

Managing strategic change at the hmv group essay



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Managing Strategic Change At The HMV Group | 1. Introduction HMV Group announced a three year strategic and operational review in March 2007. The primary purpose of this dissertation is to analyse the methods used to manage this strategic change and to discuss alternatives. The secondary focus is to assess the decision to change. At a time of change, much focus is placed upon developing strategy and not enough on the implementation and management side. It is possible that a ' perfect strategy' for a situation is wasted by poor implementation.

A specific strategy can be developed over night, however; successful strategy implementation is a much longer process. In order to analyse HMV Group's change management efforts, it is crucial to understand the company in detail. The prescription for change depends on the diagnosis. The type of change required depends on the nature of the business in its particular context. HMV Group plc consists of HMV; the UK's largest high street entertainment specialist, and Waterstone's; the UK's largest high street bookseller (BMI, 2007).

The recent increase in sales of digital products and online digital media shows a paradigm shift in the consumer use of media. HMV Group has admitted that it has not responded quickly enough to the market structure change. In March 2007, HMV group announced a three year agenda to transform HMV and Waterstone's led by group CEO Simon Fox (HMV Group, 2008). Proposed Changes Over three years (2006/2007 – 2009/2010) HMV plan to: 1. Protect and revitalise the core business – A new HMV store layout offering internet access, digital delivery media purchase, pay-per-play gaming centres and 3 network concessions increasing footfall.

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Waterstone's will do more to grow its share of the children's book market and launch an innovative loyalty scheme for customers. 2. Grow revenue from new channels – Invest online; in its website and in a new social networking site aimed at uniting people with the same interests in music/film. 3. Drive cost efficiency – Restructure cost base, streamline the supply chains using cross-dock consolidation locations, and exploit group synergies by centralising procurement and make full use of buying power. Also, some of Waterstone's property portfolio it gained from the takeover of Ottakar's is to be sold.

HMV target: to obtain 25% of the online entertainment market by 2010.

Waterstone's target: to obtain 15% of the online book market by 2010. Group

target: to be market leader in all of its international territories (HMV Group, 2008). Strategic change is not easy and will not happen over night. Research

aims Objectives: 1. Review the current literature on the management of strategic change in order to establish a firm research basis. 2. Through the use of primary research, obtain detailed, up to date information about how HMV Group is managing its current strategic and operational review. 3.

Critically analyse the forces affecting change in the HMV Group and assess the decision to change. 4. Analyse how HMV Group has chosen to manage its strategic and operational review. 5. Draw conclusions and discuss alternative methods of managing strategic change. 2. Literature

Review Themes Throughout extensive research on the subject of strategic change and its management, some themes and terms have emerged through the fog of metaphorical language. The phrase 'change

management' itself is a double entendre; it could be understood as the management of a change situation or a change in management personnel.

Decision making features often in the literature due to its very nature. To make a decision is to make a change from the original sequence of events. Management decision making and strategic change management are therefore interrelated. The purpose of this section is to identify common trends in literature and what prominent writers have to offer the subject. From an overview of available literature, some relevant theories and models will be selected to use in conjunction with the primary research. For the research to have substance, it must have strong foundations. Paradox There are many paradoxical issues present in change management.

Just one manifestation of this would be middle managers withholding information they are given to disseminate because they wish to retain their knowledgeable image; defeating the point of a middle manager. Michael E Raynor (2007) in his book entitled ' The Strategy Paradox' presents the idea that a successful strategy requires the full commitment of the organisation, which leads to unsuccessful performance overall; due to over commitment. Flood and Dresher's (1950) Prisoners' Dilemma, applied to the world of business, will also conclude that non-competition is the most effective path in the long run.

Both imply that strong competition efforts eventually lead to failure – that mediocrity is the best route to follow as companies have a silent agreement to operate in a state of equilibrium. However, in the case of HMV Group, its operating industry is in decline; therefore failure is the only eventuality of a

failure to compete. ContextAs identified above, much of the literature on the subject of managing strategic change has an element of paradox attached to it. The logical reason for this is that different methods depend on the circumstances the organisation is faced with.

As there are no exact laws of change management, this is what makes the subject complex; but more interesting. Most of the literature aims to provide a theory for each and every eventuality; however, ultimately the future is unpredictable. Four types of strategic change are identified by Balogun and Hope Hailey (1999) which depend on the scope and nature of the required change. Eccles (1994: p. 87) offers six different contexts of change which are organised by difficulty of implementation. He stresses that the implementation of strategic change depends on the available power of management in each context.

The more drastic the change is, the more power is to be used or obtained. If almost everything comes down to context, then surely, if anything is to be learned from the masses of literature on the subject of strategic change management, then it should be the advantages that arise from different strategies applied in different contexts. CultureLynch (2000) believes that employees can impede or assist in the success of strategy implementation. He therefore proposes that the impact of change on people themselves is an area which must be explored.

