually from one or more of these five causes:

1. Misunderstood mission
2. Lack of consensus on the nature of problems facing the Team
3. Misunderstood strategy
4. Lack of team cohesion
5. Lack of resources



The Five Dysfunctions of a Team by Patrick M. Lencioni

A good leader will watch out for all of these potential show-stoppers and work to prevent them—or remedy them quickly.

- An organization's structure gets misaligned for many reasons. But the most common one is simply **inertia**.
- The company gets stuck in an old way of doing things and has trouble breaking free of the past.
- How did it get this way to begin with?
- What are the signs that a current structure isn't working?



The 5 Classic Mistakes in Organizational Structure

(some later...)

The forms of strategic restructuring

- mergers and acquisitions
- creation of strategic alliances;
- Sale of a part of a company or divestiture, which provides a flow of money for the remaining business lines;
 - outsourcing - the transfer of a production or other operation to a third-party organization;
 - equity carve -out - the sale to a foreign investor of a stake in the equity of a subsidiary;
 - the creation of subsidiaries or spin-offs - creating a new company, issuing new shares that are distributed among the shareholders of the parent company, but it changes ownership;
 - division (split-off) - shares are allocated units are exchanged for shares of the parent company;
 - split-up - the company is divided into separate parts, and the parent company ceases to exist;
 - voluntary liquidation, the idea of which is that the assets of the company in liquidation may have a higher value compared to the present value of the cash flows expected from their use by the company;
 - Privatization, including in the broad sense (going private).

Mistake 1: The strategy changes but the structure does not

- Every time the strategy changes — including when there's a shift to a new stage of the [execution lifecycle](#) — you'll need to re-evaluate and change to the structure.

The classic mistake made in restructuring is that the new form of the organization follows the old one to a large degree. That is, a new strategy is created but the old hierarchy remains embedded in the so-called “new” structure.

- When it comes to restructuring, you need to make a clean break from the *status quo* and help your staff look at things with fresh eyes.

For this reason, restructuring done wrong will exacerbate attachment to the *status quo* and natural resistance to change.

Restructuring done right, on the other hand, will address and release resistance to structural change, helping those affected to see the full picture, as well as to understand and appreciate their new roles in it.

Mistake 2: Functions focused on effectiveness report to functions focused on efficiency

Efficiency will *always* tend to overpower effectiveness.

Because of this, you'll never want to have functions focused on effectiveness (*sales, marketing, people development, account management, and strategy*) reporting to functions focused on efficiency (*operations, quality control, administration, and customer service*).

For example, imagine a company predominantly focused on achieving Six Sigma efficiency (which is doing things “right”). Over time, the processes and systems become so efficient and tightly controlled, that there is very little flexibility or margin for error. By its nature, effectiveness (which is doing the right thing), which includes innovation and adapting to change, requires flexibility and margin for error.

Things can become so efficient that they lose their effectiveness.

Mistake 3: Functions focused on long-range development report to functions focused on short-range results

Just as efficiency overpowers effectiveness, the demands of today always overpower the needs of tomorrow.

That's why you never want to have functions that are focused on long-range development (branding, strategy, R&D, people development, etc.) reporting to functions focused on driving daily results (sales, running current marketing campaigns, administration, operations, etc.).

For example, what happens if the marketing strategy function (a long-range orientation focused on branding, positioning, strategy, etc.) reports into the sales function (a short-range orientation focused on executing results now)? It's easy to see that the marketing strategy function will quickly succumb to the pressure of sales and become a sales support function. Sales may get what it thinks it needs in the short run but the company will totally lose its ability to develop its products, brands, and strategy over the long range as a result.

Mistake 4: Not balancing the need for autonomy vs. the need for control

The autonomy to sell and meet customer needs should always take precedence in the structure — for without sales the organization will quickly cease to exist. At the same time, the organization must exercise certain controls to protect itself from systemic harm.

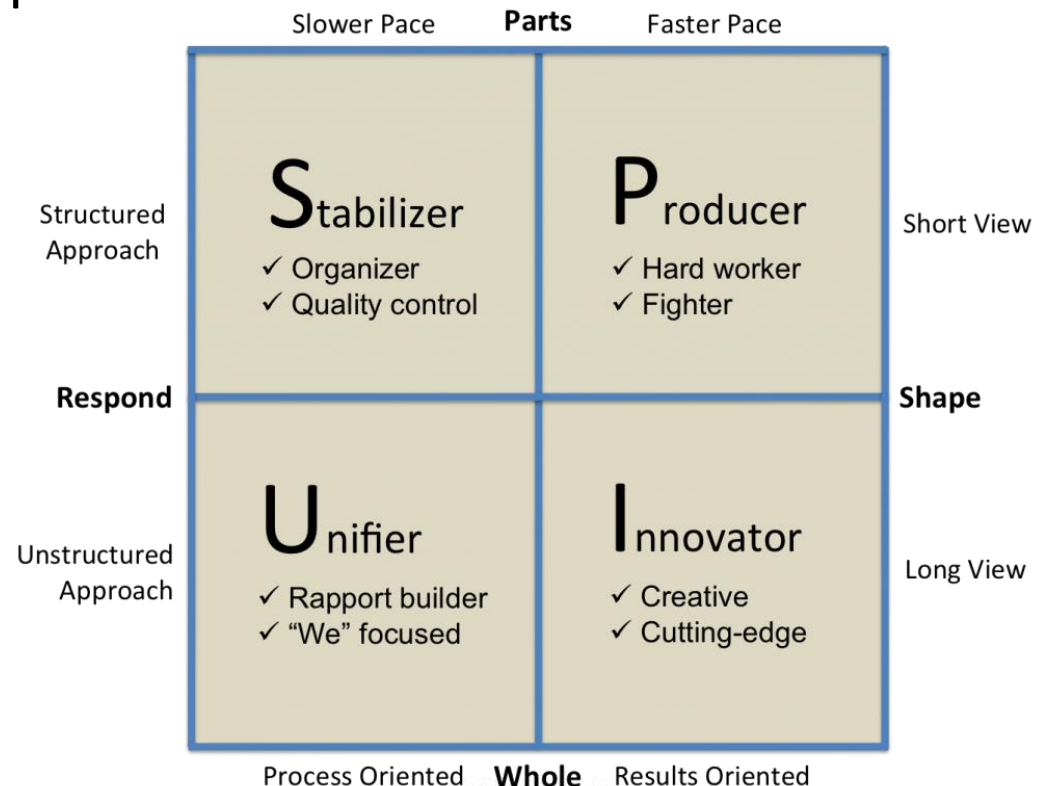
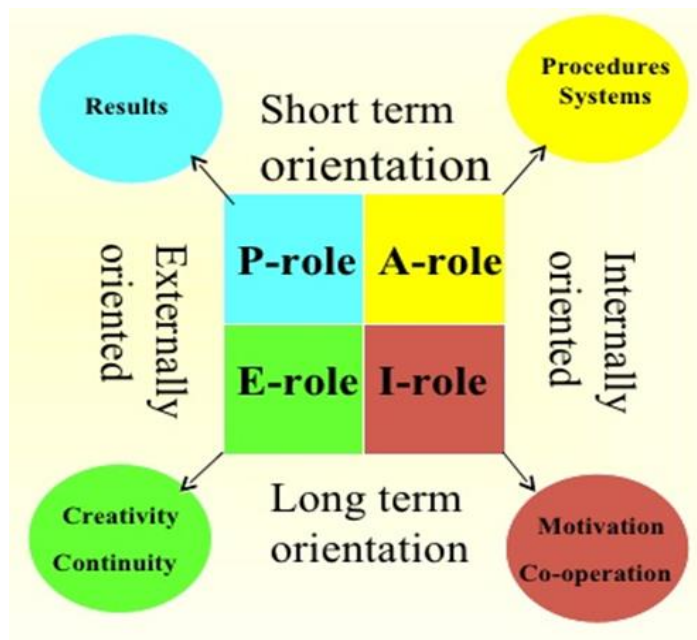
Notice that there is an inherent and natural conflict between autonomy and control. **One needs freedom to produce results, the other needs to regulate for greater efficiencies.**

The design principle here is that **as much autonomy as possible should be given to those closest to the customer** (functions like sales and account management) while the **ability to control for systemic risk** (functions like **accounting, legal, and HR**) should be as centralized as possible. At the same time, Accounting and Legal should be centralized because if there's a loss of cash or a legal liability, the whole business is at risk.

So the structure must call this inherent conflict out and make it constructive for the entire business.

Mistake 5: Having the wrong people in the right functions

Your structure is only as good as the people operating within it and how well they're matched to their jobs. Every function has a group of activities it must perform.



Directions of reorganization and development of organizational structures

Outsourcing is the practice of having certain job functions done outside a company instead of having an in-house department or employee handle them; functions can be outsourced to either a company or an individual .

Out-Tasking is an outsourcing business model that refers to a supplier performing tactical or project-oriented tasks or processes.

Out-Tasking includes Contracting and Licensing engagements, which are less complex than Business Process Outsourcing (BPO) engagements.

Insourcing often involves bringing in specialists to fill temporary needs or training existing personnel to perform tasks that would otherwise have been outsourced. Insourcing can be viewed as outsourcing as seen from the opposite side.



Modern directions of reorganization and development of organizational structures *(continuation)*

Outstaffing is the process of using by one company another's company staff.

The company-customer does not enter law relations with the staff of the organization that is providing outstaffing. At the same time hired workers undertake to fulfill a list of work that is specified in the contract.

Downsizing or layoffs is the practice of firing employees for various reasons in organizations.

These reasons can range from poor performance by the employees, the poor performance of the organizations in economic downturns that necessitates laying off employees to save costs, and for disciplinary reasons.



Modern directions of reorganization and development of organizational structures *(continuation)*

Business process reengineering (BPR) is the practice of rethinking and redesigning the way work is done to better support an organization's mission and reduce costs.

Factors that are important to BPR success include:

- BPR team composition.
- Business needs analysis.
- Adequate IT infrastructure.
- Effective [change management].
- Ongoing continuous improvement

- Bioreengineering is a model based on the synthesis of two methods of transforming the enterprise - organizational development, that is, the social subsystem of the organization, and reengineering, that is, the technological sphere of production. Business transformation by bioreengineering involves redesigning the genetic architecture of the enterprise at the same time in the following directions:

- transformation of consciousness
- restructuring,
- revival
- renewal.



BASIC DEFINITIONS

INTEGRATION is the production and organizational unification of enterprises associated with participation in capital. (OWNERSHIP)

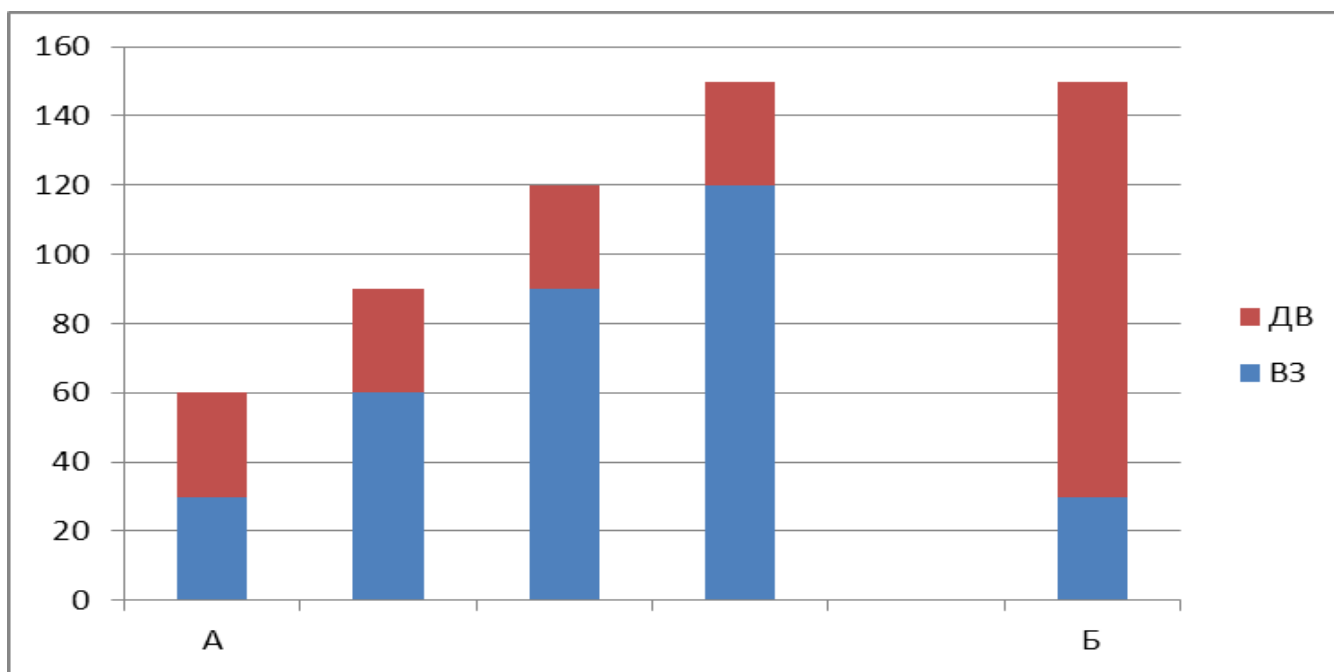
By the principle of construction, integrated companies are distinguished:

- diversified;
- vertically integrated (most of the commodity companies);
- horizontally integrated (beer, tobacco companies)



The ratio of costs and value in the unconsolidated (A) and consolidated (B) production

