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«KHARKIV POLYTECHNIC INSTITUTE»

**МЕТОДИЧНІ ВКАЗІВКИ**

до практичних занять

з дисципліни «Управління стратегічними змінами»  
для студентів спеціальності 073 «Менеджмент»

**A MANUAL FOR PRACTICAL CLASSES  
ON COURSE “STRATEGIC CHANGE MANAGEMENT”**

for students pursuing a master’s degree in “073 Management”

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## INTRODUCTION

The course “Strategic change management” is aimed at students mastering the principles and methods of managing strategic changes in the organization, namely the factors that determine the need for changes, strategies and tactics for implementing changes, overcoming resistance to changes

The goal of the course is to reveal the theoretical and methodological foundations and practical tools of strategic change management as the basis of effective strategic management. The main emphasis in the formation of the content of the course is made on highlighting the aspects of change management closest to practice in view of the general systemic understanding of the process of strategic management of the enterprise.

The course tasks are following:

- research of modern theories of change management and possibilities of their practical application;
- mastering the methods of evaluating external drivers of change and the strategic potential of change;
- familiarization with the mechanisms of assessment, mitigation and elimination of resistance to strategic changes at enterprises;
- outlining the role of corporate culture and mastering the tools of its development in conditions of strategic changes;
- mastering modern methods of strategic change management

### **Competencies**

GC04. The ability to motivate people and to move towards a common goal.

GC06. The ability to generate new ideas (creativity).

SC2. The ability to define values, vision, mission, goals and the criteria, which can be used by an organization for choosing directions for future development, to create and implement corresponding strategies and plans

SC8. The ability to use psychological technologies for working with personnel

SC 9. The ability to analyze and structure organizational problems, make effective organizational decisions and ensure their implementation

### **Learning outcomes**

LO 02. To identify organizational problems and justify methods for solving them.

PO06. To possess the skills in making, justifying, and ensuring the implementation of managerial decisions under unpredictable conditions, taking into account the requirements of the current legislation, ethical considerations and social responsibility

LO 13 To be able to plan and provide informational, methodological, material, financial and staffing support for an organization (unit)

## A MANUAL FOR PRACTICAL CLASSES

### Workshop 1.

#### Topic 1. Testing for readiness and perception of changes. Classification of changes in the organization.

*Task 1.* Consider 10 inventions that changed the world in the last 50 years. Answer the questions:

- what were the prerequisites for the changes?
- what were the consequences of the changes?

Which of the listed changes impressed you the most and why?

British Association of Natural Sciences asked 20 leading experts call the 10 inventions that radically changed the life of mankind. More available here: [http://tsn.ua/nauka\\_it/10-vinahodivshcho-zminili-lyudstvo.html](http://tsn.ua/nauka_it/10-vinahodivshcho-zminili-lyudstvo.html)

#### 1. GPS Technology

Developed in 1978 in the United States for military purposes Navstar satellite navigation system spread around the world called GPS (that means simply &quot;Gps&quot;). Its main users - motorists, pilots and sailors. Geographers using GPS fix shift of tectonic plates, and biologists have recently adapted this system to track mass migration of turtles.

#### 2. Player Sony Walkman

This unit in 1979 opened the era of technology &quot;burden&quot; significantly changing the

culture of individual consumption of music. His invention has enabled Sony to anyone in the crowd multimillion able to listen to your favorite songs without forcing them to others. Subsequently, this picked up the baton, Apple with its digital music player iPod.

#### 3. Barcode

At first glance not very clear how these black and white stripes have influenced our lives, however, the present invention American Norman Woodland, made in 1949, eventually allowed to reduce your payment purchases, the nature of goods and supplies of goods in the warehouse. This, according to experts, the revolutionary changed the trading system.

#### 4. Frozen food

Methods &quot;hastily snack&quot; during the past 30 years have replaced the traditional family lunch and dinner at the table. On the one hand, they essentially make life easier, with another - significantly contributed to the development of &quot;crisis ob&#39;yidannya.&quot; In these products, a lot of fat, salt, sugar and preservatives that provide long-term storage of these products.

#### 5. PlayStaion

While game consoles to the TV were known and before the Sony PlayStation console in 1994, it was she who brought children with video games in the living room to a large TV, where games were enjoyed adults.

Incidentally, the console hardware capabilities exceed the capabilities of the average home PC, the video game industry in the years that passed after its appearance, in their incomes almost caught up with the film industry.

#### 6. Social Networking

Three billion minutes a day in the amount spent on communication with each user's social network Facebook. And then there are MySpace, Twitter and many others, and they radically changed the nature of our communication and ways of dating.

#### 7. SMS-message

The role of this technology that revolutionizes, British experts see a radical transformation of English abbreviations learned that type LOL ( "very funny") or YI ( "for your note"). Another important change - a significant increase in the role thumbs, previously hardly used and is completely occupied by dialing sms on mobile phone.

#### 8. Electronic money

Credit cards have made the process of monetary easier, safer and more global, according to British experts. In the UK, for example, last year with the card was made more than 7.4 billion payment that is much more than using checks that have become a true anachronism. However, on the other hand, the growth of electronic payments is accompanied by a rapid growth of electronic fraud, and the ease of obtaining credit, experts remind, was one of the main causes of the global financial crisis.

#### 9. Microwaves

It's not about microwave ovens, namely microwaves - electromagnetic radiation with a wavelength of 1 mm to 1 meter. They are used in cell phones, wireless devices such Wi-Fi and satellite television.

However, a new method of heat treatment of food - it is also they, like radar, which appeared during the Second World War, and for many years of the US development of new "non-lethal weapons."

#### 10. Sneakers

Method compound rubber and fabric, Goodyear was first proposed in 1892, and the massive use of casual sports shoes as started in the 70s of the last century. This shoe, according to experts, change legs of a generation.