Much of the literature, not necessarily referenced here, but listed in the bibliography, seems to acknowledge the fact that the early 21st century has seen a heavy focus upon strategy development and less on employee

engagement. Johnson (1992) developed the cultural web – a ‘collection of interrelated cultural elements which serve to create a picture of an organisation’s culture’. This is especially useful in a change situation. A snapshot of the current culture shows where the business is at present, which can be compared to a desired cultural web showing where the business wants to be after the change.

A cultural gap analysis is also a way of organising data collected about the change management styles. This framework will definitely be used in this research due to its many advantages. If the primary research were to be based on the cultural web, it would identify much of the information needed to study the management of strategic change at HMV Group. This is due to the ‘levers’ of managing strategic change coinciding with many of the elements of the cultural web. Recognising the Need for ChangeThe management of strategic change inevitably depends on the strategy being implemented, which in turn depends on the need to change.

The many different causes of strategic change can be viewed in many different ways. Whilst considering the need for change, an organisation will look at the environment it operates within. Throughout the abundance of literature available, many texts recommend Porter’s five forces analysis. As prominent as this model is, it tends toward strategy formation or creation of strategic options which is not the purpose of this research. A more appropriate framework within the realms of change is Lewin’s (1943) forcefield analysis. It is used to ‘aid in the identification of factors which drive and restrain change’.

This model features heavily throughout different texts and if supported by analysis of stakeholders and culture, will be useful in the fulfilment of the research objectives. SWOT Analysis summarises the key issues from the business environment and the strategic capability of an organisation that are most likely to impact on strategy development (Scholes et al, 2006). It looks at an organisation's strengths, weaknesses, opportunities and threats. Another framework which is focused towards the environment is PESTEL analysis.

PESTEL analysis is used to identify the future impact of factors on the environment and also clarifies the identification of key drivers of change. PESTEL is an acronym standing for the political, economic, socio-cultural, technological, environmental and legal issues surrounding a business environment. A frequently featured topic was the many different requirements of the people and organisations which are identified by the term stakeholder. There is argument as to whether it is possible to satisfy all of the stakeholders' needs at the same time with the same strategy.

The common answer is no, however, emphasis is placed on actions which satisfy the most influential stakeholders. All of the literature on stakeholders agreed on the unequal distribution of stakeholder power. At a time of strategic change, stakeholders must be prioritised so that the most influential stakeholders are satisfied and do not seek to resist change. Stakeholder mapping, by definition seeks to organise stakeholder expectations and power. There are different takes on the prioritising of stakeholders: * Johnson and Scholes' (2006: p. 182) adaptation of Mendelow's

(1991) work, resulting in a power/interest matrix. * Attractiveness to
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stakeholders; Lynch's (2000: p. 623) sixth criterion of strategy content. *

Stakeholder strategy formation process (Freeman, 1984). Out of the above, the power/interest matrix can definitely be identified as an appropriate model to use within the research; it identifies the influence of each stakeholder group so that the needs of the most influential groups can be given priority. The analysis of stakeholders commonly falls under the umbrella of politics.

Politics and Uncertainty Uncertainty is another highly featured topic throughout the literature. Uncertainty can be seen as the reason why strategy is required. " We live in an uncertain world. Managers must necessarily deal with uncertainty. " (Carnall, 2003: p. 142) March (1962: p. 672) compares a business firm to a political coalition and the executive as a broker and states that " the composition of the firm is not given; it is negotiated. " Throughout the book Strategy Safari (Mintzberg et. al, 1998) the term politics is used to mean the ' exploitation of power in other than purely economic ways'.

Organisational politics can be seen as an interference or distraction from strategy implementation; this could be due to succession concerns. To use Tichy's (1983) example " only one CEO emerges from the ranks of senior management. " Carnall (2003) states " to understand how organisations are managed, experienced and changed we need to understand the politics of organisation. " Although a prominent feature of the available literature, organisational politics will not be accounted for specifically in the primary research as it would involve long observation which is impractical and would not likely yield accurate results.

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However, it seems topical to point out that Simon Fox, HMV Group's CEO headhunted from Kesa Electricals has not followed the advice of 16th Century political philosopher Niccolo Machiavelli. On the subject of succession, Machiavelli's view was 'Change things but not too much and not too quickly; maintain the institutions of predecessors and gradually make changes as events unfold (Johnson, Scholes and Whittington, 2006: illustration 10. 6). Transformation There are texts and theories to do with transformational processes. Here, the emphasis is on speed.

There is literature covering transformational leaders, culture and strategy. Tichy and Devanna's (1990) book entitled 'The Transformational Leader' states that transformational leadership is about change, innovation and entrepreneurship. That it is a 'behavioural process capable of being learned and managed'. Tichy argues that transforming an organisation to make it strategically competitive is a complex task, but can be achieved using a framework of set rules. It is not an innate ability of some organisational geniuses. Kotter (1995: p. 0) wrote an article in Harvard Business Review called 'Leading Change: Why Transformational Efforts Fail'. It argued that "a renewal process typically goes nowhere until enough real leaders are promoted or hired into senior level jobs". There is much argument as to whether the approach to change management should be top-down or bottom-up. Eccles (1994) sets the 'Spartacus Challenge'. He highlights the fact that successful strategic change in modern commercial organisations is never the result of a 'revolt of the slaves'.