B_3 – external costs; ΔB – added value



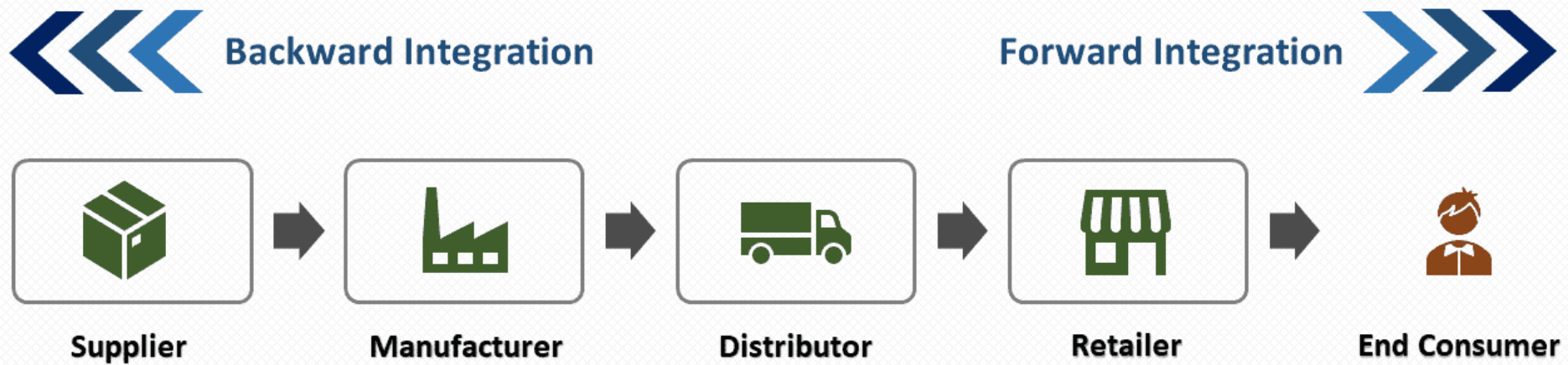
Horizontal integration is the acquisition or merger with a competitor or company operating at a similar stage in the value chain

Benefits:

- scale effect;
- elimination of excess capacity;
- price maintenance;
- elimination of competition;
- ensuring growth;
- acquisition of management;
- acquisition of developments (patent and research).



Vertical integration is the union along the value chain, i.e. in the areas of activities related to the promotion of goods on the market (forward) and associated with the receipt of raw materials or services (backward).



Benefits:

- new savings opportunities: more effective coordination and management, lower costs for transportation, better use of areas, capacities, easier to collect market information, reduction of costs for negotiations with suppliers, lower transaction costs and benefits from stable links;
- the guarantee of delivery at more rigid terms and, on contrary, sale in periods of low demand;
- allows to resist considerable market power of suppliers and buyers;
- may have technological advantages due to the fact that the acquiring organization will gain a better understanding of the technology, which may be fundamental to the success of the activity and the competitive advantage

Pros and Cons of Vertical Integration

Pros



No reliance on suppliers



Potential access to monopolizing suppliers.



Economies of scale.



Knocking off most popular brand-name products.



Lower costs.

Cons



Expensive



Reduces flexibility



Loss of focus



Not likely to have a culture that supports both retail stores and factories.

DISADVANTAGES OF INTEGRATED COMPANIES

BRIEFLY

- RISING COSTS AND INCREASED RISK
- NECESSITY OF LOGISTICS SYSTEM
- LOSS OF FLEXIBILITY OF THE REACTION TO AMENDMENTS TO THE EXTERNAL ENVIRONMENT
- CREATES OBSTACLES FOR EXIT

DETAILED

- The growth of fixed costs and as a consequence of the operating leverage, and hence, increased risk;
- New organizational units may require different management skills. This can be a significant expense and will increase the risk inherent in the strategy.
- Even a small deviation can cause a failure in the balance of internal product flows between the links;
- Usually there are many specialized competitors for each of links who invest more resources in development of their business than the vertical company in the corresponding link, and there is a backlog in this link;
- The degree of attachment of assets increases, and it will be more difficult to sell them in case of a recession;

The most common opinions about outsourcing

1. Transfer certain functions or individual types of work of the company to a country with low production costs



2. These functions or types of work are information technology (IT)

Where Is Nike?

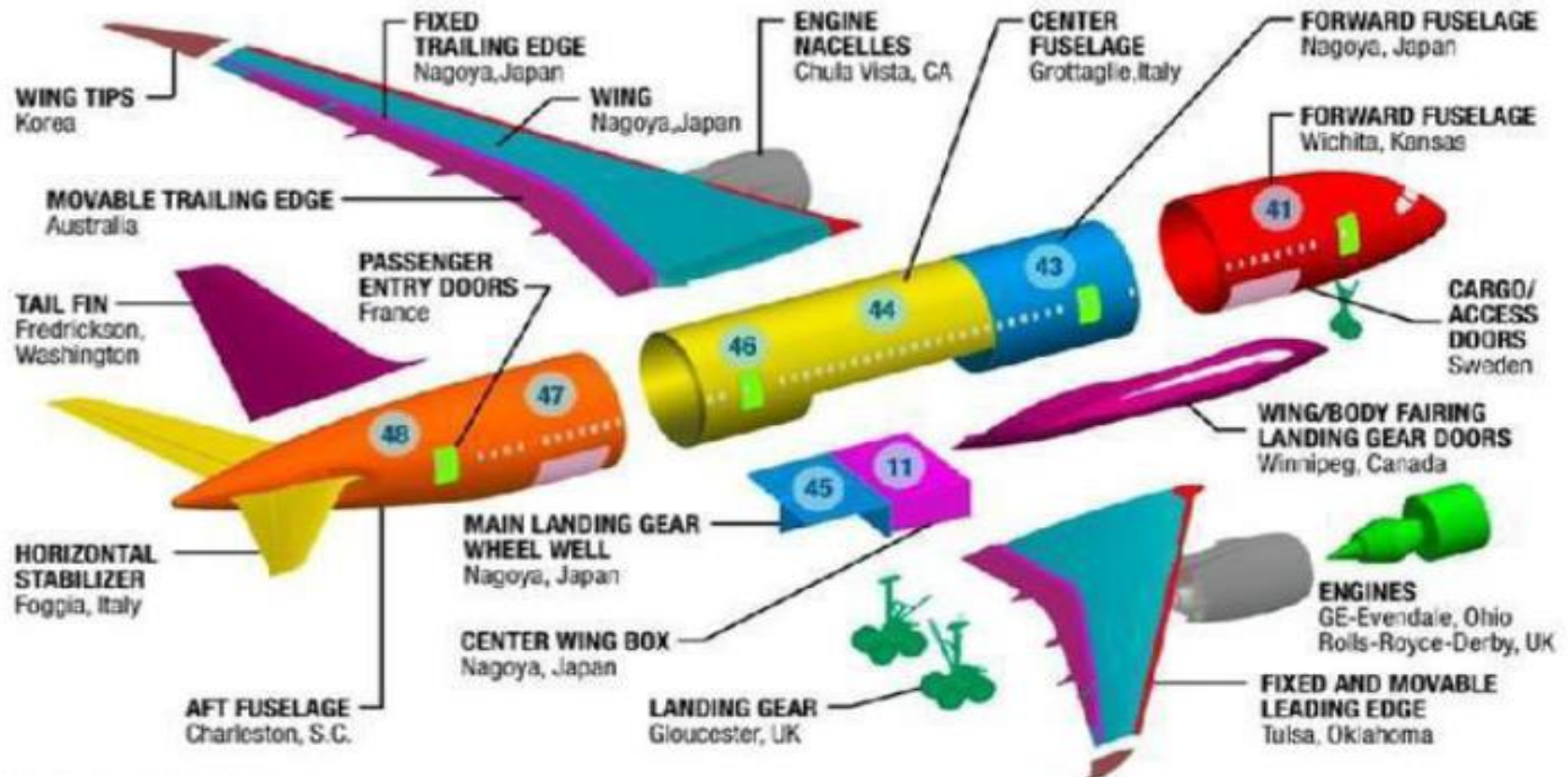


Nike is manufactured in 36 countries, mainly in China and Vietnam. The other countries are Argentina, Bosnia, Brazil, Bulgaria, Cambodia, Canada, Croatia, Egypt, El Salvador, Georgia, Guatemala, Honduras, India, Indonesia, Israel, Italy, Japan, Jordania, Korea, Lithuania, Malaysia, Mexico, Moldova, Netherlands, Nicaragua, Pakistan, Poland, Spain, Sri Lanka, Taiwan, Thailand, Turkey, United Kingdom, South Africa, and the USA.

Where is Boeing?

THE COMPANIES

U.S.	CANADA	AUSTRALIA	JAPAN	KOREA	EUROPE
Boeing	Boeing	Boeing	Kawasaki	KAL-ASD	Messier-Dowty
Spirit	Messier-Dowty		Mitsubishi		Rolls-Royce
Vought			Fuji		Latecoere
GE					Alenia
Goodrich					Saab



Definitions of outsourcing

Transfer the internal unit of the enterprise and all related assets to the organization of the service provider

An organizational decision which optimizes the configuration of the business system with the help of attracting from the outside

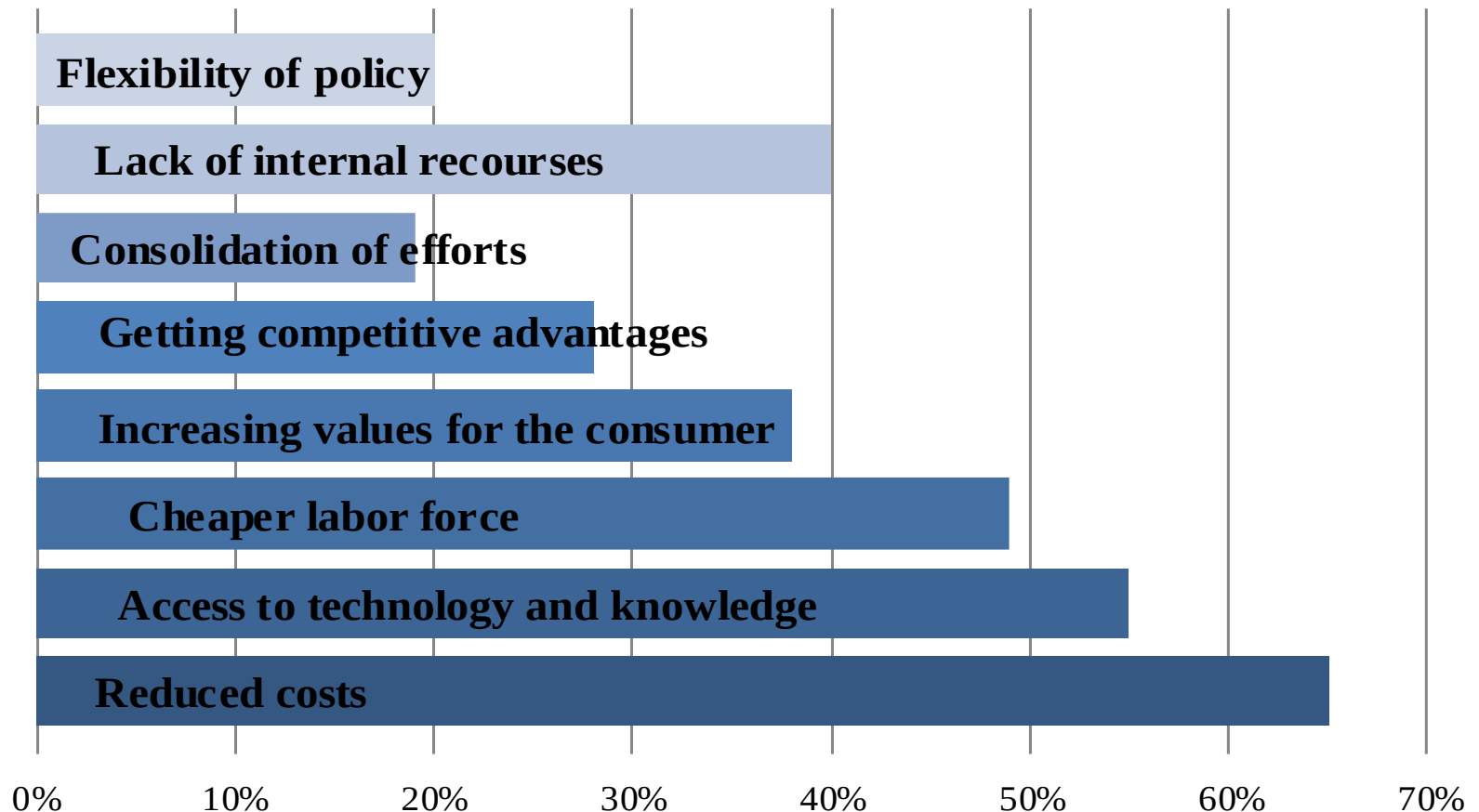
Use of external resources to carry out activities traditionally carried out using own resources

Concentration of management in the most priority areas of activity

Long-term business transfers to countries with low production costs

The set of relations associated with the refusal of the own realization of certain business processes or their components in favor of using the resource of an external entity

Factors for choosing outsourcing (based on Deloitte Consulting research)



Advantages of outsourcing

- Cost reduction: a decrease in the proportion of fixed costs, a break-even point.
- Specialization in the main business process and achieving a competitive advantage in this area.
- Rejection of some of the risks.
- The possibility of using new technologies instead of developing their own.
- The possibility of releasing resources for the core business and other purposes.
- Release of the reserve fund of fixed capital.