The military, by the way, complain that stops young people who come to serve in these days, much less severe and do not tolerate military shoes, because many of them have had never worn leather shoes.

### **Topic 2. Determination of the PAEI profile of future managers. Research on methods of determining the stages of the organizational life cycle.**

*Task 2.* Check your own style according to PAEI code: <https://blog.checkiant.com/blog-about-productivity/270-4-management-styles-by-ichak-adizes>

On which stage of organizational lifestyle you will be the best and why?

## *References*

1 Adizes, I. (1979). Organizational passages—diagnosing and treating lifecycle problems of organizations. *Organizational dynamics*, 8(1), 3-25.

2 Dickinson, Victoria, Cash Flow Patterns as a Proxy for Firm Life Cycle (April 19, 2011). *The Accounting Review*, Forthcoming, Available at SSRN: <https://ssrn.com/abstract=755804>

3 Lester, D. L., Parnell, J. A., & Carraher, S. (2003). Organizational life cycle: A five-stage empirical scale. *The international journal of organizational analysis*, 11(4), 339-354.

4 Rahimi, F., & Fallah, S. (2015). Study of organizational life cycle and its impact on strategy formulation. *Procedia-Social and Behavioral Sciences*, 207, 50-58.

5 Walsh, J. P., & Dewar, R. D. (1987). Formalization and the organizational life cycle [1]. *Journal of Management Studies*, 24(3), 215-231.

## **Workshop 2**

### **Topic 3. Cases for SWOT, PEST, VRIO, GAP analysis.**

*Task 3.* Using the data from the «Asana» case study (Appendix A), conduct an analysis of the company

#### *Analysis of the external environment of the company*

Environmental analysis is a necessary action by which, when developing a strategic plan, you can take into account and control external factors to determine the possibility of growth of the company or the danger to it. Environmental factors are divided into two main groups - microenvironment and macroenvironment, or direct and indirect action.

Indirect factors (macro environment) include economic, natural, socio-political, legal, demographic and other factors.

The most common tool for determining the environmental factors that can affect a company is PESTLE analysis. It helps to identify and evaluate environmental factors in 6 categories: P (Political), E (Economical), S (Social-Culture), T (Technological), L (Legal) and E (Environmental / Ecological). Each category of factors corresponds to a letter in the abbreviation for the method name.

The main purpose of the PESTLE analysis tool is to identify factors that satisfy two criteria:

- 1) they are outside of the company management;
- 2) they have some level of influence on the company.

All factors must be carefully analyzed and their impact on the company should be evaluated. Some factors are local in nature. For example, the situation on the labor market in the regions differs from the situation in the capital of country: the qualification and motivation (level of ambition) of people is different. There may be cultural differences in attitudes towards work in different regions. All these factors must be taken into account when developing a strategy. Performing PESTLE analysis consists of the following steps:

Step 1: Determine factors that are beyond the control of the company and can affect its sales and profits. Gather information on the dynamics and nature of each factor change. Company experts

can work alone or in groups. Brainstorming can also be conducted to identify and compile a list of factors.

Step 2. Assess the degree of impact of each factor selected. The influence of the factor is estimated by the expert method on a scale from 1 to 3, where:

1 - the impact of the factor is negligible: any change in the factor practically does not affect the activity of the company;

2 - the impact of the factor is moderate: only a significant change in the factor affects the sales and profits of the company;

3 - the impact of the factor is critical or high: any fluctuations cause significant changes in sales and profits of the company.

The assessment of the degree of influence of each factor is made either on the basis of a group decision of the board of directors or the expert opinion of the respective functional director is taken.

**Table 1. – PESTEL template**

PESTEL	Impact	probability	assessment
Political			
Economical			
Social-Culture			
Technological			
Legal			
Environmental / Ecological			

Step 3. Estimate the likelihood of future factors changing. The probability of change is estimated on a 5-point scale, where 1 means the minimum probability of change of the environmental factor, and 5 - the maximum probability of change (ie, with almost 100% probability it will happen).

Probabilities can be estimated as follows:

- 1- probability from 0 to 20%;
- 2- probability in the range of 20-40%;
- 3- probability in the range of 40-60%;
- 4- probability in the range of 60-80%;
- 5- probability in the range of 80 and close to 100%.

Step 4. Assess the impact of the factors, taking into account the probability of their change. The real significance of a factor allows you to gauge how much a company should pay attention to and control this factor of environmental change. It is calculated as the likelihood of a change in a factor weighted by the effect of that factor on the company's performance in the total amount of influence of the factors.

Step 5. Identify the possible consequences of each factor occurring or changing.

In order to get the most complete picture of the impact of external factors on the company, experts in various functional divisions of the company should be involved in their determination.

#### *Analysis of company resource competitiveness*

To diagnose organizational resources, it is necessary to evaluate the strategic value of resources using the VRIO method.

The question about Value: "Is a company able to use the opportunity or neutralize an external threat with the help of this resource / potential?" If the resource is capable of at least one of the directions, it can be considered a strength of the company.

The question about Rarity: "Are resources / competencies controlled by relatively few market participants?" If the resource is not infrequent, then there is likely to be very strong competition.

The question about Imitation: "Is it difficult to reproduce, copy, duplicate, or develop one's own resource / competence by other market players?" In most cases, imitation is possible in two ways: direct duplication or substitution. If the cost of imitation is high, competitive advantage will be maintained. If not, the competitive advantage will be temporary.

Organization's question: "Is the company sufficiently organized, willing and able to use the resource / competence?" Components of this question include:

- formal and informal structure of the company and decision-making procedure,
- management control systems and compensation policies.