This challenges the popular belief that leaders can come from any part of the company, not just the top. Cartwright (1999) typifies a common view that <https://assignbuster.com/managing-strategic-change-at-the-hmv-group-essay/>

amongst all of the cultural studies and analyses, there exists a prescriptive culture for organisations seeking competitive advantage. The merging of eastern and western cultures for this purpose is a key theme of his book and many more. Johnson, Scholes and Whittington (2006) explain that turnaround strategy emphasises the ' speed of change and rapid cost reduction and/or revenue generation'.

It is claimed in their book that during change, managers must organise tasks to give priority to the processes offering ' quick and significant improvements'. Seven key elements of their turnaround strategy are: * Crisis stabilisation * Management changes * Gaining stakeholder support * Clarifying the target market(s) * Re-focusing * Financial restructuring * Prioritisation of critical improvement areas. The issue with this theory is whether these great sounding ' quick wins' are actually of benefit in the long run. This issue is discussed further below.

Rapid change features in many texts, assessing its feasibility seems to be the main theme. Sometimes it is stressed that a state of crisis is a prerequisite. Eccles (1994) identifies nine distinguishable conditions that are required for rapid change and stresses that a tenth sly addition could be made; what he calls a quasi-crisis. The fabrication of crisis is difficult, however if plausible, can serve as a point of inertia for the whole strategic change process. This is also a way to win the support of stakeholders. Baden-Fuller and Stopford (1994) offer

The Crescendo Model of Rejuvenation. This model proposes that it is possible for a business to rejuvenate itself even after a long period of failure by

creating dedicated leadership, simplifying processes, building new capabilities and then maintaining momentum. The 'crescendo' emphasises the way that the four processes are not discrete and should merge together over time in an exuberant manner. (Mintzberg et al. 1999: p. 776). 'Quick Wins' There seems to be a great disagreement in the literature as to whether a turnaround strategy should seek quick wins.

Many theories suggest that a rapidly changing organisation must seek short term advantages which could possibly return it to profit whilst maintaining shareholder confidence. Johnson (et. al, 2006: 537) states that " it is important that some of these [tasks required by a change programme] are seen to be put into place and to be successful quickly. " However, much of the literature argues that quick wins should be avoided as avenues pursued for quick wins do not lead to the best path in the long term.

Not even all transformational theories agree as the Baden-Fuller and Stopford (1994) state in the ' Crescendo Model of Rejuvenation': " The quick fix rarely delivers any long-term sustainable reward for, like the Tower of Babel, it falls if its foundations are insecure". The key to these juxtaposing arguments, once more, depends on the change context. Management Styles and Roles The literature on management styles and roles is exhaustive, too much so to cover a representative amount in this section. Examples of each are shown below: Johnson (et. al, 2006: p. 15-517) presents 5 different styles of managing strategic change, each of them best suited to a different purpose. They are: ? Education and communication – Whereby the organisation educates its employees about the reason or need for strategic change. ? Collaboration – Involving affected employees in the change

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process? Intervention – Whereby a change agent has authority over the change process, but delegates elements.? Direction – The use of authority to provide a vision and produce a strategy for how change will occur.? Coercion – The use of power to impose change on the organisation.

Johnson (et. al, 2006: p. 519) also identifies roles in managing change within an organisation: ‘ A change agent’ is an individual or group that effects strategic change within an organisation. ‘ Leadership’ is the process of influencing an organisation in its efforts towards achieving its goals. Neither of these roles suggests that the leaders are at the top of the organisation, rather that they have influence. Two types of leader are identified; charismatic or instrumental. Charismatic leaders are focussed on building a vision and motivating people to achieve it.

Instrumental leaders prefer to focus upon designing systems and incremental change. StructureAs with strategy in general, much of the literature tends towards dichotomy. Many theorists present opposing ideas which are both offered as routes for success. This gives the feeling that, like structure, the prescription depends on the diagnosis: or context. On the subject of context, there is theoretical basis to suggest, quite sensibly, that the organisational type prescribed to a business should depend on the nature of its environment.

This theme is present in Burns and Stalker’s (1961) work which aims to survey the environment to ascertain whether it is simple or complex, static or dynamic. Operating in this manner suggests that organisational type should be based upon the environment. Chandler (1962), however, believes

that organisational type should be based upon the strategy used. Perhaps it would be sensible to deduce that the strategy should be based upon the environment, then the structure upon the strategy. Lynch (2006), however, views it as more of an 'inter-related' process to be developed simultaneously.