Disadvantages of outsourcing

- There is a possibility of bankruptcy of the service provider.
- Outsourcing can limit the technical and technological flexibility of the company.
- It is possible to reduce the responsibility for performing specific management functions in connection with their transfer to a party.
- The need to develop specialized requirements for suppliers to companies regarding reliability and closure.
- Possible negative consequences of the use of intangible assets.
- Possible non-observance of contractual relations.
- The supplier is not interested in further improving the quality of services and reducing costs not stipulated in the contract, especially if the result is subjected to state standardization.
- The probability of switching the attention of the supplier to another, more interesting client.

Comparative characteristics of integration and outsourcing

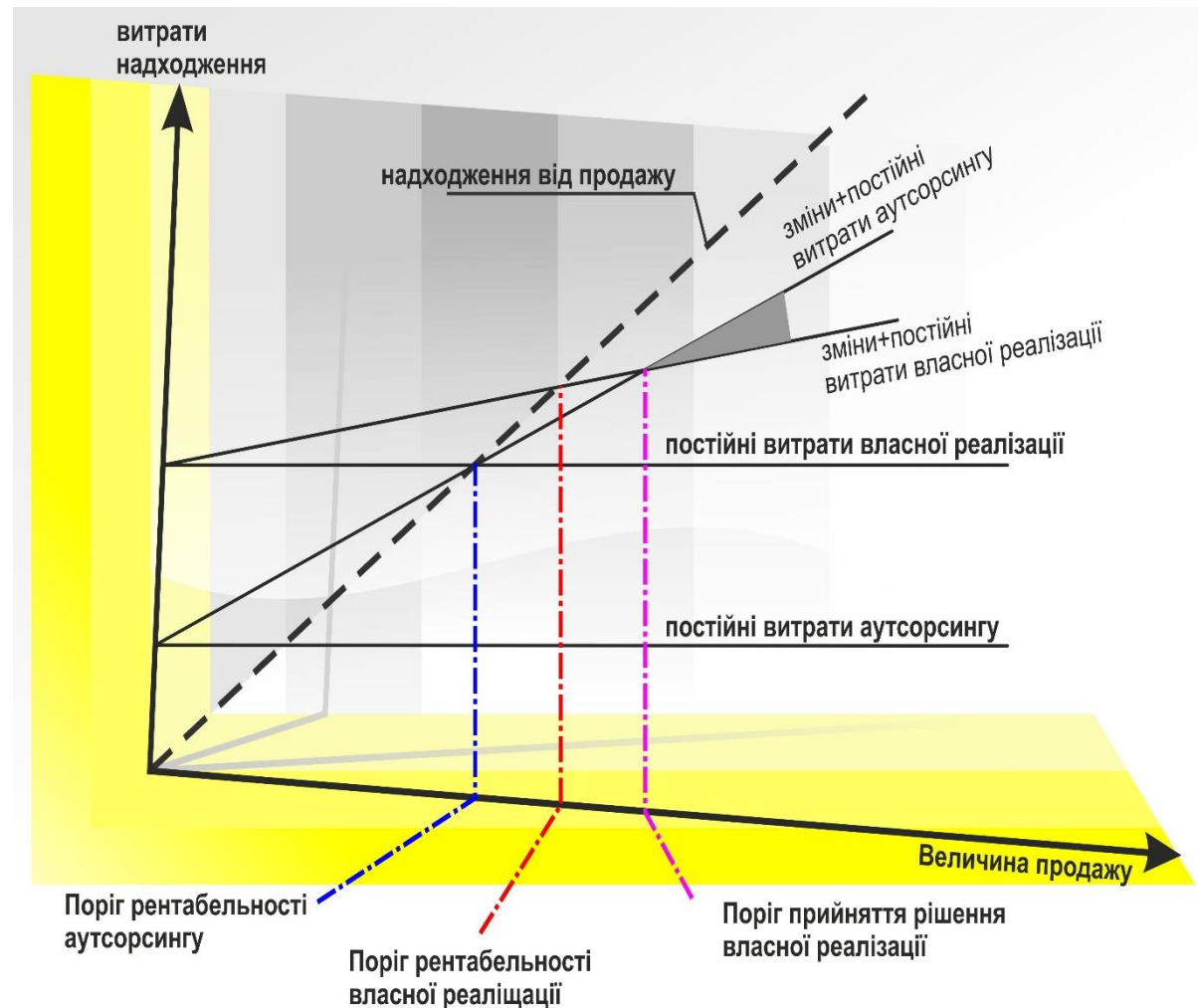
	Integration	Outsourcing
Costs	Reduces as a result of economies of scale	Reduces if the supply on the market is large
	Increases share of fixed costs	
Control	Increases with a quality logistics system	Reduces due to the economic independence of the service provider (process)
Risk	Operational	Commercial
Flexibility	Reduces	Increases

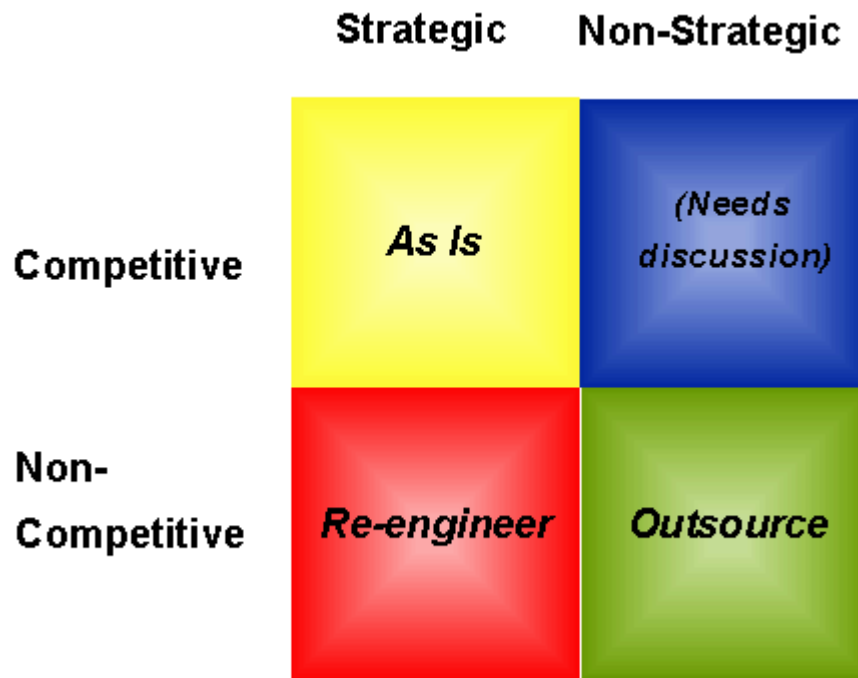
Financial models ("produce or buy") based on exogenous factors

$$b_1x = a + b_2x$$

where b_1 , b_2 – respectively the cost of the element in the purchase and the specific variable costs of the element production;

a – fixed costs;
 x – the number of elements.





"PriceWaterhouseCoopers" matrix of outsourcing operates with factors:
Competitiveness
Strategical importance

Decisions are made based on two factors as well:

Importance to competitiveness
Capability

Importance of process to competitive advantage

Critical to organisational success

Non critical to organisational success

Relative capability position

Less capable

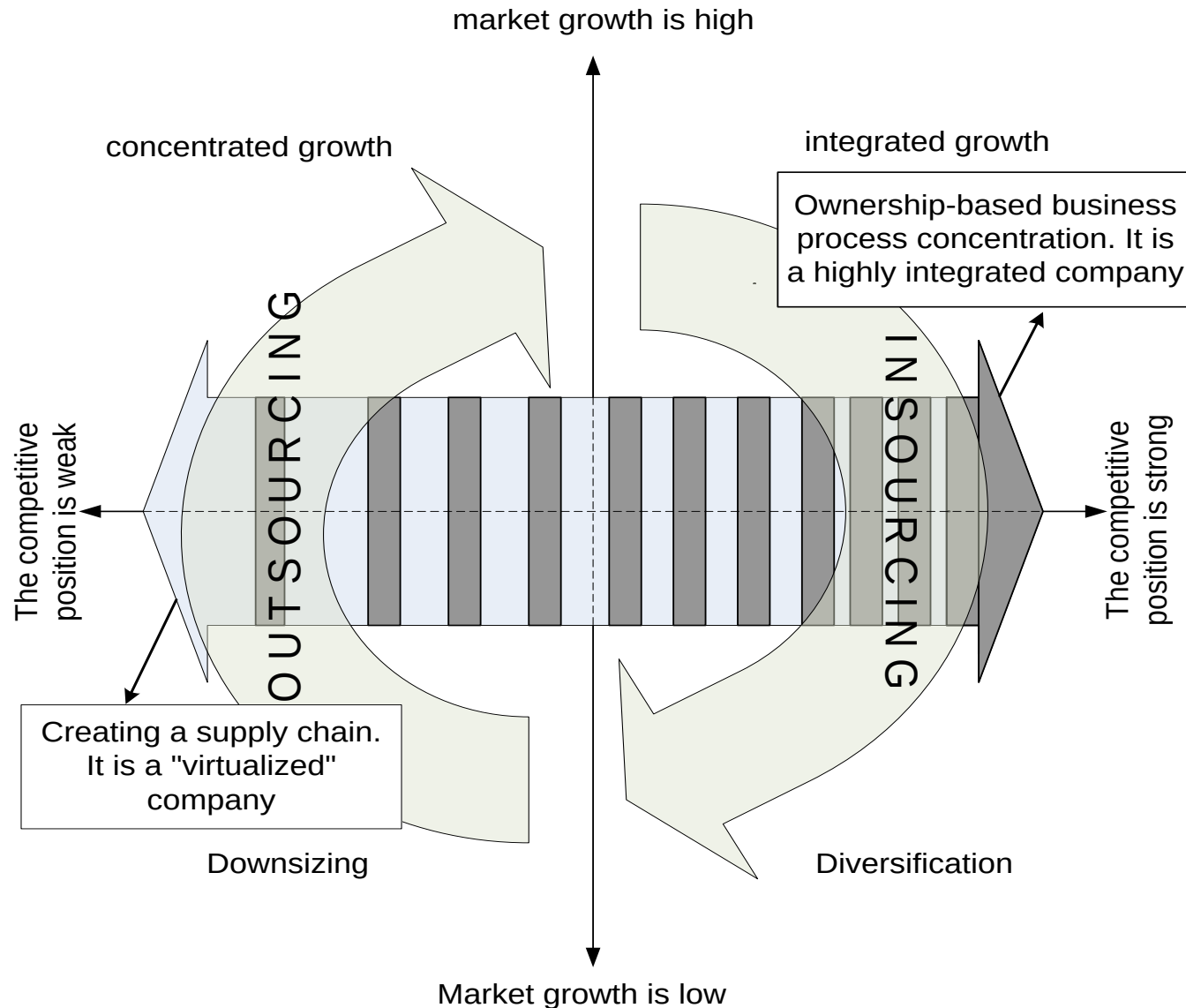
More capable

Q1 Invest to perform internally or outsource	Q2 Perform internally and develop
Q3 Outsource	Q4 Outsourcing or internal

The choice of the direction of integration or outsourcing based on a matrix of the McKinsey type

The strategic importance of the process or Engagement in the technological chain	high	external consulting Outsourcing (project management)	Reengineering, acquisitions	Integration Insourcing
	middle	Outsourcing (contract work, property management)		Allocation to a subsidiary or division, Diversification
	low	Elimination of or Outsourcing (contract work, purchase)	Outsourcing (contract work, outstaffing)	Allocation to a subsidiary holding
		low	middle	high
		Process quality compared to market		

Outsourcing and integration as a means of implementing the stages of the organization's life cycle



Effect of outsourcing assessment

$$E = \sum_{n=0}^N \frac{B_f + B_b + D - B_a - B_c}{(1+r)^n} - T_r - A$$

T_r – costs for searching for information, conducting negotiations and concluding an agreement;

A – costs for adaptation to a change in the business system;

B_a – payment for the services of the outsourcer (executor);

B_c – expenses for maintaining contractual relations;

B_f – the released part of the costs of the process within the system;

B_b – exempted part of the costs associated with the presence of a production defect or unfulfilled obligations;

D – additional income due to the increase in the volume of production and sale of the main or new products, disposal of freed property; activities of the outsourcer in the case of a subsidiary or equity participation;

r – discount rate; n is the settlement period.

The final decision is made according to the criterion of maximizing E under conditions of $E \geq 0$.

Topic 10. Changes in resource base

1. The essence and types of resources and competencies of the organization.
2. Prioritization of resource placement.
3. Management of organizational competencies.
4. Borrowed work as a method of competence management

1. The essence and types of resources and competencies of the organization

The activities and processes of the organization utilize certain assets. These assets are called **resources**.

The resources created within the organization form the **internal resources**. Such generated resources are **organization-specific**.

The **external resources** could be obtained externally from the suppliers. The externally obtained resources are **organization-addressable**.

In addition resources can be categorised as **specific** or **non-specific**. Those resources which can only be used for extremely specialized intentions are called specific resources.

Competencies.

An organization should possess some characteristics in order to have the ability to compete with other organizations in the market place. These characteristics form the **competencies** of the organization.

At the same time competencies cannot be useful to an organization when they stand alone.

It is when they combine together in the right combination that they help the organization to attain competitive advantage. For instance consider an information technology organization. For this to compete in the software industry it should possess the competencies to write programs and design tools which have to be combined together to provide it with the competitive advantage in the industry.