The formal managerial structure usually involves a strict hierarchy and vertical division of labor. The management team makes the decisions and the rest of the staff executes. A less formalized management structure may include company culture, involvement of a wide range of employees in decision making, and the expression of their opinions.

Here are the main resources / competencies that are necessary for a competitive company:

- technological resources - the availability of technologies for the enterprise to meet the modern requirements of the market and elements of the environment
- technical resources - availability of fixed assets in the form of facilities and equipment for the implementation of possible technological solutions;
- competence of workforces- not only the level of professional training of staff, but also the degree of motivation and responsibility in the functions performed.

To calculate the results of the evaluation, we suggest using a scale from 0 to 3, which means:

- 0 is absolutely no;
- 1 - rather "no" than "yes";
- 2- rather "yes" than "no";
- 3 - absolutely "yes".

The final score is calculated as the average and means the following (table 2)



**Table 2. – Quantification of VRIO results**

Assess	The result of resource use
0-1	Competitive weakness
1-2	Competitive parity
2-3	Temporary competitive
3-4	Strong competitive

The result of assessment can be presented in the table 3.

**Table 3.– VRIO-analysis template**

Resource	V	R	I	O	Average value
<b>Technological resources</b>					
Supply and logistic					
Production					
Sales					
<i>Complex T assessment</i>					
<b>Competence</b>					
Supply and logistics					
Production					
Sales					
<i>Complex competence assessment</i>					
<b>Average company rating</b>					

*References :*

1. VRIO Framework: What it is, Breakdown, Benefits & Limitations  
<https://www.questionpro.com/blog/vrio-framework/#:~:text=The%20VRIO%20framework%20is%20an,success%20indicators%20for%20your%20business.>
2. PESTEL Analysis: What It Is & What It Is For  
<https://www.questionpro.com/blog/pestel-analysis/>
3. What Is a Gap Analysis? An Easy-to-Use Template  
<https://www.clearpointstrategy.com/blog/gap-analysis-template>

**Workshop 3.**

**Topic 4. Defining the object of change and building a matrix of stakeholders.**

VRIO analysis reveals that the **technical and technological support of purchasing processes is a weak point**, (for example, the company has neither a corporate information system for evaluation and control suppliers, nor a special logistic system). This makes it possible to expect such actual changes for the internal environment (Table 4). The change holders can be positioned on the matrix (Fig. 1).

*Task 4.* Using the data from the «Asana» case study (Appendix A), determine the object of changes as well as stakeholders of changes.

**Table 4 – Objects of change of internal environment**

Element	The essence of change
Goals	
Technologies	
Structure	
People	
Culture	
Leadership	

Degree of involvement	High		
	Low		
		Low	High
Interest in change			

Figure 1. –Stakeholder Matrix

*References :*

1 Scholes, K., Johnson, G., & Scholes, K. (2001). Stakeholder mapping. Exploring Public Sector Strategy, 165.

2 Stakeholder Analysis for Change Management – Example and Template  
<https://changemanagementinsight.com/stakeholder-analysis-for-change-management/>

3 The Role of a Stakeholder Analysis in Change Management <https://www.panorama-consulting.com/stakeholder-analysis-in-change-management/>

## Workshop 4

### Topic 5. Choosing a change strategy.

#### Case 1

To illustrate Theory E and Theory O, Michael Beer and Nitin Nohria have described two companies in similar businesses that adopted almost pure forms of each archetype: Scott Paper used Theory E to enhance shareholder value, while Champion International used Theory O to achieve a cultural transformation aimed at increasing productivity and employee commitment.

«When Al Dunlap assumed leadership of Scott Paper in May 1994, he immediately fired 11,000 employees and sold off several businesses. . . .As he said in one of his speeches: “Shareholders are the number one constituency. Show me an annual report that lists six of seven constituencies, and I’ll show you a mismanaged company.” From a shareholder’s perspective, the results of Dunlap’s actions were stunning. In just 20 months, he managed to triple shareholder returns as Scott’s market value rose from about \$3 billion in 1994 to about \$9 billion in 1995. . . .

Champion’s reform effort couldn’t have been more different. CEO Andrew Sigler acknowledged that enhanced economic value was an appropriate target for management, but he believed that goal would be best achieved by transforming the behaviors of management, unions, and workers alike»

*Task 5* Imagine that you are

- 1) Employee Scott Paper
- 2) Shareholder Scott Paper
- 3) Employee Champion International
- 4) Shareholder Champion International

Describe your impressions from actions of CEO and let forecast future results (Table 5 )

**Table 5– Impressions of changes**

	Scott Paper	Champion International
Employee		
Shareholder		

*Task 6.* Complete the table on the basis of the lecture material and for your own reasons. (Table 6). Positions must be clearly and substantively stated.

**Table 6. – Suitable conditions for application of the theory E and theory O approaches**

conditions for application	theory E	theory O
External		
Internal		

*Task 7.* The choice of a strategy for making changes depends on a set of factors. The figure 2 shows appropriate strategies based on a combination of two factors. Choose appropriate strategies for Figure 3.

