

A THEORETICAL EXPERIMENT IN ORGANIZATIONAL TRANSFORMATION: IMPLEMENTING THE CHANGE AT POLYPROD'S M&DDIV

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Change management is one of the main organizational processes influencing the success of any organization in the marketplace. Assessing the factors that might be directly responsible for a successfully implemented change management process should represent a continuous managerial concern. The main purpose of initiating the change management process at organizational level is reducing the potential gap between what the organization does and what should do according to the realities from the marketplace. The change management is a continuous re-adjustment of organizational capabilities in the business environment. Polyprod is a potential organization that failed to re-adjust its organizational capabilities. It is a multinational organization confronted with a fussy climate dominated by functional hierarchy and cross-functional tensions. The organizational culture at Polyprod hindered better adding value processes. The following analysis addresses both the present state of Polyprod as organization and the factors that might improve organizational competitiveness through a potential change management process.

Introduction

In this paper we shall propose a new type of social change approach in the field of organizational studies. Our purpose is not to study the organization but to find out a method appropriate for the implementation of a changing plan so that to get finally a sustainable change within that organization. To attain such a goal, you have to handle a huge amount of data. Dealing with information at the organizational level means abilities to keep up with increasing data complexity. That is why the information management or the ability of keep up with the burgeoning quantity of data has become a critical factor for high-technology companies.

These are not confronted only with high technology and complex information systems but with special organizational structure, trained people and organizational interconnectivity.

The way that senior management, the employees deal with this structure and interconnectivity within the organization and environment is essential in gaining competitive advantage in the market.

The pace of technological change coupled with pressures from a competitive environment (competitors, consumers, regulations) could be overwhelming that the companies cannot afford to waste time re-inventing methodologies or re-justifying costly-errors-even injuries-can result.

That is why the organizational culture and climate should allow appropriate operating procedures.

Otherwise, a serious gap between what actually the organization should do and what, in reality, does could induce higher costs and decreased market share.

PolyProd is a relevant example of failing to improve current information management practices.

There is a need for initiating the change in the manufacturing and distribution division of PolyProd (M&Ddiv) due to the risk of occurring the gap above mentioned. This initiative will involve change and project management techniques traditional in large engineering firms.

A planned change should be emphasized within obtaining the authority, resource allocation and monitoring the progress.

From the very beginning we posit that several stages should be followed in implementing the change as following:

- A. Choosing the approach to change*
- B. Favoring a climate and culture for sustainable change*
- C. Planning the change*

A. Choosing the approach to change

Leavitt's Four Interacting Organizational Variables

Dealing with change in an appropriate manner should address at least four interacting variables¹ as following:

- a. Task*
- b. Technology*
- c. People (actors)*
- d. Structure*

PolyProd could be viewed as a multivariate system with all these four interacting variables as potential "entry points" for any change action.

- a. Task.* The company's business strategy is focusing on those processes performed by the headquarters site like:
 - Designing products and
 - Manufacturing methodologieswith transferring the maturing manufacturing processes offshore.
- b. Technology.* It is, mainly, the documentation system that consists of a number of components:
 - An electronic "vault"
 - The computer systems and networks that allow access to the "vault"
 - The documents themselves

¹ Harold J. Leavitt – Applied Organization Change in Industry: Structural, Technical and Human Approaches, in W.W. Cooper, H. J. Leavitt and M.W. Shelly, II (eds.), New Perspectives in Organizational Research, Wiley, 1964, pp. 55-71

- The protocols for routing and approving revisions.
- c. **People (actors)**. They are an important component of technology. Changing the technology could not be accomplished when the people who interact with technological components are resisting changing.
- d. **Structure** like:
 - **Communication** that is shaped by the nature of technology and the organizational structure (M&Ddiv has five locations around the world).
 - **System of authority**. It is based on the organizational relationship between headquarters and local sites. When the authority is rather perceived as obstructionist for some of the tasks performed by lower organizational levels, then, the system itself is damaging the organizational goals in relation with external environment.

The way that the managing change is implemented at each of these “*entry points*” is a critical issue that should be properly addressed.

The key to efficient change management is the ability to read not only the environmental signals but also the internal organizational signals.

These variables are so-called “*triggers*”² for implementing change. The “triggers” are not isolated because the organization is not static but a dynamic system.