This concept of linking strategy with structure in a change situation appears often throughout the literature on the subject. Geiger, Richie and Marlin (2006: p. 10) suggest that strategy and structure fit is most important in more highly concentrated industries. Burns and Stalker (1961) identified two opposing organisational types. Mechanistic: Rigid and hierarchical structure, set rules, knowledge centred at the top, only downward vertical communication with emphasis on obedience and loyalty. The other type is Organic: Flexible structure, knowledge widely distributed, focus on individual contribution.

These two organisational types are often classed as two extreme ends of a spectrum. Flexibility appears sporadically throughout literature, Mintzberg, Quinn and Ghoshal (1999: p. 108) state that it is "essential in dealing with the many 'unknowables' in the environment." Burns and Stalker (1961) would argue that it depends on the context as stated above. The issue of flexibility must be addressed in the primary research as the HMV Group has acknowledged that it has not been flexible enough in the past.

Change 'Levers' Upon consideration of an appropriate implementation process, it is important that change 'levers' are utilised to initiate the change process. Hayes (2002) suggests that the use of more than one

leverage point is advisable due to a tendency for a system to re-establish its 'status quo' if only change is only initiated in one area. Titchy (1983: p. 5) stresses that managers tend to restrict their focus to a small set of organisational change levers and employ the same levers regardless of the situation.

However, this is likely to have changed somewhat in the last 25 years.

Johnson, Scholes and Whittington (2006) provide seven change levers or areas to exploit in the identification of change levers. Many of these levers correspond with the elements of the cultural web. They include: *

Turnaround strategy * Challenging the taken for granted * Changing organisational routines * Symbolic processes * Power and Politics *

Communication and monitoring change * Change tactics On the use of

symbols to communicate change, Ghoshal (et. l, 1999: p. 107) comments “

Symbols may help managers signal to the organisation that certain types of changes are coming, even when specific solutions are not yet in hand. There

was an article in the Journal of Business and Strategy whereby Adcroft (2008:

p. 40-45) made the point that “ change is more likely to fail when the

reasoning is poorly communicated and hence understood. ” This principle

along with the examples of levers listed above will be accounted for whilst

undertaking the primary research as it is a recurring point in the literature.

Schools of ThoughtMintzberg (1998) identifies ten different 'schools of

thought': * The Design School – Strategy formation as a process of

conception * The Planning School – Strategy formation as a formal process *

The Positioning School – Strategy formation as an analytical process * The

Entrepreneurial School – Strategy formation as a visionary * The Cognitive

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School – Strategy formation as a mental process * The Learning School – Strategy formation as an emergent process * The Power School – Strategy formation as a process of negotiation * The Cultural School – Strategy formation as a collective process * The Environmental School – Strategy formation as a reactive process * The Configuration School – Strategy formation as a process of transformation Globally, there is a current tendency towards the ‘entrepreneurial school’. With regard to strategy formation, the entrepreneurial school is focused towards one single leader. It emphasises innate mental traits: intuition, judgement, wisdom, experience; and insight. Another key point is that of vision. The organisation is said to follow the leader, who is able to direct the organisation competently into a protective niche. The entrepreneurial school and its approach to strategy formation have been highlighted here due to similarities between its core assumptions, and those of HMV Group’s strategic change plan. Global Competition Johnson and Yip (1) discussed the issue of globalisation strategy. Yip stressed that consumers in different global markets have different product requirements, using the automobile and soft drink industries as examples.

Although in both industries, as an effect of globalisation, product homogeneity is increasing worldwide; Johnson identified the fact that these two examples are very different in that the automobile industry tailors its products to different regional requirements, whereas the soft drink industry has a standardised product and that it is the marketing that is differentiated. Clearly, this is a complex issue which once again hints back to the notion of context. Common Pitfalls Strategic change does not guarantee success; not

all decisions are the right ones. An organisation is more likely to be successful if it considers mistakes others have made in the past; like the saying 'stand on the shoulders of giants' suggests.

Harris and Ogbonna (2002) identified some common pitfalls of change programmes, some examples are listed below: * Hijacking; the process of copying a management technique out of context * Behavioural compliance; where the employees are not prepared to assist in the change * Reinvention backfiring

3 – Research Methodology

Introduction

This section focuses on the research process. It details the formulation of the particular research method used. It identifies the theoretical basis of the research, and reviews the execution of the primary research. In order to identify the most pertinent research process, the nature of the research must first be deduced.

The main argument here is whether the nature of the research purpose is: Basic – to expand knowledge of the subject, or: Applied – to improve understanding of a particular situation. Saunders, Lewis and Thornhill (2003: p. 5) have brought together the work of Easterby-Smith (2002) and Hedrick (1993) to present these related ideas as a continuum. The purpose of this dissertation is to improve understanding of HMV group's current situation, rather than to add to the knowledge on the management of strategic change, therefore the nature of the research is applied.

Background to Research

The literature review has taken a general look at the wealth of theories and frameworks available in the subject of strategic change management.

