

Overview of Change

Applying Organisational Change Models:

We talk about Organizational Change in the context of Planned Change:

1. Why do we need this change?

External Forces	Internal Forces
Socio-cultural factors: Tastes, life expectancy, family size, etc.	Problems with employee performance
Technological factors: Digital technology, level of R&D efforts	Problems with internal processes (decision making, operational efficiency and cumbersome procedures)
Economic Factors: GNP, inflation, exchange rates	New Management
Political and legal factors: Laws, safety standards, labor practices	New Strategies, objectives, products, markets
	Fads and fashions

2. What is the change required?

The things to change:

- | | |
|--------------|------------------|
| 1. Power | 4. Strategy |
| 2. Culture | 5. Technology |
| 3. Structure | 6. Communication |

In either:

Evolutionary Change	Revolutionary Change
Evolution (gradual growth)	Revolution
Stays relatively stable	Seek new equilibrium
Change individual parts or processes or departments	Transformational entirety
Makes the most of existing structure and management (maintains company framework)	Create new structure and management (overhaul)
Incrementally change existing production technology	Adapt radically new production technology
Improve existing products	Introduce path breaking new products

These can be either planned, or unplanned changes (reactionary or active)

3. Who is the change agent?

The change agent will require:

- The right knowledge (understanding of the business)
- The right skills (how skilled is the person in question in managing change?)
- The right attitude (how comfortable are you with change? Need to develop passion for it, or at least openly agree with it)

4. How will the change be implemented?

Change is either:

One-off	Change is ongoing
Unfreeze	Unfreeze
Change	Change
Refreeze	

Both involve **dealing with resistance** (unfreezing)

-The two criteria suggested in evaluating resistance to change are:

- Level of dissatisfaction with the current situation (willingness to change the status quo)
- Perceived Personal Risk from Change

Difficulties in implementing change:

- People can make it difficult (people voice their dissatisfaction with change)
- Processes can make it difficult (Bureaucratic features support stability, harder to change)
- Culture can make it difficult (cultures tend to 'normalise', meaning it is hard to change perspective)

Techniques dealing with change:

- Education and communication
- Participation: making employees feel part of the change
- Coercion (forcing)
- Realigning staff portfolios (change staff)

Process: (Emulating Unfreeze, change, refreeze):



Note, to ensure 'refreezing',

- Ensure there is no way back
- Show the employees that the change is real
- Rites of passage (new, formal rituals to enforce change)
- Socializing (encourage, actively, the changes)

Organisational Fitness Profiling:

There are six silent killers that may affect the implementation of new strategies:

- Management style too top-down or laissez-faire
- Unclear strategy and conflicting priorities
- Ineffective team at senior levels
- Poor vertical communication
- Poor co-ordination across functions and units
- Inadequate skills at lower level

Change in Enron

Why do we need this change?

Enron, in itself, was a highly authoritarian firm. While this is generally fine in itself, with the firm being an 'exemplary company' as an example for the 'best practice', it is highly alarming that such a large firm collapsed quickly. The change was required to correct the firm's actions and policies before it degenerated into the financial disaster that occurred. While both Lay and Skilling embraced the need to be more 'nimble, more flexible, more innovative or else', as a firm embracing change, they did not change the right things, instead focusing on the technological side of things in order to drive profits from an external perspective.

There were issues with employee performance, their behavior and their ethics. Internally, there were large uncertainties between members of the firm as a lot of people '*did* privately question whether or not there was still a rosy future'. Questions were everywhere, with the brief, social conversation after an unconvincing announcement noting the high level of tension between employees as Gary snipes 'It's okay for you. You're one of the safe ones' and Amy notes that 'there have been some very strange things going on in Finance'. The communication of the code of conduct also revealed the trivialization of morality and ethics within the firm, as the only value explored in depth and at length was Excellence, much more so than respect, integrity and communication reflecting the toxic atmosphere within the firm. These internal factors impacted upon both the legal side of the business, with highly unethical behavior prompting a change in legal regulations, as well as the economic side of the firm obviously suffering as the firm collapsed. Thus, changes needed to occur lest the firm, as it did, collapsed from mismanagement.

What is the change required:

As opposed to the technological change suggested by Lay and Skilling to keep Enron ahead of the rest of its competitors, the change required was one of Power and Communication. With the top-down approach leaving no one to oppose the control of the higher-ups, and the 'rank and yank' strategy undermining employees and their ability to communicate problems with the staff, a large cultural shift was also required to prevent the firm going under.

The culture of the firm was incredibly disjointed and led to unrest at the firm, with employees being unable to voice their concerns and Amy sarcastically 'rolling her eyes' and commenting 'I'm going to challenge the CEO! Little ole' me?', leading to a highly toxic atmosphere. Indeed, with the power of managers to fire anyone at whim (effectively, all management had to do is assess problematic employees as C's), there was no accountability at the firm.