More than this, the “change may be directed at any “entry point” and have a resulting, possibly predictable, knock-on effect elsewhere.”³

Consequently, implementing change would induce a “*shock wave*” reverberating throughout the organization, as Leavitt identified.⁴

What variables would reverberate more than others? Once the “entry points” have been established, where the “shock wave” will reverberate more within the organization?

Is there any possibility of finding out with certainty the amplitude of change effects?

The answer is that when facing the organizational transformation, the organization itself is far from certainty.

The members of an organization “are not able to make connections between cause and effect and, therefore, they cannot predict the outcome of their actions over the long term.”⁵ The change process is influenced by uncertainty. This could be related to inefficient past experience in managing change within the organization or unstable external environment.

² Robert A. Paton, James McCalman – Change Management

³ Ibid. p. 30

⁴ Ibid.

⁵ Ralph D. Stacey – Strategic Management & Organizational Dynamics, 2nd ed., p. 26

That is why the implementation process of organizational change should assure that those uncertain factors could be properly managed.

One way of reducing uncertainty is making a more smoothly, productive interaction between corporate departments and functions by promoting a “*business process orientation*” (BPO).

The Business Process Orientation (BPO)

Michael Hammer coined this term (BPO) to address the issue of a “customer-focused strategic-business-based organization focused on a process-oriented way and using information technology as a key enabler.”⁶ He is using the concept of “re-engineering as a strategy to overcome the problematic of cross-functional activity.”⁷

The “*business process culture*” of a high-tech company like PolyProd should be a “cross-functional, customer-oriented along with process and system thinking.”⁸

This orientation is changing the hierarchical approach within the organization in a multitude of processes. The system of authority is not any longer a functional hierarchy but processes with emphasis on outcome and customer satisfaction.

Once the “triggers” that could bring on the change and the orientation of change have been established, then, the key players of change process should be aware of the difficulties in accepting the change at the human resource level.

Creating a Better Cross-functional Communication through Simulation

Running a simulation of an improved documentation system could really help the process of implementing change at Polyprod. Its aim is to show participants how effective their decisions really are.⁹

One important pre-requisite is to relate the simulation content to the real business process.

Using a simulation of a real situation could help participants in having a better understanding of their status in the organization, improving cross-functional communication between headquarter and local sites at PolyProd. The status is not relating only to the participants’ job requirements but to their specific role or place in the business situation especially when the processes are business oriented.

⁶ Kevin McCormack – Business Process Orientation – What Is It and How Do You Know You Have It?,

⁷ Ibid.

⁸ Ibid.

⁹ Dory Bertche, Christopher Crawford, Stephen E. Macadam – Is Simulation Better than Experience? in The McKinsey Quarterly 1996 Part I, p. 54

B. Favoring a climate and culture for sustainable change

PolyProd “feels” unproductive with friction between headquarters and the other locations. The management and employees at the sites generally are dissatisfied with what they feel as a patronizing and demanding attitude. The organizational policies are regarded as being unilaterally sent out by the headquarters. Headquarters staff, in turn, resent the fierce and individualism of the other locations.

This friction is inducing tensions at the organizational level and is, actually, shaping the climate of PolyProd.

To change this tensionate climate into a productive and innovative one should require new practices like changing the functional hierarchy with an operational one, emphasizing the importance of delivering better added value to the customer (business process orientation).

Thus, the cross-functional tensions would be re-directed towards what really matters for everybody within the organization. That is profitability and customer satisfaction.

Climate is closely related to culture. The dissatisfaction perceived by the employees and managers at the sites influences “their interpretation of organizational policies, practices, and procedures (climate).”¹⁰

“The sustainable organizational change is assured when both the climate – what the organization’s members experience – and the culture – what members believe the organization values – change.”¹¹

Any past attempt to impose change has led to failure. It proved that any change could not be accomplished unless there is a suitable organizational experience and a favoring culture.

Explained past change failure could be related to headquarters’ own internal issues. There is a long tradition of conservatism and hardened reluctance to change, fact that could be the biggest obstacle for initiating the change.

Besides that, the organizational climate has rapidly grown following the organizational transformation from a small, independent factory into the hub of a global business.

A discontinuity in its own cultural history has been reported with rapid hiring and promotion, insufficient mentoring, heavy outsourcing and downsizing of certain competencies and extensive use of a temporary workforce in non-engineering areas. All these so-called organizational practices and policies could have produced a cultural dissolution with impact on organizational homogeneity.