A more specific view is needed in order to formulate a detailed view of the change taking place at the HMV Group. Carnall's (2003: p. 302) managing change 'checklist' seems to be an adequate referral point. Although it is designed for preparing management personnel for change, it can be used in this case to make sure the primary research covers all of the areas that a consultant or manager would. Essentially, if all areas in the 'checklist' are covered in the research then it would be possible to assume that the research is adequately detailed. This checklist along with another, according to Carnall is designed to "help you think about aspects of the organization which might help or hinder the Implementation of change. Stakeholder analysis is crucial to assess potential resistance to change. Cultural analysis serves a dual role in this research; it provides an in-depth basis for the assessment of factors affecting change, and it shows what management changes need to be made in order to get to a desired point from a specific starting position. This is facilitated by the use of a gap analysis. Forcefield analysis will build upon the stakeholder and cultural analyses to examine the forces affecting change in the HMV Group. This is crucial in order to assess the decision to change. Since this is one of the research objectives, it seems that forcefield analysis must be considered during the formulation of the primary research.

The identification of the change levers specified in the literature review is of prime importance in order to find out more about implementation. Although some of these issues are covered in the cultural analysis, it is important that emphasis be placed on them due to their importance to the fulfilment of the research objectives. The decision to undertake a particular research method

was made after considering the research as a process. Saunders (et al. 2003: p. 83) presents the research process as an 'onion' with several important layers. The first layer involves identification of the philosophy behind the research. The second layer builds on the philosophy to ascertain the subject of the research approach.

The third layer is the research strategy, the fourth is the time factor which leaves the fifth layer or the core; data collection methods. This model forms the basis for the method of research chosen in this study. The five layers are detailed below. Research Philosophy Research philosophy has three main classifications according to Saunders (et al. 2003: pp. 83-84): Positivism, Interpretivism, and; Realism. Positivism refers to carrying out research with the intention of solidifying the findings in a law-like fashion. The core assumption of this approach is that "the researcher is independent of and neither affects nor is affected by the subject of the research" (Remenyi et al. , 1998: 33).

This ensures that the findings are generalised and free from bias.

Interpretivism is critical of the positivistic generalisation. It may be crucial for research to be applied to unique situations creating the need for greater detail in a certain context. In the current fast-changing business environment, current circumstances may not apply forever; thus creating the need for an interpretivistic approach. Realism is based on the belief that there are strong social forces and processes affecting people without conscious awareness. It focuses on human subjects and recognises that people have individually constructed interpretations of their environment.

Ultimately, Realism based research seeks to understand the processes which influence the nature of people's views and behaviours. None of these three philosophies are superior, only more suited to different tasks. As the research aims to focus on a certain industry at a certain time, the most relevant philosophy seems to be interpretivism. Of course, a researcher's predisposition to interpretivism could influence this decision. These philosophies provide an understanding of assumptions about the way the world works which are often taken for granted. Research Approach The research approach relates to the use of theory within the project. There are two ways in which theory can be applied, either with an inductive or deductive approach.

An inductive approach would be to obtain research findings, then formulate theory from the data. A deductive approach would be to create a theory and apply rigorous testing to it after it is formulated (Collis and Hussey, 2003: p. 9). In order to meet the aims and objectives, an inductive approach was taken. In order to assess the way HMV Group is managing its strategic change, the research had to be carried out before any theory was derived. Although these approaches are not mutually exclusive, it would be difficult to suggest alternative methods of management without prior knowledge of the methods currently being used. Research Strategy The research strategy identified by Saunders et al. (2003: p. 3) most relevant to the research objectives is case study. Defined by Robson (2002: p. 178) as: ' a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence'. It provides the ability to explore existing theory, develop new

hypotheses and make recommendations for the future of the HMV Group. It provides the ability to explore existing theory and ascertain how appropriate the HMV Group's actions are in its own context. Time HorizonsAn important consideration in planning research is the time horizon (Saunders et al. , 2003: pp. 95-96).

Research could be cross-sectional; study of a particular phenomenon at a particular time, or, longitudinal; observing people or events over time allowing the researcher to exercise a measure of control over any variables being studied. Due to time constraints, the research was based on a ' snapshot' of the entertainment retail industry at one particular time. There are obvious limitations to this method; a sudden change in the operating environment could render the research obsolete. Research PurposeThe purpose of the research relates to the underlying research style. This research is an exploratory study (Saunders et al. , 2003: pp. 97-98); " a flexible and adaptable way to asses a situation in a new light. " Collis and Hussey (2003: p. 10) declare that exploratory research " looks for hypotheses rather than testing or confirming a hypothesis. This research, as proposed in the objectives, aims to provide a new insight; this cannot be done using a descriptive or explanatory approach. SamplingThe chosen method of sampling can best be described as purposive because the research was conducted with a purpose in mind. Purposive sampling can be very useful for situations where you need to reach a targeted sample quickly and where the sample proportion is not the primary concern (Trochin, W. M. K. , 2006). In order to fulfil the research objectives, there was a requirement for a person or persons with known or demonstrable knowledge and

expertise in the practises and processes of HMV Group. As a subsidiary of purposive sampling, expert sampling is more focussed toward accessing specialist knowledge.