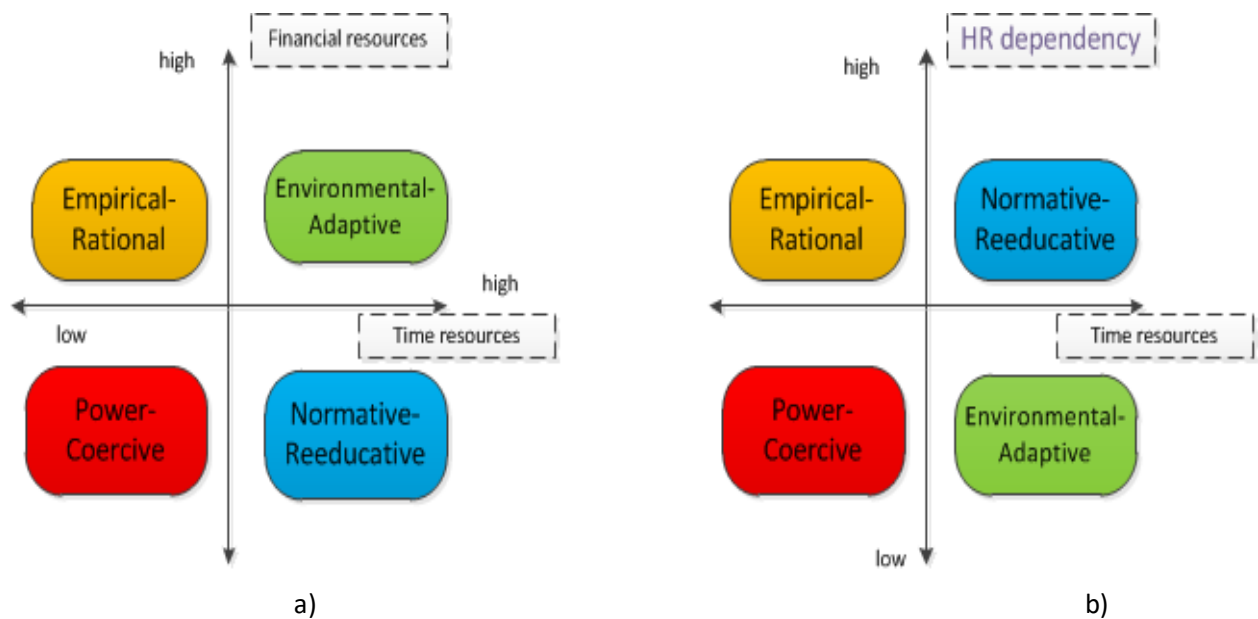


Figure 2 – The choice of a strategy for making changes dependency

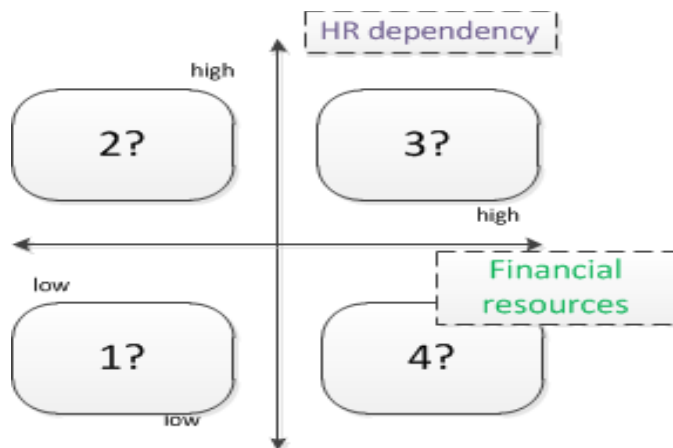


Figure 3 – The choice of a strategy for making changes dependency

*Task 8*

Using the data from the Asana case study (Appendix A), choose the most appropriate strategy for conducting changes.

*References*

- 1 Beer M., Nohria N. Cracking the Code of Change. Harvard Business Review. 2000. Vol. 78. №3. P.133–141.
- 2 Axelrod R. Democratic Approaches to Change Make a Big Difference in Turbulent Times. Harvard Management Update. (srd.pgasa.dp.ua) 2001, Vol. 6 №11. P. 3–4.

4 Bridges M. 4 Strategies to Manage Change Effectively. Medium. 2003 URL: <https://mark-bridges.medium.com/4-strategies-to-manage-change-effectively-c5cf0c5be42a>

5 Прохоренко О.В., Юрченко О.В. Вибір стратегії здійснення організаційних змін на основі сукупності чинників. (www.easterneurope-ebm.in.ua) Східна Європа: економіка, бізнес та управління, 2019, №6 (23). URL: <http://srd.pgasa.dp.ua:8080/bitstream/123456789/2637/1/Prokhorenko.pdf>

### Workshop 5.

**Topic 6. Building a Gantt chart. The main mistakes in the implementation of the change process. DICE method for assessment of changes success.**

*Task 9 .* Using the data of the case "Asana" (Appendix A), and based on the selected object and change strategy, as well as taking into account the principles of ADKAR,

- 1) make a plan for making changes
- 2) construct a Gantt chart
- 3) estimate the probability of success of changes using the DICE method

#### References:

1. What is DICE Framework in Change Management? <https://changemanagementinsight.com/dice-framework/>
2. The Prosci ADKAR Model <https://www.prosci.com/methodology/adkar>
3. Easy-to-use Gantt charts for every project <https://auth.monday.com>
4. What does RACI mean? <https://leansixsigmagroep.nl/en/lean-agile-and-six-sigma/raci/>

### Workshop 6.

**Topic 7. Determination of stages of perception of changes by participants. Stress resistance in the process of making changes. Discussions.**

*Task 10.* Complete the table 7

Table 7 – The main psychological stage of change perception

	What's happening with people?	What people can do for themselves?	How managers can help?
Shock, Anxiety			
Defensive retreat			
Acknowledgment			
Acceptance and adaptation			

**Topic 8. Movie "Resist to change is it obvious" Construction of the resistance matrix. Identification of potentially loyal and resistant employees.**

*Task 11.* Using the data from the Asana case (Appendix A), and based on the previous tasks (in particular, about the object and stakeholders of the shift), build a matrix and propose measures to increase the "Pot of Gold" and "Alligator" and reduce the "Crutches" and "Mermaid" (table 8).