¹⁰ Benjamin Schneider, Arthur P. Brief, Richard A. Guzzo – Creating a Climate and Culture for Sustainable Organizational Change, Spring 1996, p. 9

¹¹ Ibid. p. 9

All those four *interacting organizational variables* (Leavitt) have been rather disconnected within the organizational context.

- a. *The People (actors)*. The nature of interpersonal relationships is less cooperative and less competitive because of a certain degree of frustration between headquarters and local sites.
- b. *The Structure*. The managers and employees perceive the decisions as dissatisfiers. On the other hand, the headquarters perceive, sometimes, unnecessary individualism of the other locations. This could be a feedback reaction of the decision made by senior managers.
- c. *The Task* could not be properly performed due to the discontinuity perceived in the cultural history.
- d. *The Technology*. The quality is everything at this level. That is why the control of a high-volume manufacturing process can arise more difficulties especially when it hinges on a huge quantity of documentation.

It is obviously that these so-called “triggers” are not ready for implementing the change.

Better said, choosing now to implement the change would induce “shock waves” that will reverberate throughout the organization at higher levels of uncertainty.

Thus, the probability of a failure in trying to transform the organization is now bigger.

Further improvement of the variables should be carried on in order to make change successfully.

All these variables form the organizational climate. The culture can be changed focusing on climate.¹²

Further directions should be followed in order to enable the climate and culture to accept the transformation, as following:

- *Localizing the problems*
- *Planning the change.*

Where Could Problem Be?

Is there a single problem or a multitude of problems? Some of the problems have been already identified as related to the variables (Leavitt’s four variables).

The organizational structure is not only a hierarchy between headquarters and local sites but also a network of inter-related departments that are both consumer and producer of documentation. Better said, the departments are both inputs and outputs into the documentation system.

¹² Ibid. p. 12

Any organizational dysfunction would affect, finally, the documentation system or any fault in the documentation system would affect, finally, the organization.

There is a widespread dissatisfaction with the documentation system in the design departments at headquarters, fact that would reverberate throughout the entire organizational structure.

Actually, a fault in the system reported in a particular department would affect other departments that are completely interdependent with the first one.

It happened in reality. A dissatisfaction reported at the design department was not a singular experience. Thus, the quality department is distressed by some delays. Technical writers are unhappy with the general usability. The last ones get little co-operation from the subject matter experts and reviewers they rely on for information.

It is not only a matter of system interdependency but inadequate personal workloads that could explain some organizational problems.

Hiring temporary staff for managing increasing documentation requirements would provoke a hemorrhage of accumulated experience that, otherwise, would have been really necessary within the business. The temporary staff will take everything they learned with them when their contracts end.

There are a number of interrelated causes producing M&Ddiv's documentation problems. Senior management has tried to improve documentation quality in the past. The effort was implemented partially and the project lost momentum after some early successes. Anyway, a documentation-related task was rather perceived as a distraction from the "real work". That means the climate was not responding properly to change. It was an example of initiating the change without an organizational climate support. The project failed because the social and technical aspects of work were not, probably, sufficiently integrated. There is a socio-technical philosophy arguing that an "effective change is a product of integrating the social and technical aspects of work."¹³

The lack of co-ordination among the sites combined with exacerbated workloads, the workforce temporarily used and the tensions reported between headquarters and local sites contributed to an inadequate climate to change.

The lack of integration is not limited only to the relation among different local sites but there are also internal integration problems within each location. The responsibility falls within several organizations.

Consequently, there is a risk of disruption and time delays when decisions are to be made.

More than this, a fragmented responsibility is not matching the integrated configuration of the documentation system.

¹³ Ibid. p. 14

On the human resources' side, there is a lack of training or experience in the field of documentation. There are no rewards for communicating or collaborating, and the groups frequently develop similar or conflicting solutions to what turn out to be common problems.

There is, actually, a chain of weaknesses as part of the workforce is not properly trained, then, day-to-day operation also is less than optimal. As a result of this, the quality of the processes controlled by the employees is affected. There is a lack of rewards.

Consequently, the employees believe that the management is not, actually, valuing their works. The lack of a rewarding system could induce a lack of linkage between culture and climate.