The main target for the primary research was the Director of Corporate Communication for HMV Group. The main advantage of this is that he is used to disclosing information about HMV Group and the way it operates. The initial plan also included targeting a manager and sales advisor in one of the next-generation HMV stores. This would have been useful for gaining a better understanding of how change is being implemented internally and any cultural issues. Gaining access to these people proved difficult, however the information gained from the primary target proved to be sufficient. Data CollectionThe research objectives identify a need for qualitative research.

The primary research was carried out in the form of a semi-structured interview. The reason for not structuring the interview completely is to allow the interviewee to feel more comfortable and in control; therefore more likely to disclose in-depth information about how the strategic review is being implemented. A focus group would have been unrealistic when taking into account the cost of time and inconvenience. EthicsAlthough ethical issues are very important, due to the interviewee's job role it can be assumed that he knows what information can and cannot be disclosed. For the same reason, it can be assumed that he feels reasonably comfortable in this situation. Collis and Hussey (2003: p. 8) take a view that there is 'no written code' in business research, they believe it is up to the researcher to decide what is ethical. The Interview TopicsThe interview was semi-

structured. This infers there were topics or areas of interest in mind without
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the use of specific questions. The topics chosen were: * Forces driving change * Forces restraining change * Timescale * Stakeholders *

Organisation design/structure * Leadership roles * Change levers – internal communication * Change levers – routines and rituals * Employee feedback *

The future Conducting the InterviewThe interview lasted approximately 25 minutes, in which time all of the topics were covered in one way or another.

It was decided that it would be a listening exercise as the interviewee was the person with the most knowledge of the situation; the knowledge required for the research. A transcript of the interview is available in appendix B.

LimitationsAs specified above under the heading of sampling, the initial plan was to carry out two or three interviews with different people at different levels in the organisation. The benefit of doing this would have been of two different natures. Firstly, the research would have benefited from the inclusion of another person in terms of a different personality, supported by the saying ‘two heads are better than one’ which implies that one person may spot something another did not.

Another benefit would have been the different viewpoints from different levels in the organisation. As much as a managing director may attempt to empathise with a store assistant, he or she may not see things from the same exact viewpoint. The justification for using the director of corporate communication was originally that he is used to disclosing information about HMV group and justifying its actions. This however, could be its downfall as a source. The director of corporate communication is used to presenting a good image of the group to shareholders and press. This may not represent

its true and fair value. The information acquired in the primary research is sufficient enough to form an argument and draw conclusions.

Using the benefit of hindsight however, it has become evident that gathering information from a range of different sources to back up an argument gives it more authority and substance. This of course, is the assumption that the literature review is based on.

4. Research Findings and Analysis

This section presents the research findings in such a way that they can be analysed and developed. The interview topics (appendix A) and transcript (appendix B) are available for reference.

Timescale This part of the interview was designed to find out how quickly change was required. The interviewee confirmed the timescale for the completion of the change process; a “three year turnaround strategy”. Three years seems like a long time, but on the other hand, the use of the word ‘turnaround’ suggests rapid strategy reconstruction.

When asked to clarify the issue, he said “In order to compensate for the decline in physical music we clearly have to [change] as quickly as possible.” Some parts of the strategy implementation are expected to take longer than others, and not all changes can be made over night. For example, the first cross-dock consolidation centre is to be implemented in summer 2008; one year after the announcement of the review. All of the changes are expected to be complete by the financial year 2009/2010.

Employee Feedback HMV’s ‘get closer’ campaign works on more than one level. The public view is that HMV allows the consumer to get closer to the artists, music and movies that they love.

For HMV it signifies getting closer to the consumers, which was one of the areas identified for improvement. In order to 'get closer' to the consumer, management at HMV must listen to the employees closest to them; namely the store employees. Johnson, Scholes and Whittington (2006: p. 534) state that "feedback is important, particularly if the changes to be introduced are difficult to understand or threatening." According to the interviewee, both Waterstone's and HMV have regular staff surveys to gain the views of all employees; head office and store. HMV staff can directly email the managing director Simon Fox with any suggestions, ideas, observations or comments. Apparently the staff are "actively encouraged" to use this facility.

Change levers The first example of a change lever identified here is internal communication. It is argued by Schweiger (et. al, 1991) that "effective communication may be the single most important factor in overcoming resistance to change." According to the interviewee, the change programme was announced to all staff members, head office and store employees via company literature, on the same day it was released to the financial markets. There is a DVD which focuses on 'individual elements' of the strategy, a quarterly magazine and updates via email which coincide with quarterly financial reporting. All employees are educated about the strategic change, not just those directly affected (see leadership roles below).