The actual change required was to clear the communication channels, in order for all levels of management to be subject to scrutiny and criticism and for the firm to restructure itself, getting back on track in terms of ethics and even profitability. This is clearly an issue as the firm was suspected of manipulating energy prices in California – indeed, the firm unethically initiated 'rolling blackouts' when blamed for California's power shortage which is a clear abuse of their position of market leadership. Jayne, Lay's personal assistant, 'left the tea room totally exasperated', from the inability to clear up misunderstandings from a lack of communication and a lack of understanding of the messages put forth. The largest corporate scandal in history stemmed from the system which aligned performance with reward, but no system to check the authenticity of the performance itself – that is, there was no control system that contained the corruption that did occur.

The change required in this case is an active, revolutionary one, as the natural and evolutionary change of the firm had resulted in a dysfunctional culture. A large rapid, change was needed in both

hiring practices, the interaction between management and staff, and incentive structures to reassure employees that changes were being made and that Enron could stabilize itself, as well as actually stabilizing Enron by increasing the level of transparency in management people are accountable. Due to the pressing issues of the business, this has to be done quickly and rapidly.

Who is the change agent?

The change agent needs to have several key competencies. They need the right knowledge and to understand the business, they need the skills to push through the change required, and they need to possess the right attitude towards change or the communication of change to employees and management will be unpersuasive, lacking focus and enthusiasm.

For an authoritarian firm such as Enron, the change has to come from top-level management to ensure the greatest possibility of success. Indeed, the system of 'rank and yank' is one which harshly evaluates employees – if the criticism of the system and need for change emerged from those not in a position to judge, they would simply be fired.

While someone such as Kenneth Lay would possess the right position, and seemingly the right skills being a proficient presenter and having been in charge of the firm for an extended period of time (and thus developed an image that is strong and reliable), this has been eroded by the time Skilling's resignation occurred and Lay presented his plan moving forward. Additionally, his core values of entrepreneurship and passion, as evidenced by his constant changes in business strategy and acquisitions, make his attitude towards the changes needed – a change largely rooted in shifting morality, inadequate. Indeed, Ken ignored Watkin's memo that a 'wave of accounting scandals was about to implode', further reinforcing inadequacy in getting the firm back into an accountable state.

In order to combat the probable of ethics, the firm should hire a change agent and CEO from the outside – outside of the culture of 'blue shirts' and 'metrics', that is firm in the notion of corporate responsibility. The candidate would need to have the right skills in managing the firm – that is, they would need to have worked for a similarly-sized company in the Fortune500, as well as a strong, resilient personality that is able to carry the revolution required. With regards to the right knowledge and understanding of the firm, they should be from a technological background, and on the younger side of executives – in order to survive and understand the culture of the firm (albeit it is the culture needed to be changed), they need to fit in and be accepted first.

How will the change be implemented?

In considering the implementation of the revolutionary-style change required, the change will have to be implemented in two stages – reducing opposition and uncertainty in regards to the direction the firm is heading in (unfreezing), and then implementing and enforcing a more stringent culture in which ethics is more highly regarded and that business is conducted in a relatively transparent matter, without the threats and fears of job loss or ridicule that is evident in Enron employees in the small, secret discussion between Gary, Jayne, Robert and Amy.

From their conversation, the employees can clearly be identified as dissatisfied, with Skilling's resignation along with rumours of bankruptcy undermining their confidence in their own job security and in Ken's statements. Even though the various types of employees in the job would be treated differently – Jayne was called one of the 'safe ones', they all detest the current secrecy and would not particularly feel threatened by the change. However, it is a different story for management – the change of a code of ethics could result in a lot of scandalous practices being unveiled, and the loss of jobs. The processes and culture of the business make the change difficult – not only are the processes of accounting innovative and creative, and therefore resistant to stringent regulation, but

also the culture thrives on being independent and being better than the next person. A code of conduct would restrict their ability and confuse the boundaries of which employees were allowed to operate in.

In order to convince employees to change their behaviours, there needs to be a reeducation of ethics and acceptable business practices – this is difficult, given that the candidates that apply to Enron are of the highest quality in terms of intellectual business. The change agent will need to be extremely firm, with realignments of staff portfolios all around the upper management which they cannot refute or challenge, in order to get control of the firms practices. By having everyone change portfolios (while remaining on their prior business engagements), the change agent can then initiate new sets of processes of how to conduct business without excessive conflict or agency – people are not working on their former portfolios so they do not have a reason to resist the changes in processes any longer. The change process will be completed when, after relearning the processes, the firm recovers and there is no way back – in order for this to happen, the change agent will need to ensure that the roles between upper management are not flexibly interchangeable. Only then can the processes be fixed and the culture changed, with hiring practices amongst the portfolios mentioned, being changed, to give rise to a new Enron.

Organisational Fitness Profiling:

Relevant Silent Killers:

- Management style too top-down or laissez-faire
- Unclear strategy and conflicting priorities
- Ineffective team at senior levels
- Poor vertical communication