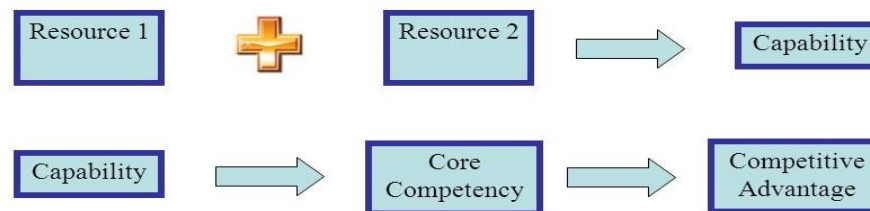
Distinctive Capabilities

An organization's resources which are critical in imparting it with competitive advantage are called **distinctive capabilities**.

When a distinctive capability is able to continue functioning over a period of time it is said to be **sustainable**.

When the organization which holds a distinctive capability is able to benefit mainly from it then it becomes **appropriable**.

An organization can derive the distinctive capabilities mainly the organizational architecture, organization reputation and innovation.



Tangible and intangible resources

Tangible Resources
Physical resources Financial resources Technological assets Organizational resources
Intangible Resources
Human assets and intellectual capital Brands, company image, and reputational assets Relationships: alliances, joint ventures, or partnerships Company culture and incentive system

RESOURCE

FINANCIAL RESOURCES

Means debt, equity, retain earnings and selected matters.



PHYSICAL RESOURCES

Means building, machinery, vehicle and other material.

ORGANIZATIONAL RESOURCES

Include the history of groups in the organization, relationship, level of trust etc.



HUMAN RESOURCE

Includes skills, abilities, experience and other work related characteristics of people associated with the organization.

Resources - Capabilities - Competence

Organizational Capabilities = firm's capacity for undertaking a particular activity. (Grant)

Distinctive Competence = things that an organization does particularly well relative to competitors. (Selznick)

Core Competence = capabilities that are fundamental to a firm's strategy and



Human Resources – Human resource is a key resource in any organization. As such, the motivation of the employees in an organization is essential in improving productivity and attitude. Planning ensures that the staff are not overwhelmed with tight schedules and assigned duties. Therefore, investment in a policy framework that outlines a working plan for the employees would ease their frustrations.

Time Resources – Time and human resources can be argued to be the most crucial resources in contemporary time. Time is an infinite resource. If not properly managed in an organization, it can have a negative impact on both employer's and employee's productivity. Organizations should ensure that workers are well equipped to manage time in their duties. Some of the ways time can be managed that there is a routine measure of time by workers and having a master calendar. Such should be changed by continued positive culture of managing time.

Financial Resources – An organization can also establish a proper plan to manage its financial resource. For example budgets are established, funding gaps identified and costs are tracked and documented. With this, the company is able to assign resources to the resilience activities and the rest can be invested to improve the organization's revenue.

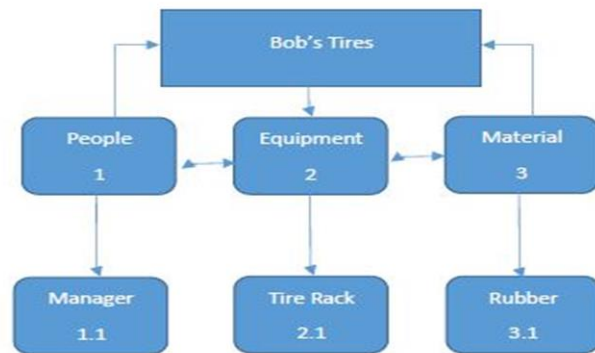
Key Elements of Resource Management



- **Resource Plan** – Every project plan should have a resource plan as its component. The resource plan should contain all aspects of your project from beginning to end that pertain to resources required.
- **Resource Breakdown Structure** –break down the resources required to complete the project in a hierarchy – as you would in a work breakdown structure or an organizational breakdown structure.
- **Responsibility Assignment Matrix** – this is where the resource or organizational breakdown structure meets up with the work breakdown structure to assign responsibilities to the various branches in the hierarchy.
- **Resource Overallocation** – Overallocation of a resource is when a resource has been assigned more work than can be completed during normal work hours. Resource allocation often leads to overtime and overspending on financial resources.
- **Resource Histogram** –This graphic representation can cue project managers whether there are any resources being overallocated.
- **Resource Dependency** – If two tasks require the same resource to complete them, then these tasks are resource dependent. If a task can only be completed by one resource, it is resource-dependent. A resource dependent task has particular constraints linking it to a particular resource.
- **Resource Leveling** – Leveling resources involves redistributing an imbalance of allocated work. It assists project team members by keeping them from becoming overwhelmed, working overtime, or running into project burnout.

Resource breakdown structure

A **RBS** can be defined as a hierarchical model that is used to identify, list, and break down the resources used in facilitating and completing a project. Let's take a look at how a RBS can help when attempting to identify resources as well as estimating the



Responsibility Assignment Matrix

also known as RACI matrix or linear responsibility chart, describes the participation by various roles in completing tasks or deliverables for a project or business process. It is especially useful in clarifying roles and responsibilities in cross-functional/departmental projects and processes.

RACI is an acronym derived from the four key

RACI Matrix

		 Responsibility	 Approver	 Consulted	 Informed
1	Approve initial budget	Project Manager (PM)	CFO	Project Sponsor	Dept Heads
2	Approve unbudgeted Costs <\$10k	PM	PM		
3	Approve unbudgeted Cost >\$10k	PM	CFO	Project Sponsor	

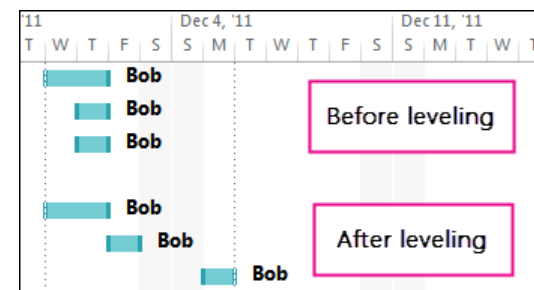
Techniques for Avoiding Resource Overload

The most obvious way resource overload can be avoided is by setting up a project schedule that is realistic. Avoid pushing employees through an unreasonable or aggressive project schedule as a first defense. Schedule the project in a realistic way as part of effective project plan.

1.Resource Leveling –When more resources such as machines or people are needed than are available, or perhaps a specific person is needed in both tasks, the tasks will have to be rescheduled concurrently or even sequentially to manage the constraint.

It can also be used to balance the workload of primary resources over the course of the project[s], usually at the expense of one of the traditional triple constraints (time, cost, scope).

In this method, the project manager can either level resources by hand (complicated, but perhaps more sound) or use a software program such as Microsoft Project to level resources for you. This method requires the project manager to be truly on top of his or her game, and to recognize areas for concern before they become problematic.



Techniques for Avoiding Resource Overload (continuation)

2. Prioritize Projects - By prioritizing projects, when a resource allocation overload is apparent or a task conflict exists, it can be resolved without piling pressure on the individual or team (or requiring the individual or team to put in a couple twelve-hour days). In this way, when you find your resources have been overloaded, decisions as to which tasks they should focus on are easier to make.

1. Separate Personal From Business Projects When Working

2. Prioritize What Is Urgent Versus Important

3. Consider The Results of Your Project

When faced with multiple urgent projects, it is easy to become lost. However, you need to consider how the outcome and results of each project will benefit you and your company. For example, projects with a higher financial reward may outweigh a project with a minimal reward. However, consider how long the better paying project will take when compared to multiple, smaller projects with a lower pay out.

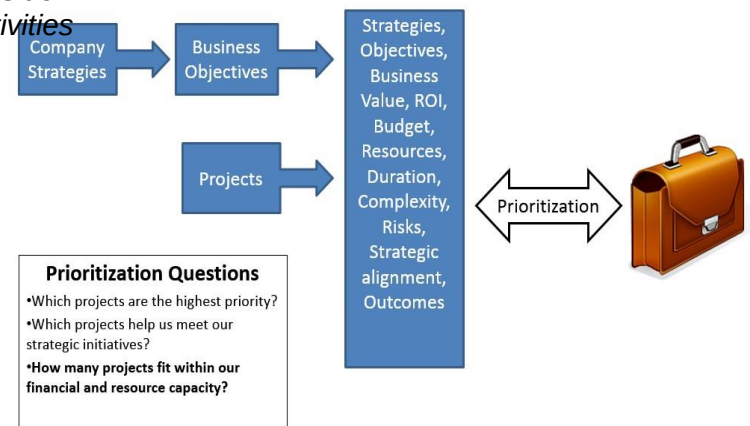
4. Prioritize Projects by Deadline

5. Request Feedback, and Communicate with Team Members

Prioritizing projects does not mean you have to do it by yourself. Request feedback from your team members, upper-level management (if appropriate), and others about your list of priorities. In some cases, you may want to consider sitting down with your project management team to discuss the planned activities for the day, week, month, or year on a recurrent basis.

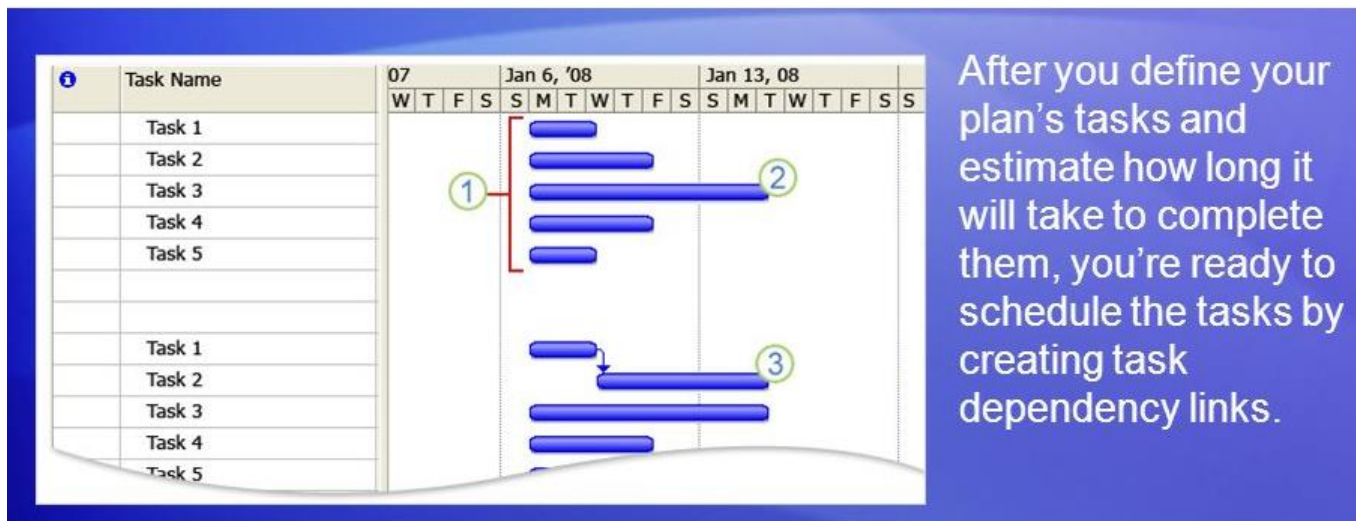
6. Stay Flexible

Project Prioritization Process



Techniques for Avoiding Resource Overload (continuation)

- **Linking Tasks** – Linking tasks is more of a logistical solution. If the resource has been assigned to research the markets for project A and project B, these tasks could be linked. In this manner, when it appears that a resource has been over-allocated, really the tasks are similar enough to count for two projects. By linking these tasks from the different projects, the problem can be resolved.



Techniques for Avoiding Resource Overload (continuation)

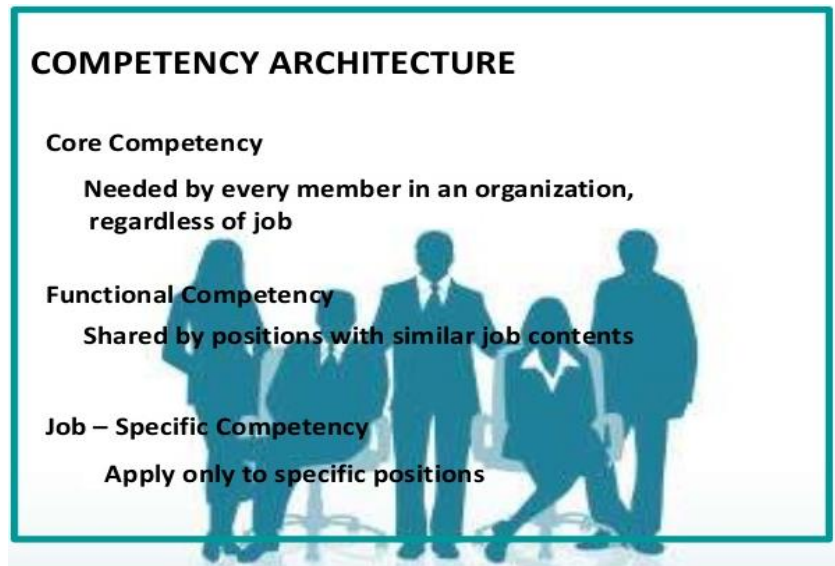
- **Leaving Breathing Room** - When scheduling the project, it is vital to leave breathing room between tasks. *However*, it is important to not *under-allocate* resources as this could lead to a loss of budget monies meaning resource allocations problems will affect your project's health. A fine balance must be achieved between breathing room and not moving forward quickly enough.
- **Avoid the “Putting out fires” approach to project management** - If your team is consistently putting out fires, it makes it difficult to focus on the project. Moreover, by putting out fires, the team becomes knee-deep in ash, while project tasks pile up. This is where project management techniques such as [Scrum](#) come in handy.