For employees involved in specific parts of the strategy, such as new format store openings, there are educational videos with messages from Simon Fox which explain why each individual part of the strategy is so important. This is a brilliant way to empower and motivate employees. The interviewee called the whole process a "tool for communicating the strategy to the employees"

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in order to ensure their participation in all of the relevant areas. ” Changing routines is another example of a change lever. Routines are defined by Johnson (et. al, 2006) as the “ organisationally specific ‘ ways we do things around here’ which tend to persist over time and affect people’s behaviour. ” The point being that if employees are told of change, but see nothing different in the every day processes, then they are not likely to be enthusiastic about participation.

If strategic change affects the normal way of doing things then it is more likely to make a big impact. The interviewee reported of regular staff training exercises. These training sessions would address any new developments in the ‘ ways we do things around here’. A change in symbolic processes can act as a ‘ lever’ for change in much the same way as a change in routines. Cartwright (1999: p. 248) suggests that a cultural symbol imparts a shared identity. HMV’s ‘ Get closer’ campaign and its new format stores were identified in the interview as symbolic changes. The new company literature, store layout, uniforms and training exercises are examples of symbolic changes to HMV.

As store employees see their environment change around them, a feeling of involvement and being ‘ part of something’ will develop. Organisation Design/StructureThe examination of internal communication and feedback suggests wide distribution of knowledge and focus on individual contribution. These are both characteristics of Burns and Stalker’s (1961) Organic organisational type. This represents flexibility and adaptability to change, which is an area Simon Fox identified for improvement. The interview asked

what HMV are consciously doing to increase flexibility. The response referred to the reorganisation of key business areas and streamlining of operations.

The IT and Finance departments for HMV and Waterstone's have been consolidated into a shared service centre. HMV Group now only operates in territories where it has market leading positions following the disposal of HMV Japan. All of these areas align with the 'save' strand of the strategy which involves restructuring the cost base and the exploitation of group synergies. All of these efforts have combined to create a lean and agile beast with faster reactions to boot. Leadership Roles Simon Fox CEO is identified as a change agent. It was his appointment which drove the strategic review. The interviewee referred to him as the change catalyst. The interviewee also specified that, in relation to Johnson's (et. l, 2006) roles in managing change Simon Fox does not just have a 'charismatic' role, but due to his dual role in the organisation, is also 'instrumental' to strategy implementation. The dual role Simon Fox plays as Group CEO and HMV managing director also affects the prognosis of Johnson's (et. al, 2006) five styles of managing strategic change. His role in formulating the strategy shows a 'direction' style; defined as 'the use of authority to provide a vision and produce a strategy for how change will occur'. His role in the implementation process and the way in which this was communicated suggests an 'education and communication' style whereby 'the organisation educates its employees about the reason or need for strategic change.

Of course these styles are not mutually exclusive, which is proved in this case. The current tendency towards the 'entrepreneurial school' (Mintzberg, 1998) is shown in Simon Fox's leadership style and role. HMV Group did not
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take the 'Spartacus Challenge' (Eccles, 1994). Instead it reinforced Kotter's (1995) view that transformational change is only activated when a 'real leader' is promoted or hired'. The FutureIn order to better understand HMV Group, it is important to know where it plans to be in the future. The discussion was mainly focused towards the suitability of books for digital delivery. This issue is not particularly relevant to the management of strategic change so it will not be detailed here.

The discussion is available in appendix B; the interview transcript. Forces Driving ChangeWhen asked to identify the main environmental forces driving change, the interviewee focused upon the structural change in the market. The emphasis was on the modes of delivery to consumers. Instead of making an assumption that digital delivery would attract more consumers, HMV would have looked at statistics and market data. There are many statistics that would need to be considered. Looking at growth in the number of potential customers of digital delivery would be a logical starting point. Figure 4. 1 below shows a year on year increase of UK households with internet access from 2002 to 2007. Figure 4. – Households with access to the internet, GB. (National Statistics Office, 2008)Looking in particular at the sale of goods online, the proportion of businesses that sold over the internet doubled between 2002 and 2005 from 7 to 15 per cent. In 2005 the value of sales over the internet was ? 103bn (National Statistics Office). This data suggests that moving to e-commerce, once considered as innovative has now become standard practise. It seems that something needed to be done to maintain HMV's technologically advanced image. Chaffey (2007) proposed

a grid of product suitability against market adoption for transactional e-commerce which is shown in figure 4. 2 below.

Since CDs and books are identified as the most suitable products to be sold online, it could be argued that these same products are most suitable to take the next step into digital delivery. It is acknowledged that some of these sources only became available after the strategic and operational review was decided upon in 2006. However, HMV Group would have had access to more detailed statistics of the same nature. These statistics are used here in an attempt to understand the situation HMV would have been faced with. The interviewee acknowledged that both brands needed to reflect the changes in the market. When asked to give this factor a rating in terms of strength from 1 to 5, the maximum response of 5 was given.

If the entertainment retail market is moving towards digital delivery already, with the above argument in mind, the strength of this point as a key driver of change becomes increasingly apparent. This part of the interview was intended to identify several key drivers of change, but did not do so directly. Since there are so many factors which influence the decision to change, all of the data gathered from the interview must be analysed before bringing this issue to a close. Forces Restraining ChangeThe interviewee did not identify any factors restraining change for HMV Group, which can be understood given that his job role is to communicate a good image of the organisation to the public.