Table 8 – Matrix “change – no change”

	Benefits	Losses
Change	Pot of Gold	Crutches
No change	Mermaid	Alligator

*References:*

1 Barnard, Alan, The Change Matrix Cloud Process, Draft White Paper, TOCICO White Paper Series, 2016.

2 ExperiencePoint-Change-Theory-primer (by ExperiencePoint Inc., licensed under CC BY-SA 3.0), 2010. URL: <https://www.nhcchq.org/wp-content/uploads/ExperiencePoint-Change-Theory-primer.pdf>

3 Kotter, John P. "Why transformation efforts fail". Harvard business review. (www.econstor.eu)73.2 (www.econstor.eu) (1995): 59-67.

4 Sirkin, Harold; Keenan, Perry; Jackson, Alan (2005). "The Hard Side of Change Management". Harvard Business Review. (www.econstor.eu) 83(10). The Boston Consulting Group: 108–18, 158.

**Workshop 6.**

**Topic 9. Advantages and disadvantages of different types of organizational design. Reengineering as a method of business structure management.**

Case 2.

Imagine a small organization dedicated to innovative electronics research. Its structural diagram is presented in Fig. 4.

There are two heads of research units subordinate to the Director. They work in one area, but engaged in various tasks. From the scheme it follows that the amount of control of the Director is two. This means that Director has the opportunity to meet with the Heads of research units almost every day and to delve into all issues of their work. It can be useful if the Director is not only an administrator, but also a highly skilled research specialist.

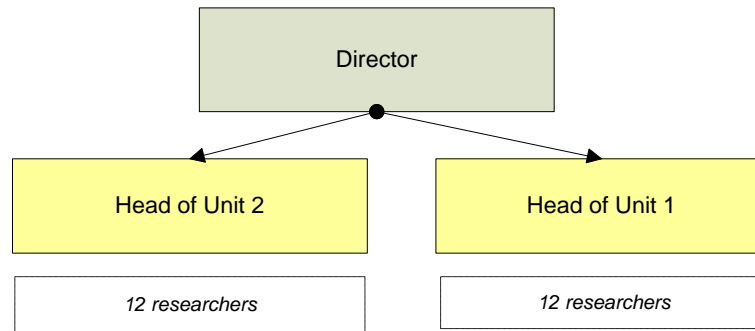


Figure 4. – Structure of the research organization

However, the scope of control of these Heads is heavily overloaded: they constantly complain to the director about the lack of time, overload of administrative work to the detriment of research and are asked to take some changes. The Director invites a consultant in the area of restructuring planning and reviews his recommendations.

The first recommendation (Fig. 5) relates to the proposal to organize four research groups (two in each direction), adding the posts of two more group leaders. These executives can be picked up from ordinary employees by selecting the most experienced, possessing leadership skills ones.

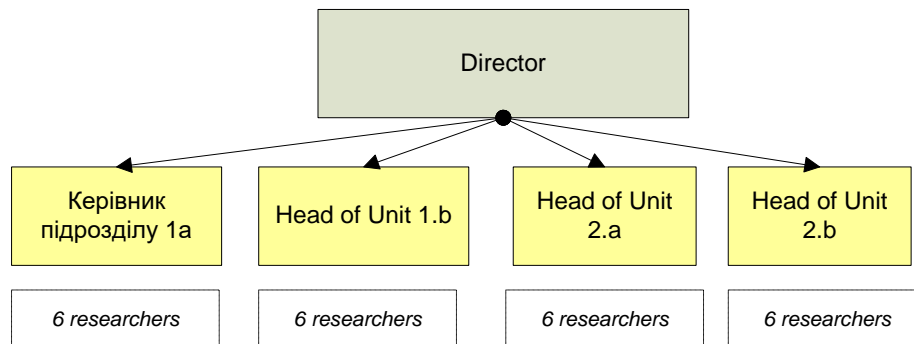


Figure 5 – Proposal 1 for the restructuring of the research organization

It is also possible that work in each area can be divided into two parts, each of which will be assigned to a separate group. Such a proposal does reduce the number of researchers in groups to an acceptable level, but it does not suit the director. He puts forward two arguments against.

First. There were two research projects in the organization, so they remained. Therefore, the Heads of Units 1a and 1b will work on one research assignment and the Heads of Units 2a and 2b will work on another. Director will inevitably encounter duplication of discussion of problems and their solutions for each area or be forced to meet with the leaders of the first and second directions in pairs. In addition, there may be conflicts between two group leaders of the same direction, as the groups will seek a "fair" distribution of shared resources.

Second. The reorganization will be the same as reducing the number of one researcher, as the two new unit managers will now spend half of their time on administrative work and half on research.

Based on these arguments, another option is proposed. Two deputy directors should be left, each heading its own research area, with two teams of six researchers each working. Of course, in order to implement this change, it is necessary to hire four group leaders (Fig. 6.).

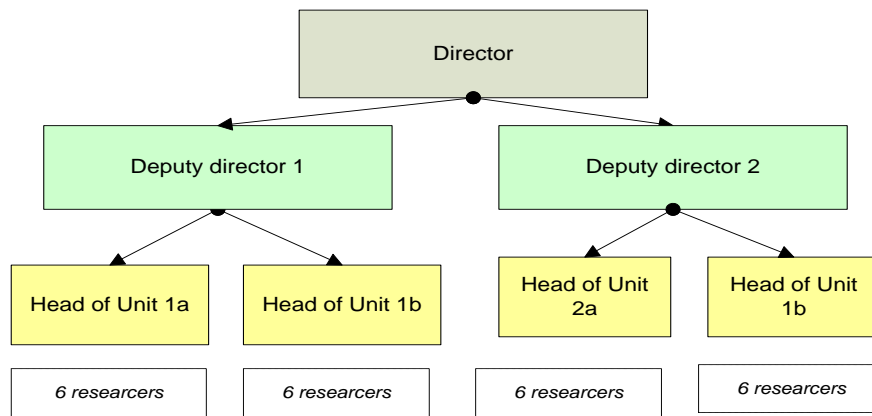


Figure 6. – Proposal 2 for the restructuring of the research organization

The proposal was also rejected by the director.