ILLUSTRATION BY SEGUE TECHNOLOGIES

Management of the competencies of the organization

- **Competencies** are abilities, behaviors, knowledge, and skills that impact the success of employees and organizations. Some common competencies are analytical thinking, communication, flexibility, integrity, and teamwork.
- **A competency model** is a set of key competencies, ideally *seven to 10*, carefully selected in alignment with an organization's business goals. High-performance models include **four types of competencies**:
 - core competencies,
 - leadership competencies,
 - functional competencies,
 - and career competencies



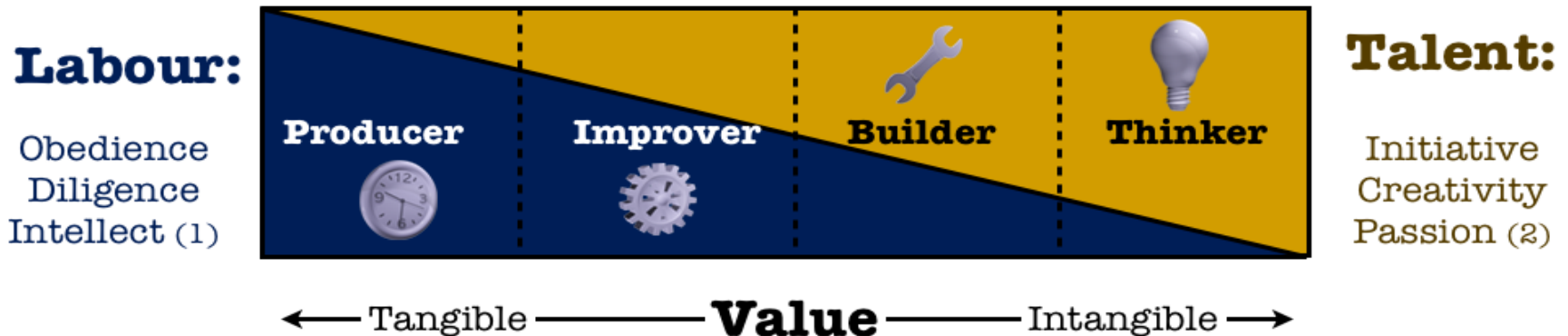
- A **competency proficiency scale** is a defined rating or measurement that assigns an expected level of competence on a given competency. Leading practice scales have behavioral indicators as their building blocks with related behaviors organized under each competency. Scale ratings range from **three to seven** mastery levels, with **five levels** being the most common.
- **Competency management** is the set of management practices that identify and optimize the skills and competencies required to deliver on an organization's business strategy.
- Competency management provides the foundation to manage strategic talent management practices such as workforce planning, acquiring top talent, and developing employees to optimize their strengths.

Proficiency Level	Scale Value	Description
Don't know	0	You possess no knowledge
Fundamental Awareness	20	You have a common knowledge or an understanding of basic techniques and concepts.
Novice	40	You have the level of experience gained in a classroom and/or experimental scenarios or as a trainee on-the-job. You are expected to need help when performing this skill.
Intermediate	60	You are able to successfully complete tasks in this competency as requested. Help from an expert may be required from time to time, but you can usually perform the skill independently .
Advanced	80	You can perform the actions associated with this skill without assistance. You are certainly recognized within your immediate organization as "a person to ask" when difficult questions arise regarding this skill.
Expert	100	You are known as an expert in this area . You can provide guidance, troubleshoot and answer questions related to this area of expertise and the field where the skill is used.

Competencies are the foundation and starting point of high-performance talent management.

4 Types of Jobs

as identified by Lou Adler



(1) **Industrial** era skills identified by Gary Hamel

(2) **Network** era skills identified by Gary Hamel

jarche.com

competence = skills + knowledge + behaviours

*For example, educational institutions (certainly higher educational institutions) are more focussed on the **informational dimension** of competence. Hence for many professions, **formal education** and graduation are followed by a period of **practice** typically under the direction of qualified practitioners. Such post-education practical work is where someone picks up skills and behaviours needed to be a competent practitioner. The need to acquire **education, skills**, and an ability to perform **professional behaviour** are frequently the requirements of a competent practitioner.*

More sophisticated definitions of competence or competency would add two more dimensions:

- (1) the 'level' at which a person may be required to work 'competently',
- (2) the context in which a competence is being exercised.

The maintenance of a set of competencies in an organization of, say, 40,000 employees is particularly challenging. Classroom-based, or training course are not easy to use to provide the scale necessary to maintain the competences of such a large number of people.

A typical sequence of activities to use a competence management system

- Identify all things that need to be done by people in the organization in order to provide an inventory of required competences and audit the competences currently available;
- Use the strategy of the organization to define the competences needed in order to implement the strategy;
- Perform a 'gap analysis' (in the cases of both 1 and 2) to identify the competences currently available to the organization and the competences it actually needs;
- Use the results of the gap analysis to identify the competence development needed if the organization is to have the competences it needs;
- Commission the required competence development;
- Manage training.



COMPETENCY LEVEL		SKILL DEMONSTRATED	TASK EXAMPLES	TEST LEVEL
1	KNOWLEDGE	• Observation and recall of information • Knowledge of facts • Knowledge of major ideas • Mastery of subject matter • Carry out to find information	List, define, tell, describe, identify, show, label, collect, examine, tabulate, quote, name, find, identify	Developed and tested by Foundation Modules SCF Certificate
2	COMPREHENSION	• Understand information • Grasp meaning • Translate knowledge into context • Interpret facts, compare, contrast, order • Group, infer causes, predict consequences	Summarise, explain, interpret, contrast, predict, associate, distinguish, estimate, differentiate, discuss, extend	
3	APPLICATION	• Use information and methods, concepts and theories in new situations • Solve problems using skills and knowledge	Apply, demonstrate, calculate, complete, illustrate, show, solve, examine, modify, relate, change, classify, experiment, discover	Developed and tested by Advanced Modules SCP Certificate (Practitioner) & SCM Certificate (Master)
4	ANALYSIS	• Seeing patterns • Organisation of parts • Recognition of hidden meanings • Identification of components	Analyse, separate, order, connect, classify, arrange, divide, compare, select, infer	
5	SYNTHESIS	• Use old ideas to create new ones • Generalise from given facts • Relate knowledge from several areas • Predict, draw conclusions	Combine, intergrate, modify, rearrange, substitute, plan, create, build, design, invent, compose, formulate, prepare, generalise, rewrite	
6	EVALUATION	• Compare and discriminate between ideas • Assess value of theories and presentations • Make choices based on reasoned argument • Verify value of evidence • Recognise subjectivity	Assess, evaluate, decide, rank, grade, test, measure, recommend, convince, select, judge, discriminate, support, conclude	

The most effective way of assessing the employee's compliance is the assessment carried out on the results of his activities, taking into account the availability of the necessary professional **skills, abilities, knowledge, behavior** in the team in the process, the attitude to the task. Conformity assessment should be conducted by the manager on the basis of specially prepared and analyzed data by structural subdivisions and personnel department.

The main tasks of the enterprise	Departments to solve the problem	Requirements for staff required to complete the task	Degree of correspondence of existing staff to these requirements (on a 5-point scale)	Is there a need for a change in the situation (yes or no)
1	D1	R1	4	No
		R2	5	No
		R3	2	Yes
		R4	1	Yes

In order to determine the extent of the planned retraining of personnel, it is necessary to check the compliance of the organization's staffing with the tasks facing the organization.

Departm ent	Measures for retraining of staff	Estimation of expected measures efficiency (1-10 scale)	The degree of need for measures (1-10 scale)	Is there a need for a change in staff
D1	M1	5	5	... indifferent...
	M2	8	2	No 😊
	M3	1	8	Yes 😞
	M4	9	8	No 😊

Jack Welch, ex-CEO of General Electric treated A, B and C groups of managers in a ratio of 20:70:10.

20% Best

70% Vital

10% Fire

Good performers

- First at all they have the **right skills**.
- They really enjoy with their job and company what increase their **productivity** a lot.
- They **continually challenge their selves** what bring new improvement initiatives.
- They are **learners** so reading and talking with their professional network bring new ideas.

Create value: They think holistically, and improve the whole system rather than the parts.

Customer focus, internal or external.

20%

Good Performers

70%
Average Performers

Poor performers

- Firm wrong hiring decisions.
- People that “exaggerate” their abilities in the CVs or job interviews.
- **Position not needed any more:** Changes in the environment, company, customers, etc.
- **Peter principle:** Staff promoted beyond their level of ability.
- **Attitude problems:** Late arrival to work, absenteeism, etc.
- **Unmotivated people:** They do not feel comfortable with their job and/or company (salary policies, culture, etc.) what reduce their productivity.
- **Destroyed value:** When trying to improve, they destroyed it. E.g. Trying to improve purchasing cost, they purchase so much amount that generate other problems (obsoletes...)

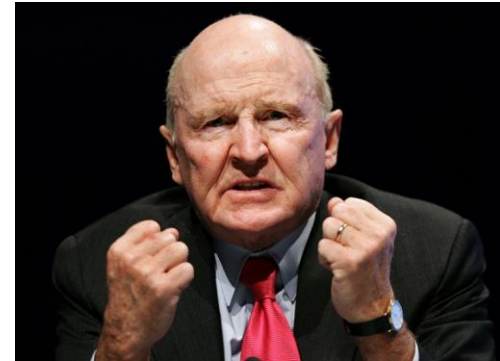
10%

Poor Performers

Welch popularized so-called "*rank and yank*" policies used now by other corporate entities.

Each year, Welch **would fire** the bottom 10% of his managers, regardless of absolute performance. He earned a reputation for brutal candor.

He **rewarded** those in the top 20% with bonuses and stock options. He also broadened the stock options program at GE, extending availability from top executives to nearly one third of all employees.



Welch is also known for abolishing the nine-layer management hierarchy and bringing a sense of informality to the company.

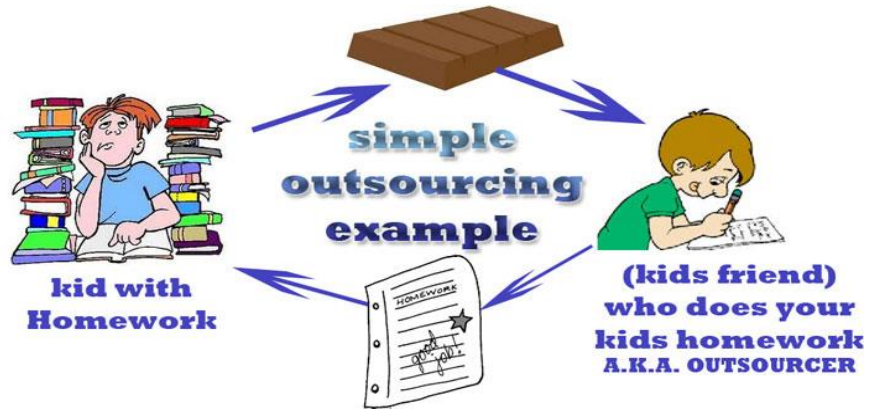
During the early 1980s he was dubbed "*Neutron Jack*" (in reference to the neutron bomb) for eliminating employees while leaving buildings intact

Borrowed labor

- Outstaffing is the procedure for removing personnel from the company.
 - Officially, employees are listed as employees of the provider company.
 - In fact, the employees work for the actual employer company.
 - The basis for such a relationship is the contract for the provision of services or the provision of personnel between the provider company (executor) and the actual employer (the customer).
- Outstaffing allows to regulate (increase or decrease) the actual number of employees of the company without changing the number of staff in the state.

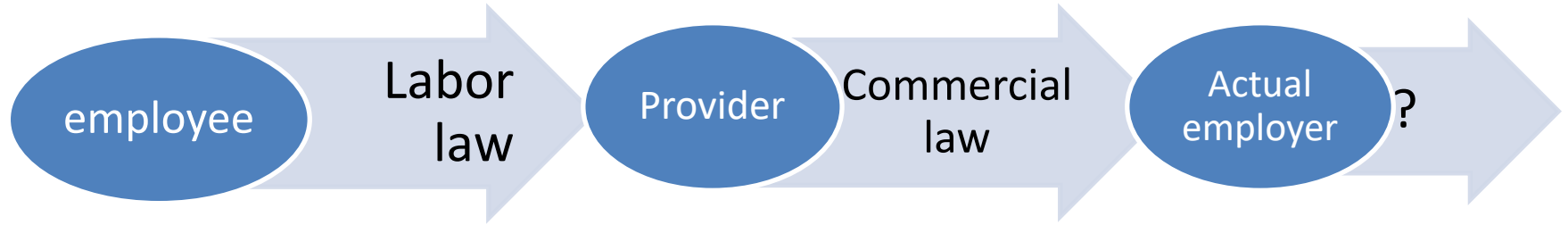
Close concepts

- Certain **business processes** are eliminated from the company when **outsourcing**.
- The customer buys **not the workforce**, but the **result** of the business process.
- Staff transfer is not necessary.