The fact that existing successful social networking sites already combine music with their services was presented to him as a possible restraining

factor; his reply was that it was not supposed to be in direct competition with these giants, and that the term 'social networking site' was actually an appropriate term to describe what was planned. Another point presented to the interviewee was that illegal downloading is a great problem for the existing organisations in the industry. He admitted that the decline in physical music sales is not being covered by sales of digital music. This indicates illegal downloads as a problem. If considered properly however, this is a problem which is currently affecting the whole entertainment retail industry. With this in mind, the point serves more to reinforce the decline in physical music as a change driver than to identify a restraining factor.

Stakeholders The interview asked about the influence of stakeholders at HMV Group.

The response identified the three most important stakeholder groups, of which none were designated as more important than each other. It is important to identify stakeholder influence in order to anticipate and reduce any reluctance to change. The literature review identified the power/interest matrix which has been applied to HMV Group which also takes into account other issues identified by the interview. This stakeholder mapping can be seen in appendix D. Cultural Web Gap Analysis

On the subject of transformational culture, Cartwright (1999: p. 249) explains "As culture change affects every person so our primary response should be at the level of the individual. This reinforces the point made throughout this research that the implementation and management of strategic change is possibly more important than the strategy itself. As specified in the literature review, recent strategic efforts have focussed too much on the strategy and other

aspects of implementation, and not enough on employee engagement.

SWOT/PESTEL Using the information gained from the interview, stakeholder analysis and cultural analysis; a more accurate representation of the political, economic, socio-cultural, technological, environmental and legal issues surrounding HMV Group. This PESTEL analysis encompasses the group's strengths, weaknesses, opportunities and threats. Appendix C shows the SWOT/PESTEL analysis performed on HMV Group.

Forcefield Analysis Building on the information acquired in the research and developed by the stakeholder analysis, cultural analysis and SWOT/PESTEL analysis; a forcefield analysis can be formulated. Kurt Lewin's (1943) force field analysis (appendix G) evaluates change problems which must be rectified or considered by identifying key change drivers and restrainers at HMV Group. After giving the drivers and restrainers a weighting between 1 and 5; 5 being strongest, the total weightings were as follows: drivers; 51, restrainers; 28. Although this is a good result, it can be improved by looking at the restrainers in more detail. The strongest restraining force was that HMV Group have weak understanding of customer trends; 4.

Although committing to a strategic change without knowing what customers require seems unfavourable, one of the changes includes a loyalty card which will counteract the problem. Subtracting the 3 for the loyalty card reduces this to 1. Illegal downloads are already a problem for digital music retailers; 3. However, according to The Times newspaper, the government is currently looking to implement a three strikes policy whereby individuals downloading illegal content will be banned from using the internet. If it goes through, this scheme will reduce the number of people downloading illegally, <https://assignbuster.com/managing-strategic-change-at-the-hmv-group-essay/>

so will therefore, also be reduced to 1. A problem when comparing itunes to its competitors is that there is one prevailing visible and tangible advantage: the ipod.

Although it will sell digital media players, HMV have no direct physical product to offer; as reported by Joshua Chaffin (Financial Times, 2008) and discussed in the interview. Taking these calculations into account; the weightings stand at: drivers; 48, restrainers; 23. This shows more than double the amount of forces driving change than forces restraining change.

5. Conclusions If the future has a high degree of uncertainty, then flexibility appears to be a suitable focus. However, formulating a strategy on basis of flexibility seems to be like trying to hit a moving target. Logically then, good practice would be to tailor a strategy to the knowledge available whilst encouraging the flexibility of the organisation as a whole.

This seems to be the approach HMV Group has taken to organisation design which, in its current situation, appears to be a very commendable choice. The HMV Group is looking for quick wins; or short term advantages to satisfy shareholders. The literature review suggested there is argument over the nature of quick wins. Although quick wins may have represented misplaced resources in the past, the fast paced 'entrepreneurial school' age of today probably requires every advantage available. The research topics had a theoretical basis which facilitated more appropriate analysis of results. Most research serves to test theory in a business context, however, this research attempts to test HMV's actions against a theoretical background.

The stakeholder analysis identified the influence of different stakeholder groups which is factored into the forcefield analysis. The cultural analysis serves as a tool to analyse much of the information gathered by the research. The forcefield analysis concluded that the decision to change was a good one. HMV Group cannot just stay in its current market and diminish; its image and success would suffer greatly. The management techniques identified were mostly appropriate. Although Simon Fox is the instigator of the strategic change and employees would be encouraged by his involvement in the implementation, his possible lack of appropriate delegation may have slowed down the process and hindered the productivity of change in the group.

If he were to employ a separate HMV managing director, he could have more time to organise the next phase of the implementation process.

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Video(1) Gerry Johnson interviewing George Yip on the subject of global strategy, referring to his 1992 book listed below

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