

Langate change management essay

Business, Company



The Langate LLC

Langate is a company based in Cincinnati manufacturing fuel storage systems and other related press parts for Toyota Motor Corporation.

Langate's automotive fuel tank team develops and manufactures innovative, fuel tank systems for diesel, gasoline and flex-fuel applications. Langate aims to improve fuel system performance such as reduction in evaporative emissions, reduction in total weight, etc. and engineers wide range of packaging and delivery options.

The Jolt

For three decades, Langate has been operating as a manufacturing contractor for Toyota Motor Corporation and GE Aviation and has not been facing any competition. However, as the automotive sector across the US is changing, Langate is now exposed to stiff competition from both domestic and foreign contractors. Due to pressure to reduce the cost, Toyota is looking for alternate suppliers or looking to assemble the fuel systems elsewhere. At the same time, the liberalization in other countries offers opportunities as Langate can develop markets Europe and Asia. These challenges along with a demand in infrastructure investments place Langate at a crossroad; should it stay domestic or operate internationally? About 80 percent of the fluid storage systems required were supplied by Langate to Toyota. In the year 2008, Langate alone has supplied around half a million fuel systems to Toyota. Since then the numbers were decreasing and by the end of 2011, Langate has supplied only one hundred and fifty thousand units, more than half of the units supplied in 2008. Adding to the woe,

Toyota has not increased the price of the units since 2010, and the cost of production has increased year on year by 8 percent.

For Langate the year 2009 was the beginning of the decline. The orders from the customers (mainly two, Toyota and GE) dwindled to such an extent that for few months the company had to pay the salary from its reserve funds. Some key personnel left the company that resulted in utter chaos. It was a double blow to the company, when some of those who left the company joined the competitors. A newly organized middle management was installed to take care of the operations – after the former management had abruptly resigned. By the end of 2010, there was a general feeling that Langate is declining and recovery is very difficult. Managers and employees believed that the company does not have any future. In February 2011, Toyota Corporation decided to reduce the production in Ohio that resulted in internal crisis for Langate.

New Arrival

- Langate is in a bad state after years of apathy
- There is no belief in the future among all internal stakeholders. (employees, managers and suppliers)
- Leadership lacks a clear vision
- Key people were leaving Langate

The new CEO pointed out that the organization as a whole holds a passion and dedication for making fluid storage systems. People within the organization take pride in their past glory and consider their product as superior to the competitors. But Langate needed a clear vision and direction for the future.

Kotter's Theory of Change

Kotter is of the opinion that in order to maintain a winning position in the market or to grow, businesses are required to change constantly. Changes are an inevitable in business and the current pace of technological advancement, and growing global competition indicates a continuing need for change (Armenakis and Harris, 2009). Many organizations are adopting cultures of learning or agile organizations to adapt to the changes in their environment. Whether an organization attempts to evolve consciously or not, successful implementation of planned change can be a major determinant of its short- and long-term success. Research suggests that failed organizational change initiatives range from 30% to as high as 80% of attempted change efforts (Whelan-Berry and Somerville, 2010). Though there are eloquent methods to initiate change process, there are chances to fail. Kotter proposes his eight step process to reduce failure and enhance business growth. The eight step process is applied in the case of reviving Langate business.

Applying Kotter's Change Management steps to Langate

In the case of Langate the need for change originated from a long drawn, constant and static business environment that existed for decades. When the new management initiates the change process there would be the dominant belief among the employees in Langate that changes needed to happen, but it cannot happen due lack of a strong leader. So rather than building a sense of urgency, the first step for the management or William Hughes is to inspire trust in the management and future. The message must be clear, such as “ We have the capacity to meet the challenges ahead, it is not too late, but we

should do it soon.”