First, the management structure becomes more difficult, it is obvious that decisions in it will be made and implemented more slowly, and communications from the executor to the director will be stretched, which will inevitably affect the timing of project implementation.

Secondly, it is not easy to hire highly qualified specialists in the scientific field who have the skills to manage scientific teams, because of the shortage of such specialists in the labor market. In addition, their selection requires time and significant costs, which are not included in the project cost estimates.

The third proposal related to the nomination of the leaders of the groups of ordinary researchers was also criticized for the exclusion of two posts from the direct research work (for the same reason: the group leader will spend half of his working time on research and half on the managerial work).

*Task 12.* Identify the pros and cons of each option and choose the best one or offer your own. (Table .9) and propose your own variant

Table 9. – Advantages and disadvantages of the proposed organizational structure options

Option	Advantages	Disadvantages
1		
2		
3		

### References

- 1 Adizes, I. (1979). Organizational passages—diagnosing and treating lifecycle problems of organizations. *Organizational dynamics*, 8(1), 3-25.
- 2 Mosca, L., Gianecchini, M., & Campagnolo, D. (2021). Organizational life cycle models: a design perspective. *Journal of Organization Design*, 10, 3-18.
- 3 McKinsey (2019) Traditional company, new businesses: the pairing that can ensure an incumbent's survival. McKinsey & Company, New York, pp 1–11

### Workshop 7.

#### Topic 10. Management of competences. Outsourcing and Outstaffing.



Case 3. To nowadays, the main requirements for the competencies of sales managers of Asana LLC were as follows:

1. Communication skills: benevolence, diplomacy, ability to persuade
2. Knowledge of product range
3. Knowledge of competitors, their advantages and disadvantages
4. Quick response to possible changes in the terms of contractual relations with clients
5. Decency and discipline
6. Clarity in order tracking
7. Knowledge of MS Excel

Each competency is rated on a 10-point scale. Under the terms of the enterprise, the minimum possible value is 7.

**Table 10 – The results of the assessment of the level of competences of employees**

	1	2	3	4	5	6	7	Average	Rank
Alex	7	9	10	9	9	9	8	8,71	B
Bob	8	9	10	9	9	9	8	8,86	B
Charlotte	10	10	8	9	9	9	8	9,00	B
Damiano	9	9	8	8	10	9	8	8,71	B
Eric	7	10	8	8	9	9	9	8,57	B
Frank	7	9	9	8	7	8	9	8,14	C
Georg	8	9	9	7	8	8	9	8,29	B
Iren	9	9	9	7	9	9	8	8,57	B
Jack	9	9	9	10	10	9	8	9,14	A
Konstantin	10	9	9	10	9	9	9	9,29	A
Larry	9	10	8	8	7	10	8	8,57	B
Mahmood	8	10	8	7	9	9	8	8,43	B

With the introduction of ERP, such skills as

6. Clarity in order tracking
7. Knowledge of MS Excel

become unnecessary because the tracking operations will be performed automatically and all information is uploaded to the database and not to MS Excel

Instead, competencies in the use of ERP and databases become essential.

After self-awareness of the information system and database, sales managers have shown the following competencies (table 11)

**Table 11 – The results of the self-assessment of the level of new competences of employees in using ERP**

	Self-assessment	Minimal score	Difference	Need for change in staff
Alex	9	7	2	no
Bob	8	7	1	no
Charlotte	6	7	-1	yes

Damiano	7	7	0	no
Eric	4	7	-3	yes
Frank	8	7	1	no
Georg	6	7	-1	yes
Iren	7	7	0	no
Jack	9	7	2	no
Konstantin	4	7	-3	yes
Larry	5	7	-2	yes
Mahmood	8	7	1	no

**Table 12 – The results of the assessment of the level of competences of employees after changes**

	1	2	3	4	5	6	Average	Rank
Alex	7	9	10	9	9	9	8,83	B
Bob	8	9	10	9	9	8	8,83	B
Charlotte	10	10	8	9	9	6	8,67	B
Damiano	9	9	8	8	10	7	8,50	B
Eric	7	10	8	8	9	4	7,67	C
Frank	7	9	9	8	7	8	8,00	B
Georg	8	9	9	7	8	6	7,83	B
Iren	9	9	9	7	9	7	8,33	B
Jack	9	9	9	10	10	9	9,33	A
Konstantin	10	9	9	10	9	4	8,50	B
Larry	9	10	8	8	7	5	7,83	B
Mahmood	8	10	8	7	9	8	8,33	B

*Questions for discussion*

Which of the employees should be promoted and who should be fired?

Do employees need additional training?

How will the final evaluation of managers change?

*Case 4 HARP*

Kharkiv Bearing Plant, a public limited company, has a major activity in the production of bearings, gears, mechanical gears and actuators. The main products of production of JSC "HARP":

- ball bearings (5 groups of series) used in agricultural machinery, automobile, mining, electrical industry, mining and metallurgical complex, general mechanical engineering;

- roller bearings (3 groups of types) belong to the wagon group and are used in the axles of freight and passenger cars.

Under the current market conditions, the management of the company sees one of the priority areas for the development of the roller bearing group. According to the last 3 years, the share of revenue from this product group is much higher than the share of production costs, ie it is more profitable. This is due to increased demand, new innovative developments and supply contracts for these bearings. With limited investment opportunities, the usual increase in the production of roller bearings while maintaining the production of ball bearings is difficult. A number of types of bearings

( NN 180205; bearing 80203; 256907) have low profitability, mainly due to the low prices of competitors. Obviously, it was concluded that the production of roller bearings **must be increased due to the reduction** of ball bearings.