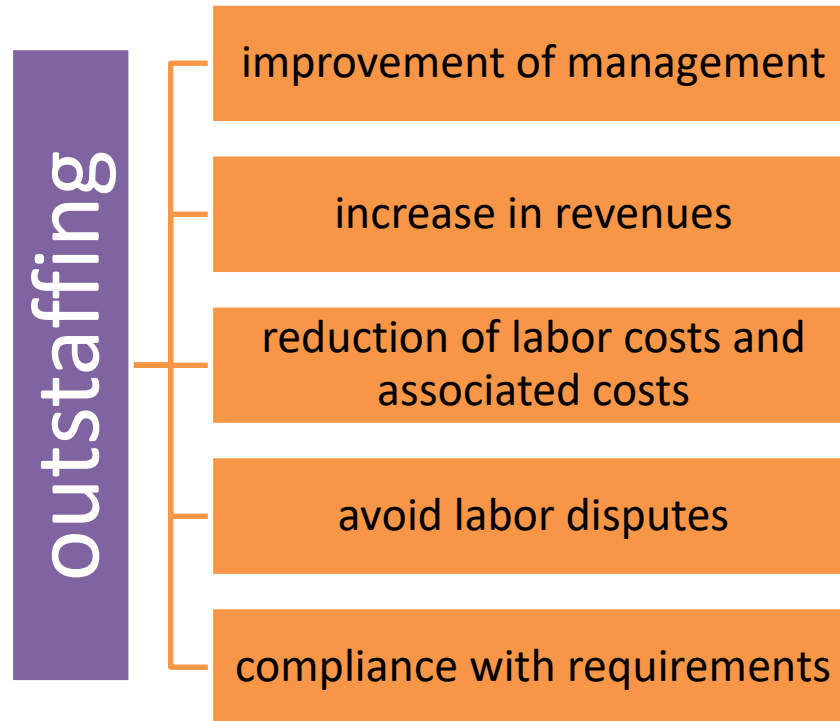


- The customer leases employees from the provider when **leasing**.
- It is used, as a rule, for a specific project.
- Leased employees are not necessarily in the past were employees of the actual employer (customer).

At the same time, personnel work directly for the company that is the actual customer.



The following tasks are performed



classification of outstaffing

- 1. Personnel services, including selection and support of personnel (75% of all services);
- 2. Accounting services, including external accounting, audit and removal of personnel (15% of services);
- 3. Consulting services, which include training and consulting support of enterprises, as well as outsourcing part of the business processes of the contracting authority.
- 4. Legal services, which include legal support for the activities of enterprises and staff support.
- 5. Actually outstaffing services.

“the way we do things at our company.”

Topic 11. Change in organizational culture

1. The essence and components of organizational culture
2. Types of organizational cultures
3. Reforming organizational culture

The culture eats strategy for breakfast

quote means that no matter how strong your strategic plan is, its **efficacy will be held back** by members of your team if they don't share the proper culture. ... Your company will struggle to execute daily strategies, and implementing a new one would be doomed to fail.



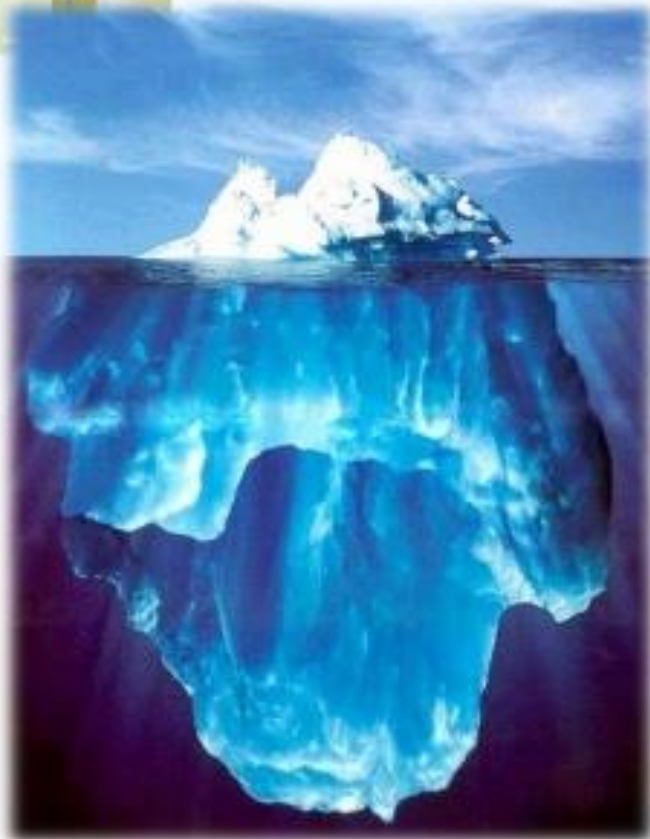
The essence and components of organizational culture

Organizational culture is a set of beliefs that results from group norms, assessments and informal activity.

Signs of organizational culture:

- ✓ Human **Behavioral Rules** for Communicating, such as the used language, traditions expressing respect, and the manner of behavior;
- ✓ **Standards** that evolve in the **group**, such as the norm for “how to work and how to pay for it”;
- ✓ **Values** within the organization, such as belief that work should only be performed with a higher level of quality (or as worse as possible);
- ✓ A **philosophy** that defines the organization's policy towards its **employees and clients**;
- ✓ "Rules of the game" through which the members of the organization can act inside, some kind of unwritten "**statute**" to be studied by the beginner, in order to become an equal member of this organization.

Three Levels of Culture



- Level One
 - What you might see on your first visit – first impressions
- Level Two
 - Values, beliefs, “the way things should be done”
 - These are “testable” in the physical environment
- Level Three
 - Fundamental beliefs about school, students, etc.
 - Reason for being

In 1980 the American management professor **Edgar Schein** developed a organizational culture model to make culture more visible within an organization.

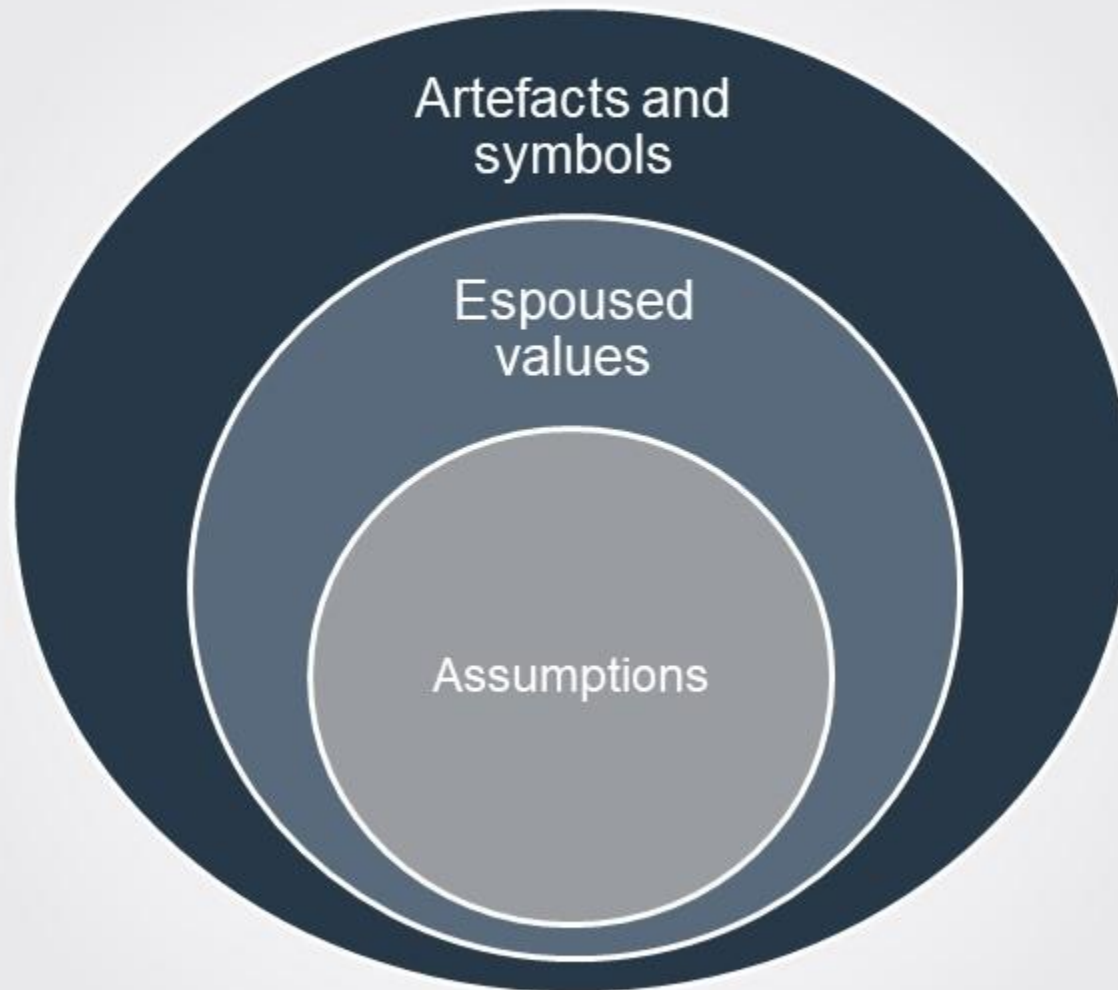
He also indicated what steps need to be followed to bring about **cultural change**.



There are direct and indirect mechanisms within organizations.

The organizational culture model is directly influenced by direct mechanisms. This includes exemplary behaviour, opinions, status and appointments.

Indirect mechanisms do not influence the **organizational culture** directly however they are determinative. This includes the mission and vision statement of a company, formal guidelines, corporate identity, rituals and design.



Subcultures

That is the cultures inherent in particular groups or units and have as general characteristics with a "large", corporate, or, as it is sometimes called, "dominant" culture, and its own distinctive features.

Numerous studies confirm that usually within a large organization there are several subcultures based on occupational, professional or functional differences.



Components of organizational culture

- **Values/beliefs** – set the philosophy for everything a company does, essentially what it stands for
- **Stories/myths** – stories are about how founders/employees get over obstacles, win new orders...
- **Heroes** – what gets rewarded and celebrated, how do you become a hero in the organization?
- **Rituals** – what and how does a company celebrate?
- **Slogans/Lyrics** – declared values...



Stories/myths



- Founder Phil Knight was an outstanding runner in the middle range, and began his business with the fact that he was trading footwear from his car;
- Knight's coach and co-founder Bill Bowerman invented the famous "waffle" sole when accidentally pouring rubber into a home-made wafer;
- Tragically killed in a car accident, Steve Prefontaine, a student of Bowerman, fought for racing to be recognized as a professional sport, and considered his life mission to aid athletes;
- The name of the company Nike came up with the sales manager Jeff Johnson, who in his dream came off the ancient Greek goddess Nike with great wings.

J.Greenberg and R.Baron *slogans* collection

<i>Aci Hardware Stores</i>	"Asi - this is where the best computer software consultants"	Our main idea is to help our clients
<i>American Express Card</i>	"Do not leave the house without American Express"	We provide important services for travelers
<i>Campbell's Soups</i>	"Soup - excellent food"	We produce full-fledged food products
<i>Ford Motor Company</i>	"Quality - Task Number 1"	Our priority is production of high-quality products
<i>General Electric</i>	"Our main product is the progress"	We strive for innovations
<i>Lays Potato Chips</i>	"betcha can't eat just one."	We make too tasty chips to stop

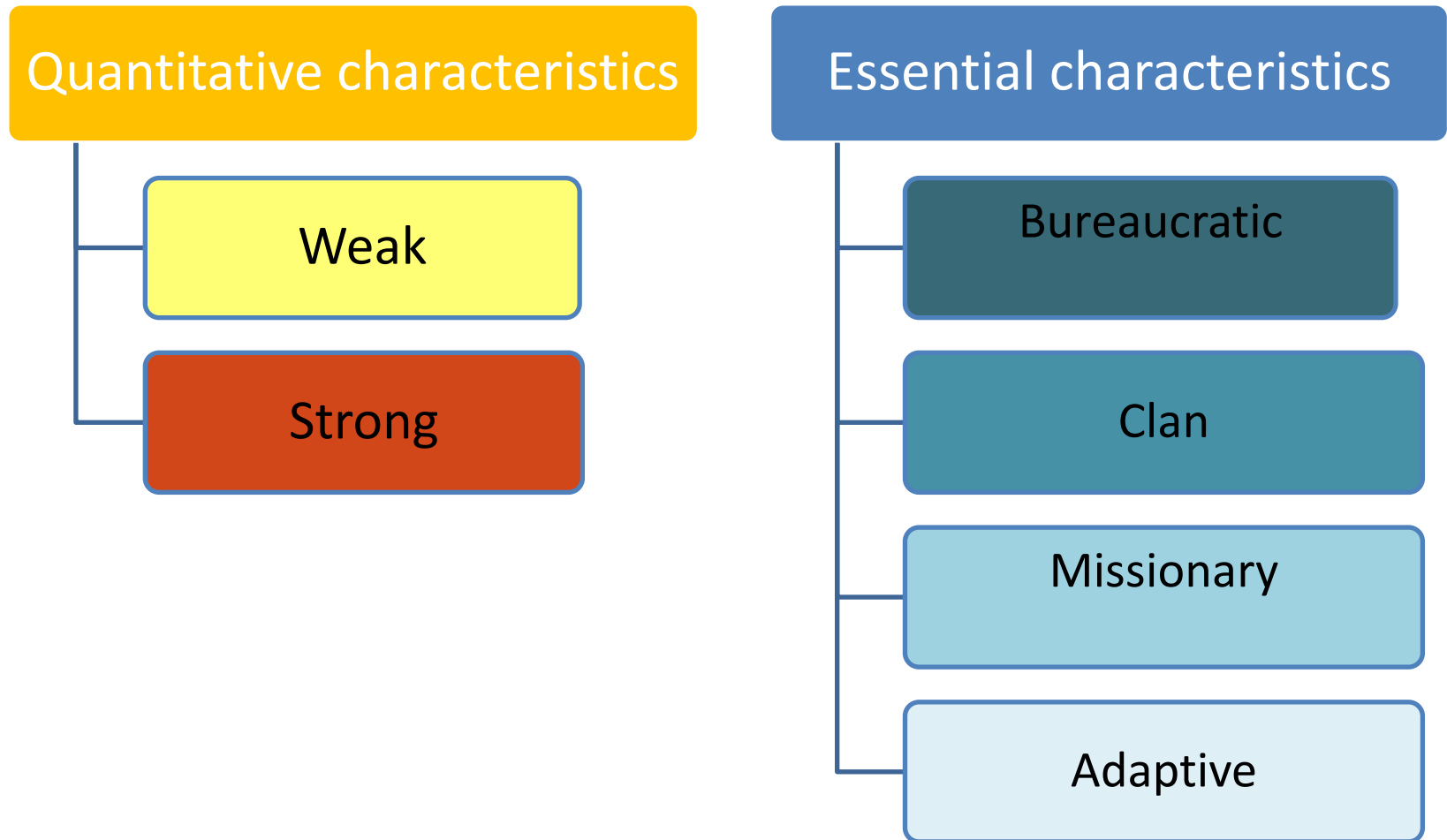
Rituals

Rituals	Example	Social sequences
Ritual of the transition	Introduction to the position and basic training;	The transition of an individual to a new social role or to a new status
Ritual of perfection	Annual awards ceremony; placing an employee's photo on the board of honor	Strengthens social identity and enhances employee status
Ritual of renovation	Actions aimed at developing the organization	Updates the social structures and improves the functioning of the organization
Ritual of integration	Excursions, picnics for all company employees; Corporate parties; Football matches between departments	Stimulates a sense of community, unit workers and reinforces their loyalty to the organization