Another existing challenge in Langate is that most employees and managers have beaureucracy mindset. A change from “ bureaucracy to business” is needed and ultimately replaces the bureaucratic management with a new business orientation. Business focus is required for the organization to articulate a new vision and new strategies. The third major step Langate’s change process shall be to create a common business language. While incorporating the eight steps process and customizing it to Langate’s situation, William Hughes can transform the company through the following ten steps. The change process may be named as “ Move to business” with the following sequence of change process.

Step 1: Inspire belief in the future

The atmosphere of despondency and an attitude that Langate has very limited scope in the binds the organization to inactivity. In decades, Langate has experienced failures only since 2009 and the failures shocked the company. In order to uplift the company from helplessness, the Hughes’s team must attempt to give the organization a “ sense of hope.” They can begin the change process by assembling the employees and managers to a common place and present the question “ What should be the future for Langate? Generate as much answers as possible from the audience. By attempting to answer these questions, the people in the organization would move their mindset from helplessness to hope. Also, this process of questioning in the meetings across Langate will help in gaining confidence on the Hugh’s team. Once the top team has gained trust and belief in them and future they can move to the next step.

Step 2: Create a sense of urgency

According to Kotter (1995), the change efforts must begin by involving individuals and groups in evaluating a company's market position, competitive situation, financial performance and technological trends.

Leaders in the organization must create a strong sense of urgency and must find ways to communicate this urgency “broadly and dramatically” (Kotter, 1995). He suggests that this step is essential at the start of organizational changes process. Co-operation of many individuals and groups is needed for implementing the planned change, hence gaining the confidence of people early is very much necessary.

Step 2: Organize a guiding team

According to Kotter (1996), change process in an organization cannot be led and managed by one person. A group of people (known as guiding coalition) should have created a vision for the organization, and they must lead the change initiative. Kotter also suggests that guiding coalition should be made up of people with, position power, expertise, credibility, and leadership. If the guiding coalition is made up of people with these characteristics, the projects can be implemented smoothly, all relevant points will be considered, the group will be respected, and the group can drive the change and manage people better.

In the case of Langate the guiding coalition can be formed by William Hughes and his choice of team and supplemented by implementation managers. Due to the organization's static nature, many are not capable of playing the role of guidance. Hence, Hughes needs to train them to become

leaders of the change management. The guiding coalition has to be very powerful and must take quick actions if things do not work out as planned.

Step 3: Craft a common business language

Kotter proposes that the first job of the ‘guiding coalition’ is to generate a clear and practical vision for the transformation effort (Kotter, 1996). Without such a vision, the change may not be effective. The significance of a vivid vision for the change process is the key for long term direction of the organization. An effective vision will help the organization in breaking the status quo and extending the horizon beyond the immediate goals of the organization.

Langate needs to develop a vision that is clear, appealing and aspiring. Before decomposing the vision into strategic initiatives, a new common language needs to be created in the organization. A common and understandable-to-all language has to be developed in terms of concepts like margins, targets, goals, productivity, customer focus, business metrics, continuous improvements, technology projects, etc. A common language is needed in order to convert the vision into strategic initiatives that together form a comprehensible business strategy for Langate. For bring out change in the organization i. e. “move to business”, it is recommended to build a common shared language.

Step 4: Develop a vision and strategy for future

Kotter suggests that the first task of the ‘guiding coalition’ is to generate a clear and practical vision for the future direction of the company. A vision can change the organization to a new direction. The significance of a clear

vision, Kotter says, is in breaking the static and dull view, and enabling the organisation to see beyond its immediate goals.

Langate need to develop a clear, appealing and inspiring vision. The vision is then broken down into various manageable strategic initiatives in a comprehensible common language. The simple common language must link the business concepts such as targets, goals, productivity, business metrics, customer focus, continuous improvements, business growth, etc. to the vision. The organization specific common language is necessary to link the vision to strategic initiatives to form an intelligible business strategy for growth. Through the development of a common language, the company can then ‘move to business’.