But it is important for the company to retain its own brand and output. These products are cost effective and add value, so there is no point in abandoning them. Thus, the importance of the process is recognized at the **middle** level.

Indicators of the quality of these processes are shown in table 13:

**Table 13 – Characteristics of processes**

Indicator	Product		
	<b>180205</b>	<b>80203</b>	<b>256907</b>
Profitability, $X_1$ , %	10,74%	7,4%	7,84%
Selling price, $X_2$ , grn	14,70	17,70	94,88
COGS, $X_3$ , grn	13,12	16,39	87,04
Quality, $X_4$ , category.	2	2	2
Capacity, $X_5$ , items	1800000	900000	740000

The price of similar bearings from other manufacturers looks like following (Table 14)

Table 14 – Competitor’s prices

Manufacturer	Product		
	180205	80203	256907
SKF Ukraine	14,50	17,50	88,00
FAG-INA Germany	16,40	21,20	99,00
TIMKEN USA	13,50	16,80	91,20
Chinese manufacturers (summary score)	12-13	16-17	78-85

Obviously, the purely financial approach is more profitable to buy these products in China. Therefore, the process quality is **low** (based on price factor) compared to Chinese competitors.

So, company considered outsourcing to maintain ball bearing production, using "**custom production**" of the three most common types of bearings ( NN 180205; bearing 80203; 256907).

Additional costs include preparing the technical documentation and submitting it to the outsourcer.

#### *Questions for discussion*

- 1.How strategic importance of units was determined?
- 2.What CSF (critical success factors) were taken into account?

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## **Workshop 8**

### **Topic 11. Discussion "Why does culture eat strategy for breakfast?" Summing up.**

*Task 13.* What does "decency" mean for sales managers' work?

Give an examples of a decent and indecent behavior of a sales manager (up to four positions)

*Task 14.* What holacracy is and how it affect strategy?

(Use materials Why is Zappos' culture of holacracy catching on?

<https://www.nagarro.com/en/blog/why-is-zappos-culture-of-holacracy-catching-on->

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## ANNEX A

### Case "ASANA"

"Asana" LLC conducts its activities in the field of supplies and sales of packaging materials and equipment for packaging. The company is located in Kharkiv, Ukraine, the company has 160 employees, of which 90 are ordinary workers, the rest are engaged in sales, supply and administration of the company.

LLC "Asana" is located on the outskirts of Kharkiv, has its own plot of land, 5607 m<sup>2</sup>, on which the construction of the own factory began in 2015. To date, the construction and equipment of production and warehouse premises, a laboratory, as well as part of office premises for a group of technologists and a dispatching department (4,000 m<sup>2</sup> in total) have been completed. The rest of the company's office premises are still nearby and are used on the basis of renting.

The management structure of the enterprise consists of 12 top managers who report directly to the director. There are 27 middle-level managers and employees, 20 lower-level managers, and 100 technical operations workers.

The packaging produced by the company can be conventionally divided into two large groups: the production of packages and the production of laminates (flexible roll packaging). Also, a certain share of the company's activity is occupied by trade in technical equipment.

Packaging is used mostly for food products: coffee, tea, sauces, ice-cream, frozen products, spices, animal feed.

The company's work schedule is 2 shifts from 7 a.m. to 11 p.m.

Production processes and related equipment can be divided into the following groups:

1. Printing on film (8-color rotogravure machine)
2. Lamination (production of multilayer films) – 3 units of equipment
3. Cell for drying laminates
4. Production of packages - 11 package production lines
5. Auxiliary equipment for soldering valves, fittings, fasteners, etc
6. Auxiliary equipment for cutting and folding the film

The company's equipment is quite expensive, but the biggest one is the cost of the printing machine.

The staff of the production department is represented by specialists in debugging equipment, foremen, controllers-packers and dispatchers.

According to the technical documentation, the company's capacity allows for the production of up to 15 million packaged products per month under the conditions of 16 hours of operation per day. However, as of 2021, the average monthly volume was slightly more than 11 million conventional packages.

The "conventional" means that each order may differ significantly in the composition of the film (mono or multilayer, components of layers), size, printing and additional elements (fasteners, valves, fittings, etc.). The enterprise has more than 30 variants of laminates from 12 components (different types of monofilms).

Each project of the company is a joint work of employees and customers. Each package is a sample of creativity, otherwise it is quite difficult to present your product and your brand among competitors.

The main customers of the company are mainly organizations of the food industry. The company also exports products to 25 countries. The company's customers are enterprises of Ukraine and near abroad: Poland, Lithuania, Russia, Kazakhstan. For the past two years, the company has also been promoting its products in European countries: France, Spain, and Germany. Deliveries are made from Ukraine and China. Delivery of finished products is carried out by independent companies.

Analysis of the company's consumers allows us to identify the following groups (see table):

In recent years, the company has been working quite successfully. The growth of sales in the last 5 years is up to 14%.

The main suppliers of raw materials of the enterprise are: Ukraine, China, the Russian Federation, Poland, Switzerland. Supply of raw materials is carried out mainly by import. The volume of imports in the total volume of purchases reaches from 50 to 65% in recent years, that is, the enterprise is highly dependent on imports. Purchases of raw materials at the enterprise are usually ordered on the base of analysis of the previous year and the plans of the enterprise.