Thus, a rewarding system could be regarded as a link between climate and culture. The "rewards (*climate*) make people believe that management values quality (*culture*)."¹⁴

There is also a lack of communication and sharing problems and frustrations at the organizational level, among different locations and departments. Generally, each of the problems and frustrations outlined above is restricted to the departments immediately affected. That means the climate is not favoring a culture of communication and problem solving. The problems reported by some departments could not be visible to upper management. This uncooperative climate induces an individualistic approach: most people were aware only of their own difficulties with the documentation. The overall sense of shared pain in the organization was very low. On the other hand, upper management was completely unaware of the magnitude, frequency, and very real cost of the problems. The proposed solution for improving the business processes is, anyway, focused on local aspects of the problems. There is no attempt for a larger-scale solution.

That is why there is a need for a planned organizational change that would generate larger-scale solution.

C. Planning the change

It is obvious that a potential organizational change will improve performance if technological and social changes are integrated.

Anyway, the problem emphasized earlier is a complex one, with needs of change both at technical and organizational level.

Firstly, the process of managing change should be regarded as problem solving, once the problem finding has been discussed earlier.

Secondly, using the word "problem" could have connotations that people would try to avoid. More than this, using the word "problem" would arise

¹⁴ Ibid. p. 11

difficulties in dealing with the psychological aspect of the issue. Generally, people try to avoid this word because a problem is seen as a bad situation. It is like saying that someone should be punished for what has, actually, generated the problem. That is why using the word “opportunity” would be more appropriate.

Besides that, the organization itself could face threats from the external environment (competitors, customers and regulations).

It is clear that the change should be carried on at all organizational levels from senior management to the lowest organizational level with a focus on business processes in relation with the external environment.

Stages in Change Implementation

1. Committing an Active Participation of Leadership. Pursuing a Training Program at the Upper Management Level

The change needs a champion. The more powerful the champion is, the more likely the change would succeed.¹⁵ Stewart Jones is the M&D div executive that is most likely to be the potential sponsor of the project. He should plan and manage the change with departments’ directors. It is necessary that the new team should follow a training period in order to understand and improve their culture. The training program should be focused on the importance of re-designing the business processes. Emphasizing the importance of business process orientation and its relationship with the necessity of improving cross-functional interaction would generate a new cultural awareness. The concept of “interoperability across the value chain”¹⁶ should lay the foundation of the new cultural approach. Thus, the focus on finding solution strictly related to a department’s own processes should be changed with a new vision focused on business process orientation (BPO). That means the new vision should be outcome-oriented.

The training period should not stop at the upper management level. Assuming that a new outcome-oriented culture will be successfully implemented at this level, the team should be responsible with communicating the new cultural pattern to the lower organizational levels. The team would be the “change implementor”¹⁷. So, they should communicate the change to the “change recipients”¹⁸. They are the largest group including those who must adopt and adapt to the change.¹⁹

¹⁵ *Organizational Change: Managing the Human Side*, an American Productivity & Quality Center White Paper based on findings from APQC's 1997 *Organizational Change consortium benchmarking study*, 1999

¹⁶ Kevin McCormack apud Michael Porter

¹⁷ Todd Jick, *Implementing Change*, Harvard Business School Case N9-491-114, 1991

¹⁸ *Ibid.*

¹⁹ *Ibid.*

2. Culture Change through Simulation Process. It Is the Time for Signaling Down Throughout the Organization

The “change implementers” should spread the change signals by using the simulation as a way of preparing the way in which every individual within the organization is prepared for change. It is a process fundamentally based on a continuous feedback received from participants. Both of the “change implementers” and “change recipients” would take the role of planner, operation manager and engineer manager “deciding how to allocate resources and what kind and quality of maintenance activities should be performed.”²⁰

Therefore, both of the upper management and lower staff levels would be involved in a cooperative process of taking and sharing the right decisions for improving the business processes.

The simulation would take place throughout the entire network of documentation system, respecting the structure of the engineering-intense environment in M&Ddiv.

The technological design of the simulation program should include and communicate all those aspects considered to be essential in the change process as following:

- *Cross-functional communication,*
- *Customer-oriented function,*
- *Improved technological parameters for a better documentation system,*
- *A certain degree of autonomy in decision making strictly related to the business process orientation.*

Running the simulation could overcome those barriers to learning and inter-departmental communication. The participants are expected to make decisions according to the technical parameters and quality requirements.

Hopefully, they will visualize better the entire technological system.

More than this, a better communication would arise among participants as well as a sense of participation to the principal decision-making process.

The simulation process should not be regarded as a single change agent. A better performance appraisal system, a performance management system and compensation system should bring on the appropriate change to the corporate structure and would boost the work motivation of the employees.