Step 5: Communicate the vision and strategy, and obtain buy ins

Communication is very critical for effective organizational change process because it has the potential to bring focus to efforts of people, and it can reduce uncertainty. It can also decreases the ambiguity, and help in managing the attitude towards change process.

Uncertainty is the inability to describe, predict, or explain the themes of the future. Many organizational breakdowns are due to lack of communication of information and emotions

The Langate management must be concerned about communication and must take all steps to communicate even the smallest unit of information to everybody in the organization. Every decision and the results gained in the change process should be communicated to people as much as possible.

Kotter once said; it is very easy to underestimate the power of

communication, it can do wonders. The Langate can use social media and other simple tools of communication and enable the members in the organization to communicate smoothly and freely among themselves.

Step 6: Empower others to act on the strategy

When the new vision of the organization is communicated to the people, they can try new ideas and methods. Constantly, the management needs to communicate about the vision so that they can carry out the jobs independently but in the framework of the common vision. Kotter suggests empowering employees involves addressing four major obstacles: structures, skills, systems, and supervisors (Kotter, 1996).

The Langate is vulnerable to two potential errors in the change process. One is that, the employees and managers are careless about their responsibilities and coordinated work. Second is that there is strong belief that what the company used to do is much better than the change process. The change management team is expected to have a tough challenge to convert the vision into action, when they address the real workers. The key is to do the earlier steps effectively so that the expected challenges are overcome, before they create a problem. As suggested by Kotter, Langate must focus on continuous improvements by motivating and empowering the people to act assertively.

Step 7: Produce short-term wins

According to Kotter, for the long term goal, it's critical to see the changes happening and working, and to recognize the work done by people in the light of the new vision. It is very important to have short wins, as it can gain

momentum for long term success. A number of early victories, Kotter points out, even if small, create self-confidence and the belief that larger goals are possible. It also builds up the momentum towards the long-term goals. Successful opportunities and celebration of small wins provide employees and management confidence that their efforts are on the right direction. One of the recent occurrences in Langate a new business development and sales unit was established to speed up the sales process. The business development and sales department succeeded and there was a sense of win pervading in the entire organization. Based on this success the company introduces a bonus system. All full-time employees are eligible to get the same amount in bonus, irrespective of the title or position. Already the company has experienced a taste of short term win and the consequences of joint business performance. The Hughes team has to take the example of this event and demonstrate that it is possible even with new initiatives.

Step 8: Continue change process

Kotter states that there will be temptations for managers to declare success with the signs of performance improvement. There is possibility that new processes can regress if not handled properly. It is critical for change leaders to use the short-term gains in order to tackle other issues, such as aligning the systems and structures for the new initiatives. Kotter says that confirming the credibility of vision and strategy through the objectivity of the results is the main purpose of highlighting first wins. The management will have to plan for the further change process, and not to stick with the initial gains.

In Langate, because of the pervasive feeling of gloom, even the slightest

winning can tempt the organization to declare victory. But the organization has to overcome the temptation as time passes and more excellent outcomes follow, as a result of their hard work. The Hughes team must resist the rising temptation to feel satisfied with the initial victory and must break the myth of self-sufficiency in the organization.

Step 9: Create a new culture and exit from change process

Kotter believes that the new behaviors are likely to disappear if they are not engrained in social norms and shared values once the pressure for change is removed. Two factors are critical to the institutionalization of change outcomes. One, showing the people how the new approaches, behaviors and attitudes have affected their performance. Second, ensuring that the next generation of management exemplifies the new approach for future change management.

As far as the Langate's situation, it is premature to think of this process. They are yet to reach successful change outcomes. Only on reaching a complete business oriented organization, the company will be able to institutionalize the change process. The conclusion that can be drawn in the light of Kotter's eight steps in change processes is that the change process in Langate can be on track even though important adjustments need to be made. The sensible leadership of William Hughes and the presence of few change oriented managers, the organization can develop a robust strategy and implement it. The "move to business" is probable to produce healthy results for the company.

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