These core values and beliefs and the attendant stories, heroes and rituals, also define who's important in the organization and **who the company wants to attract.**

- *For example, if a company values financial performance above all, its stories, myths and rituals might include how a hero saved the company 5% from a supplier.*
- *Or if a company is focused on delivering breakthrough products, then the heroes, stories and rituals will be about product innovation (e.g. the Apple legends of the Mac, iPod and iPhone development).*

Types of organizational cultures



Quantitative characteristics

Type	Sings	Advantages	Disadvantages
STRONG	- it is very difficult to evade the behavior requirements, asked by the culture. - frequent use of ceremonies, symbols, images of heroes, a great deal of attention is paid to the ideological treatment and socialization of workers.	high organizational efficiency, increases the commitment of the employees, provides competitive advantages.	It more rigidly resists changes
WEAK	workers experience a lesser degree of cultural norms, they are more free to choose a style of behavior	It leads to a greater focus on personal achievement	It creates a sense of uncertainty, ambiguity in the future of both personal and organization.

Essential characteristics

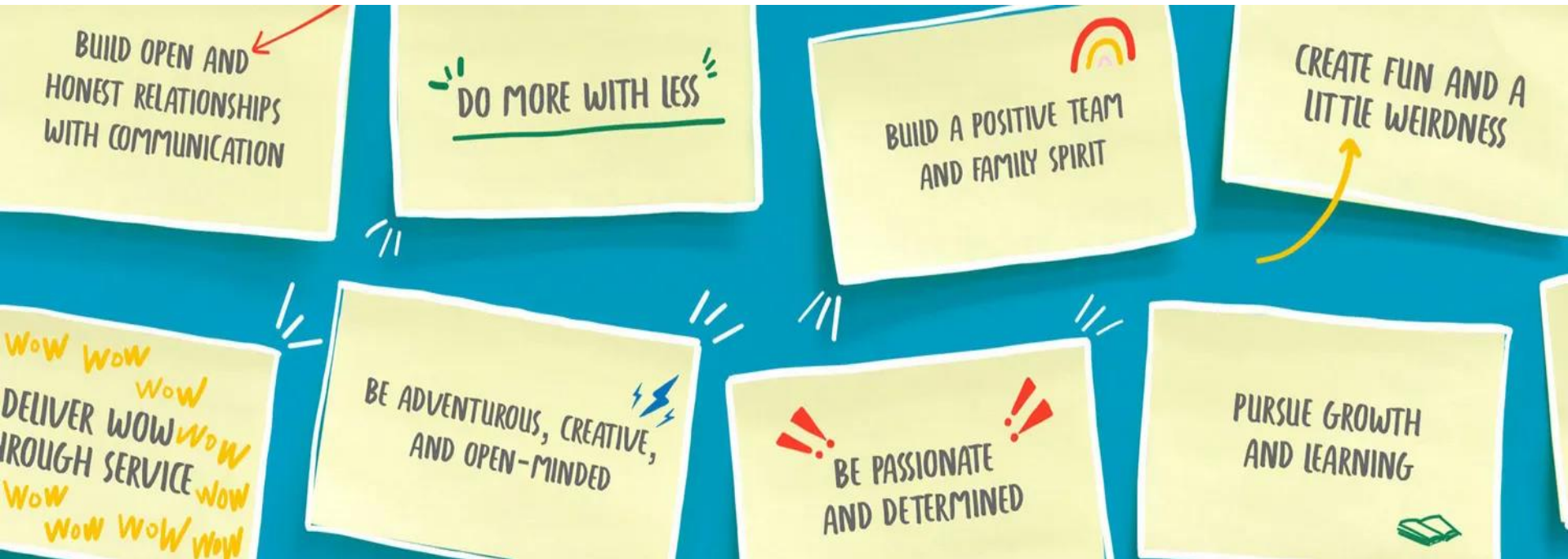
Type	Sings	Advantages	Disadvantages
Bureaucratic	Focuses on a stable environment based on internal resources and organizational capabilities, it is conservative, with suspicion relates to innovation. Great attention to the characters, stories, heroes of the past	High level of discipline, order, cooperation, coordinated work coordination.	Loss of advantages in a changing environment, hard resistance to changes
Clan	Culture focuses on meeting the needs of workers as a way to improve performance. Involvement of employees in planning, monitoring work, promotion and punishment.	Creation a sense of involvement in the mission of the organization, the importance of their own work, creativity, self-expression, dedication.	Rejection of alternative points of organizational development

Essential characteristics

Type	Sings	Advantages	Disadvantages
Missionary	Engaged in the service of specific clients, but does not feel the need for rapid change. Clear understanding of the organization goals and methods like market growth, sales volumes, profit, asset value, etc.	Each employee is responsible for achieving a specific result, which is the overall result of the organization, and appropriate remuneration.	disparity of members of the organization
Adaptive	Culture focuses on the external environment, is able to flexibly respond to changes, as well as cause changes in the external environment.	Offer of new products, prompt finding of supporters, ensuring sustainability in the long run	Requires immediate response to emerging problems, i.e., very high demands to employees



At Zappos, our 10 Core Values are more than just words. They're a way of life.



What type of organizational culture do you think Zappos belongs to?



Corporate Culture Diagnostic

You can get a good handle on a company's culture before you even get inside the building.

For example, when companies say, "We value our employees" but have reserved parking spots, a private cafeteria and over-the-top offices for the executives that tells you more than any PR spin.

Or if a CEO proudly boast about their corporate incubator, but the incubator's parking lot is empty at 5:15 pm.

Steve Blank: Hacking a Corporate Culture

- Steve Blank
- Customer Development & Secret History, Teaching at Stanford, Berkeley and Columbia

Diagnostic methods

Observation of the
internal organizational
environment

- external manifestations of culture - style of clothing, length of hair,
- degree of openness of workplaces and ease of access to offices, style of communication, etc.

Course of meetings

- which management style prevails in an organization - authoritarian or democratic
- whether employees are openly talking about problems, expressing opinions, debating, or rather choosing a conformist style of behavior, agreeing with the opinion of managers.

Analysis of the style and
content of informal
communication.

- Do employees use informal language when communicating, or use expressions of confrontational style
Are the motives of doubt, uncertainty in the correctness of action, reasoning about the alternatives

Diagnostic methods

Attitude to newcomers -

- was a new member of the team presented only to his immediate boss and members of the working group, or he was introduced to a wide range of people - from senior managers to service managers who provide unit work? Was this familiarity official or very friendly, informal and character

Employee Survey

- Do you appreciate the company's initiative, diligence, dedication? "What are the rewarding employees of the company", "What behavior is considered inadmissible?", etc.

opinions of stakeholders

- former employees of the organization, clients, counteragents, owners, etc.

Reforming organizational culture

According to Edgar Schein, it's sensible to have discussions with as many employees as possible to discover the underlying backgrounds and aspects of the organizational culture.

These could be a basis for cultural change.

People should be aware that cultural change is a **transformation process**; behaviour must be unlearned first before new behaviour can be learned in its place.

When a difference arises between the desired and the prevailing culture, cultural interventions should take place.

The responsibility lies with senior management supported by a personnel department. This requires a comprehensive approach.

A new logo, corporate style or a customer-orientation training will not suffice. **It is important that results are measured and that good performance is rewarded.**

Edgar Schein identified six ways of developing a corporate culture:

1. General development, as a result of which the organization adapts to the environment;
2. Development of teams and subgroups inside and outside the organization;
3. Managed development as a result of cultural "enlightenment" of leaders;
4. Managed development through the exchange of experience between teams empowered by elected representatives of mixed subcultures, taking into account better adaptation of the latter to modern reality;
5. Planned and managed changes in corporate culture through the creation of parallel systems of managing committees, and groups of experts focused on the project;
6. Partial or complete destruction of the corporate culture through a new leadership that eliminates the carriers of the former culture (mergers and acquisitions, joining, bankruptcy, etc.).

Companies need to hack their corporate culture.

- Assess your company's current values and beliefs as understood by the employees
- Communicate the need for new values and moving employees to a new way of thinking, is hard.
- Plan a concerted effort to create a new set of stories, heroes and rituals around those values
- Simultaneously with the creation of new culture, align the company's incentive programs (compensation plans, bonuses, promotions, etc.) to the new values.



Rules for culture changes

1. It is necessary to create a sense of urgent need for change and to constantly strengthen it

If workers do not see the need for change, apathy will win. "Defrost" organizational culture is a difficult task.

To accomplish this task, it is useful to use external agents of change, on which values and traditions do not exert pressure.

2. Changes in organizational culture are not an isolated goal

It is necessary to create a clear image of the future state of the organization, and this image should be attractive to people.



3. Maximally involve people in discussing the necessity and perspectives of changes in corporate culture.

If many people are connected to the analysis of the current situation and the problems it generates, there is an increasing awareness of the need for cultural change and readiness to act.

4. Provide support for change participants

If the current manager is not capable of this, then a new one should be assigned

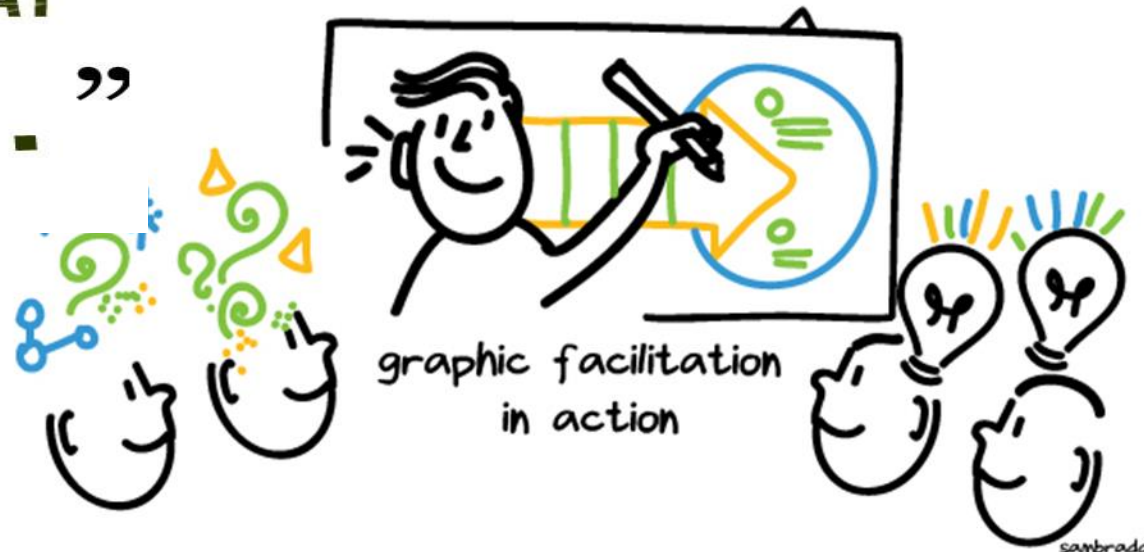


6. Processes and standards must support the desired behavior

5. Words must correspond to the affairs

“YOU ARE WHAT YOU DO , NOT WHAT YOU SAY .”

An organization, for example, can not fight for quality of service if the corporate culture does not respect the quality of work



Topic 11 Continuous Change

SUMMING UP

Continuous incremental change and its advantages

What's next?

Change initiatives that accomplish stated goals often lead to complacency in senior management.

Units that developed products and services during the change gradually shift their attention from innovation to defending their positions.

Employees settle into routines and become more calm.