The simulation process combined with a better appraisal and rewarding system should assure the four-pillars of a successful change process as following:

- “Formal education and training,
- Formal and informal communication,
- Changes to the corporate structure (especially to the human resources systems),

²⁰ Dory Bertche, Christopher Crawford, Stephen E. Macadam, op. cit. p. 54

- Financial incentives.”²¹

Finally, the lack of consensus on the need for standardizing would be minimized.

At this stage of the change process, a better top-down communication would be implemented.

The success of the change implementation would rely on the commitment of upper management and the real participation of lower staff.

The techniques used for enabling change (the simulation process, a new appraisal and rewarding system) combined with the direction used for change (business process orientation) could assure a successful implementation of the planned change.

3. Monitoring the Change Process

Assuming that the planned change would be successfully, the change process should not be stopped. This process is a dynamic one with risks that could affect the outcomes.

Larger and more complex the organizational architecture, bigger the potential risks could be.

PolyProd is an organization with a worldwide architecture. It is difficult to manage such a wide and diversified structure, especially when a planned organizational change is in place. There are many branches spread over different geographical markets with various impacts from different and, sometimes, “unfriendly” national regulations (e.g. fiscal policies).

For instance, the cost of implementing change could be too high, affecting a cost target of a particular branch. The simulation itself could be costly. Implementing a new attractive rewarding system and initiating a system of financial incentives for management could increase the cost.

That is why the financial cost of the change process should be carefully designed and monitored.

There might be some people arguing that the change is too costly. That is why the emphasis should be on improving productivity that would be generated as the main outcome of the change.

On the other hand, the change process would take a longer time and higher costs. A judicious plan with stages, specific periods and costs should be put in place.

The Role of Project Manager in Implementing the Change at M&D Div

The role of the project manager could be explained within the four “golden rules of the change agent”²² as following:

²¹ *Organizational Change: Managing the Human Side*, an American Productivity & Quality Center White Paper

²² Robert A. Paton, James McCalman, op. cit. p. 190

1. *“The nature of the relationship” between project manager (the change agent) and the “system needing help”²³ (the organization). R. Paton and J. McCalman argue that there is a voluntary link between two parties.²⁴*
2. *The change agent should solve a current or potential problem.²⁵ Here comes the role of senior management that should recognize a potential opportunity for change really exists. More than this, the change agent should provide an expertise based on some previous experiences and information collected at the organization.*
3. *The role of the project manager is a temporary one.²⁶*
4. *The change agent should not be part of the organizational hierarchy.²⁷*

The project manager should be objective in relation to the change process.

The project manager should be the initiator of the change process. That means activating the leadership role and monitoring the training program at the upper management level.

The project manager is the change strategist. He should identify “the early work, creating a vision of the desired outcome, deciding what change is feasible, choosing who should sponsor and defend it.”²⁸

His work could be focused at the upper management structure because the leader of the organization should pursue the change implementation.

The senior management could be powerless to force change at the beginning of the change process. That is why the project manager should activate their leadership role.

Once the leadership role has been activated, the role of the project manager could be to monitor the implementation process.

The upper management and key players at the local sites (directors or supervisors) should play the principal role in the implementation process.

Project Management requires a comprehensive process of understanding, controlling and managing the following aspects related to change process: Scope, Time, Cost, Quality, Human Resources, Communication, Risk.

Conclusion

The process of change implementation could be more difficult to accomplish in larger organizations where technology plays an important role.

The level of uncertainty is greater because a potential failure of change could generate huge costs related to technology, different geographical locations of organizational departments.

²³ Ibid. p. 190

²⁴ Ibid. p. 190

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Todd Jick, op. cit.

Some techniques used for change implementation could be expensive and, consequently, could induce opposition from senior management.

The organization could be confronted with financial constraints. So, any further cost increasing (due to expensive change techniques) could face difficulties.

That is why the project manager plays an important role in convincing the senior management that the change will have a noticeable impact on productivity and the overall business performance.

Therefore, the project manager should emphasize the benefits of the planned change.

Then, these benefits would compensate the costs of change process. Moreover, the benefits should have a huge demonstrable impact on the overall business performance.

“Return on capital employed” is a well-known financial indicator measuring the profitability of the capital paid by shareholders for having a future expected return (dividend). It is like saying that the change would produce a return on effort employed (cost paid for change implementation) greater than the cost paid for the same effort.

The project of the organizational change is expected to have a financial impact that would not only compensate the costs occurred in the process of implementation but to leveraging the initial financial performance of the business.

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