One of the problematic areas of the company is a significant amount of waste, which occurs primarily when setting up equipment for a certain type of product. Due to the diversity of the assortment, there are up to three such settings during a shift. The cost of waste is included in the total cost price, so it is not possible to calculate its quantity and dynamics separately. There is also the problem of defective products in the form of printing defects, creases on the laminate, ingress of foreign objects (dust), poor-quality soldering of additional elements, etc. At the enterprise, the control system has two levels. The lower one is a packaging controller, the higher one is a technical control laboratory, where finished products are tested.

The company does not use the services of trade agencies, as it has a sufficiently developed staff of highly professional specialists. The CRM information system on the "Bitrix-24" platform is used to organize sales. By the way, a distinctive feature of the company's personnel policy is investing in the development of its own employees and their professional qualities, their involvement in the interests of the company. The staff of managers is 12 people. Each of them has its own group of regular customers and is looking for new ones. Upon receipt of the order, the sales manager prepares a technical task with order parameters and passes it on to production. The technical task specifies the composition of the film, dimensions, print, additional elements, overlay, etc. The technical task is approved by the technologist, after which it goes to the dispatch department. The dispatch department checks the availability of raw materials for the production of this batch. If the raw material is in stock, the dispatcher puts the order in the queue. If there are no materials in the warehouse, the dispatcher informs the purchasing department about the need for an "emergency" purchase. All order movements are displayed in the 1C system, but employees, as a rule, simply notify each other of the decision by phone.

Intermediaries of the enterprise are mainly transport companies that provide services for the transportation of cargo: raw materials, or finished products: "Nova poshta", "Autolux", "Delivery".

Among the segments of the food market, the most profitable are "Coffee, tea", "Tobacco", "Fish, seafood", "Cosmetics, chemistry", "Groceries", Cottage cheese.

The segments of the food market "Ice Cream", "Fish", "Curd, cheese" show the highest rates of growth.

The competitive position on the Ukrainian market is as follows. PJSC "Ukrplastik" has been out of competition in the field of packaging for many years. This oldest enterprise, founded in 1927, has a closed production cycle - from polyethylene granules to paints applied to bags. The company specializes in the production of materials for packaging tobacco, cosmetics and the pharmaceutical industry. The market share of this enterprise is 34%, the share of "Asana" LLC in the Ukrainian polymer packaging market is approximately 12%. Other competitors (about 10 participants) either have relatively small market shares or specialize in the production of a certain type of product: for example, only roll film, or only cigarette packaging, or only color printing.

The main competitive advantage of the company is the provision of solutions to customers' complex technical problems and the ability to fulfill complex and diverse orders.

Key resources of the Company -. Material (raw materials and technical capabilities), human (attention to the client and quality of service), financial (possibility of providing other resources).

Taking into account certain financial limitations of the Company related to investment in the construction of a new factory, the basic strategy assumes limited growth with the development of the Ukrainian market and gradual deepening into European markets.

Table A1 – Characteristics of the main structural units

Name of division	The main functions	Head of unit	Subordination
Commercial Department	Organization of enterprise interaction with the external environment	Commercial Director	CEO
Sales Department	Searching for orders, concluding contracts, tracking the fulfillment of obligations by the customer	Head of sales department	Commercial Director
Purchasing Department	Searching for suppliers, concluding contracts to monitor the fulfillment of obligations by the supplier	Head of Purchasing Department	Commercial Director
Warehouse	Reception and storage of raw materials, finished products	Head of the warehouse	Commercial Director
Transportation Department	Organization of transportation of raw materials, and other goods and materials	Head of Transport Department	Commercial Director
Marketing and Advertising Department	Market research, marketing communications	Head of Marketing and Advertising Department	Commercial Director
Manufacturing Department	Execution of orders	Technical director	CEO
Installation Department	Execution of installation works	Head of Department	Technical director
Reconstruction Department	Execution of repair and interior works	Head of Department	Technical director
R&D Department	Development of project, engineering and other documentation	Deputy Quality Director	CEO



The end of the Table A1

Name of division	The main functions	Head of unit	Subordination
Technological Department	Conducting research, development of technological documentation	Chief Technologist	Deputy Quality Director
Development Department	Development of project, engineering documentation	Chief constructor	Deputy Quality Director
Technical control department	Conducting research, testing, quality control	Head of Department	Deputy Quality Director
Information Management Department	Monitoring of normative technological documentation, formation and storage of documented information	Head of Department	Deputy Quality Director
Financial Department	Financial planning, accounting and financial transactions	Chief Financial Officer	CEO
Planning and Economic Department	Financial planning	Head of Planning and Economic Department	Chief Financial Officer
Accounting	Accounting and conducting transactions	Chief Accountant	Chief Financial Officer
Legal Department	Monitoring of regulatory documentation, legal support of the enterprise	Head of Legal Department	CEO
Human Resources Department	Personnel accounting, selection, adaptation, training, professional development, organization of corporate events	Head of HR Department	CEO
Administrative and economic department	Administrative and economic support	Deputy General Affairs Director	CEO

Table A2 – Characteristics of the Company's customers

Group	A	B	E
Customer characteristic	Ukrainian consumer of rolled and packaged products, exporter of finished product	Ukrainian companies developing in the domestic market, with small circulation	Exporter or foreign customer
Product characteristic	Complex multicolored product, complex materials, large orders, large editions, large volumes	Packages in small and medium editions	Complex multicolored product, complex materials, complex orders
The main need	Complex technical solutions	Small editions	Compliance with deadlines, certification, quality
Competitive advantage	Decision	Assortment, expertise, possibility of return	The price is lower than in Europe

The end of the table A2

Group	A	B	E
Customer benefits for the Company	Large runs	Relatively high profitability	Relatively high profitability
Disadvantages of the client for the company	Relatively low profitability	Small runs make rototyping unprofitable	High requirements for quality and safety. Inability to verify return in case of customer claim

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