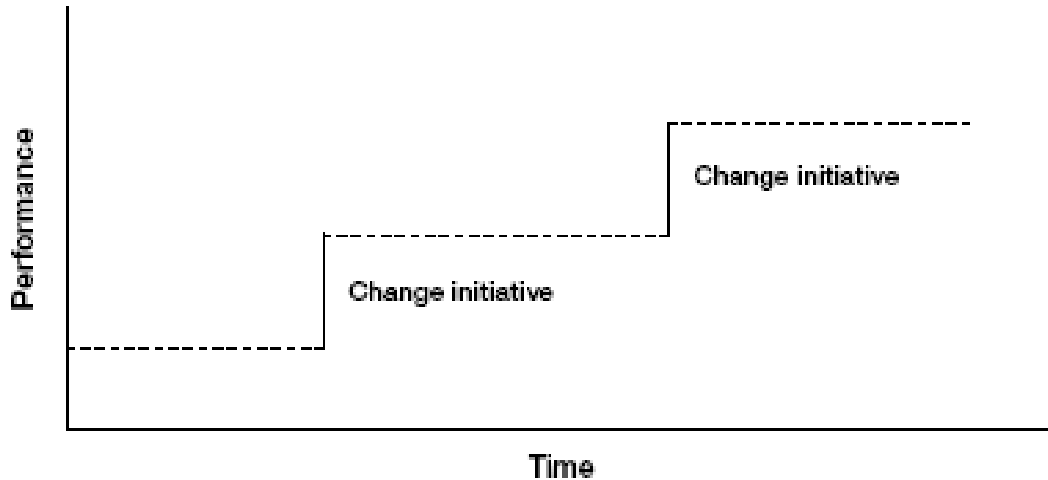
Each passing day the environment of competition and technology is altered.

This combination of complacency, defensive behavior, routines, inward focus is the enemy of progress;



Ultimately it creates a situation in which major reform is needed once again.

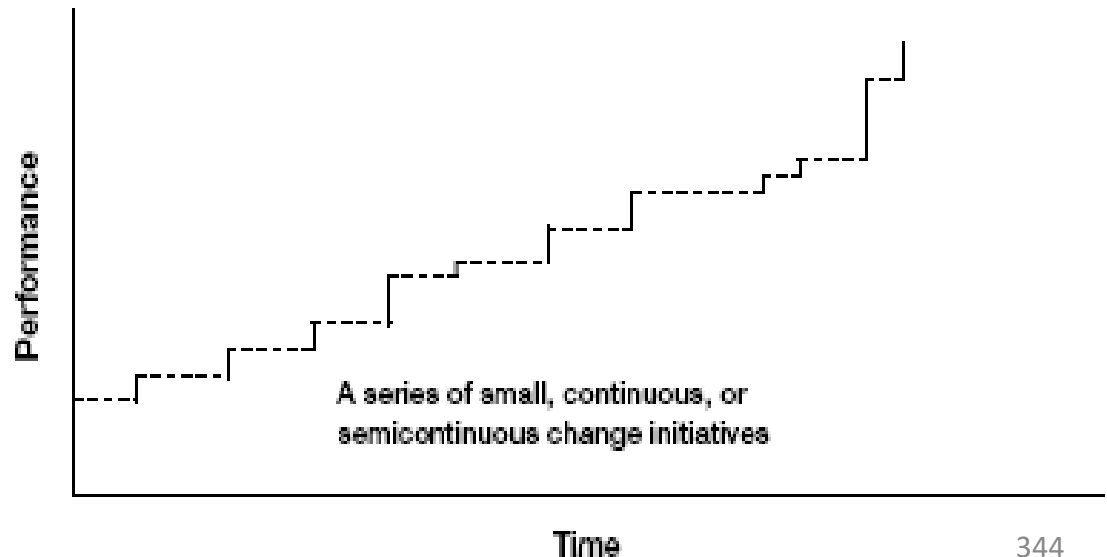
Incremental Change



Discontinuous change takes place through major, widely separated initiatives.

Performance gains through those steps are followed by long periods of consolidation and stability

Continuous incremental change is made through a series of small but more frequent improvements.



The advantages of continuous incremental change

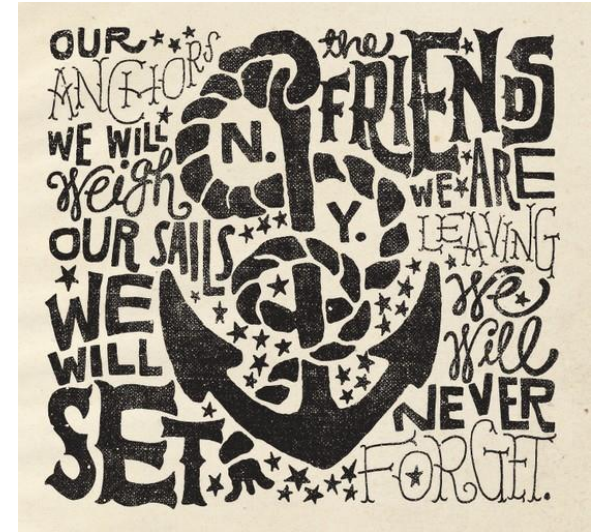
- Small changes are easier to manage.
- Small changes enjoy greater probability of success than big ones.
- Disruption is short-term and confined to small units at any given time.
- The organization and its people are kept in a constant state of competitiveness and change-readiness.



Human capacity to remain in the changes

1 hand - People need anchors

- a job loss or job change,
 - a divorce or loss of a spouse,
 - a change of household address
- are all associated with illness and accidents.

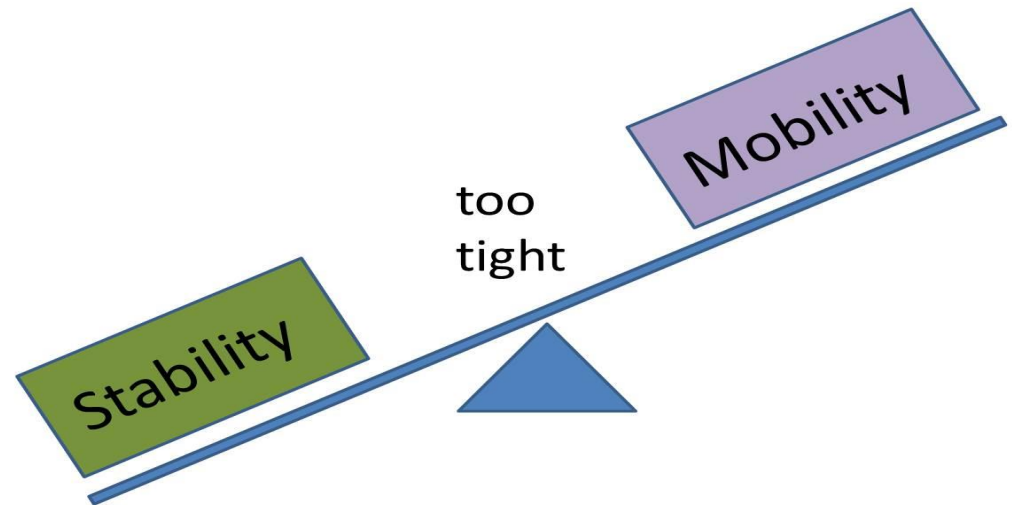


In this sense, too much change is downright unhealthy.

Human capacity to remain in the changes

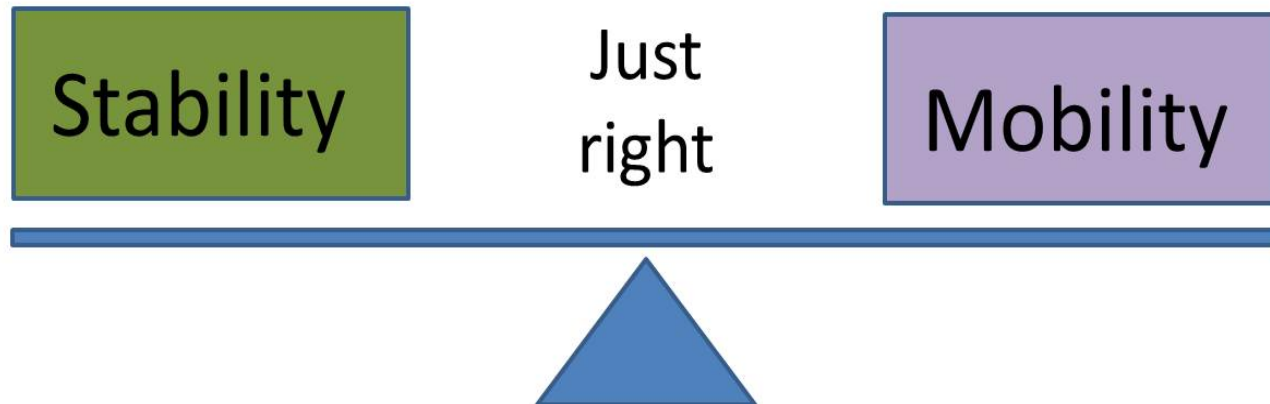
2 hand - Doctors recommend to change place home or work or spouse (😊) every three years.

- the lack of new experiences,
 - consistency and routine
- can lead to depression



Few people are strangers to changes in their work environments, from new technology and processes to new owners.

The ability to change rapidly and frequently seems to be a critical mechanism for survival, but **most people are able to handle it— when non-work aspects of their lives remain as stable anchors.**



The longer stability, the stronger and more critical future changes, the harder it will be for people to deal with them

More frequent and smaller changes, the easier it is for people to adapt to it.

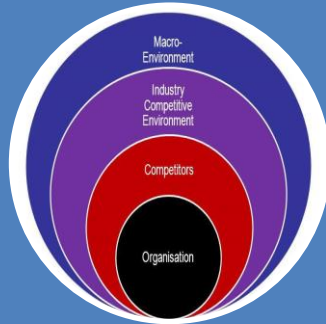
In Japan, continuous improvement is treated as routine, paradoxical as that may seem!



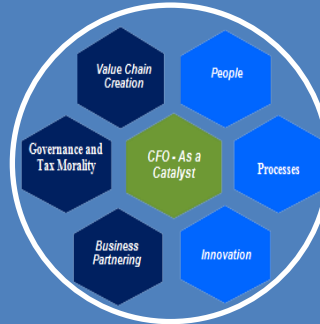
Getting to Continuous Change



**Make Your
Organization
Change-
Ready**



**Conduct
Continuous
External
Monitoring**



**Conduct
Continuous
Internal
Monitoring**



**Provide
Meaningful
Anchors**

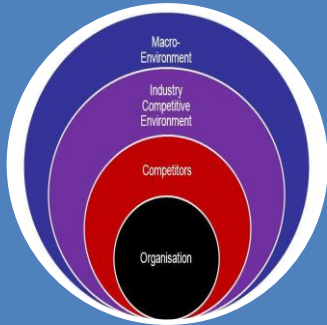




Make Your Organization Change- Ready

As described above, change-readiness is a function of:

- effective and respected leadership;
- employees who feel personally motivated to change; and
- an organization that is nonhierarchical and accustomed to collaborative



Conduct Continuous External Monitoring

- **search** the environment for **signals** of the forerunners of significant technological (customer requirements, human resource trends etc) change;
- **identify** possible **consequences** because the signals are based on substance
- **determine** which **aspects** of the environment should be observed and measured to verify the speed and direction of the new technology; and
- **report the information** in a timely manner.



Conduct Continuous Internal Monitoring

Recommended are the same.

Every operating unit should have a team of people that provides regular oversight of the unit's key functions.

Are key internal processes fast, flexible, and efficient?

The team should include people representing different levels and skills, and should be rotated regularly.

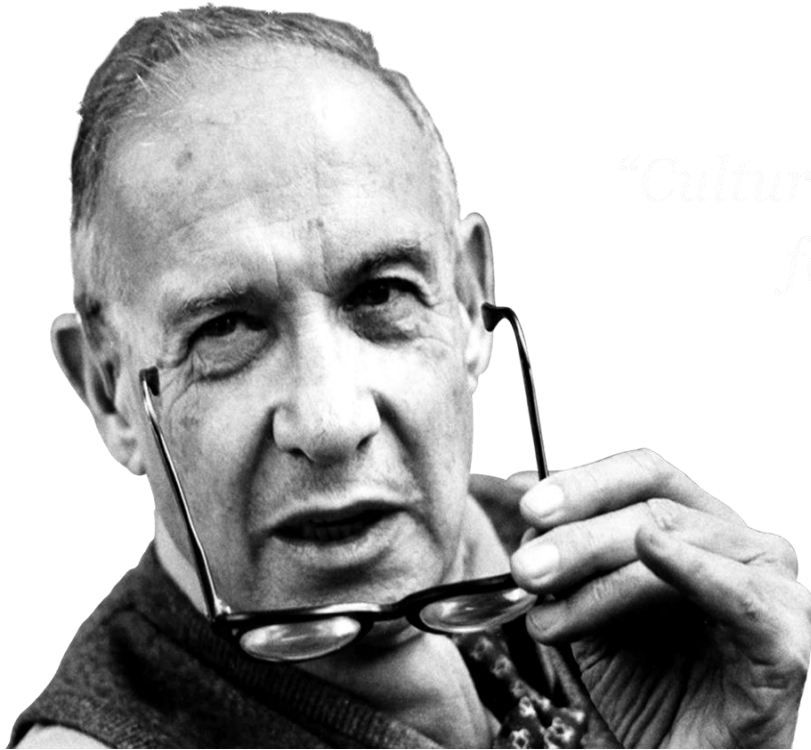
Finding and fixing problems and weaknesses before they loom large is the best way to avoid costly and difficult change initiatives.



Provide Meaningful Anchors

Alvin Toffler suggested buying several pair of favorite shoes and other everyday items, and putting them on the shelf. When the current pair of shoes wore out, you'd have another pair handy, even though they had long disappeared from stores.

Something similar may apply
in the workplace.



*"Culture
for*

Future of Management

The only thing we
know about the future
is that it is going to be
different

P. Drucker

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