Case study: change management project flashcard

Case Study: Change Management Project Prepared by Brian Davies for Massey University College of Business to fulfil the requirements of Assessment Three: Change Management Project – Case Study as part of NZ2 MBA Change Management paper. Dated November 2010 Strategy for Change CompuFix Inc. Report to Jerry Smiles covering strategic analysis, change direction and implementation plan for CompuFix Inc. Prepared by Brian Davies November 2010 * ABSTRACT – This page confidential to Jerry Smiles.

This strategic background and change management plan describes, analyses and extracts lessons from Compufix Inc in conjunction with the discussions held with Jerry Smiles and further provision of information as contained within the background brief provided by Bill Kirkley of Massey University. It initially focuses on analysing the organization's strategic position in order to identify deeply held assumptions, norms, and values that were producing unintended and inhibiting consequences for organisational effectiveness.

It then moved on to the interventions required to change the internal culture, work practices and processes in order to interrupt and transform these assumptions. The paper lays out in detail the approach, method, process, and analysis used in this major change effort and documents the change with an implementation plan for success, including any contingencies considered necessary. Ultimately the CEO Jerry Smiles is faced with a complex array of interlinking issues which require specific handling.

The way to move forward also requires the commitment of Harry Jones, founding CEO and owner, as he has been previously the formal powerbase

and as he steps aside from the CEO role his position as informal powerbase has the ability to support, or undermine, Jerry Smiles future within CompuFix. In fact as a ultimate contingency plan for Jerry Smiles, should he find himself in the position of being a CEO employed by a board with no power to exercise its reasonable duties, then the recommendation to Jerry is to resign, citing personal reasons and leave on good terms.

The writer welcomes any comment and is available for ongoing discussion and presentation of the findings to the CompuFix board as required. * CONTENTS CONTENTS4 1INTRODUCTION5 2APPROACH8 3THE PROBLEM11 4INITIATIVE FRAMEWORK16 5IMPLEMENTATION PLAN23 6CONCLUSIONS AND RECOMMENDATIONS42 7APPENDICES43 8REFERENCES52 INTRODUCTION OVERVIEW This report describes the strategic analysis, direction change and implementation plan to assist Jerry Smiles in his organisational change management for CompuFix Inc (CompuFix). APPROACH SUMMARY

The approach was to undertake a full scale business analysis with a view to establishing a clear and concise strategy for moving forward to the future, together with a change and implementation plan, as well as to analyse the potential impact of the changes in order to fully understand how the vision might be achieved by using an analysis from macro level down to an assessment of CompuFix's readiness for change. Techniques and processes such as STEEPLE, SWOT, Porter's Five Forces of Competitive Power, Cultural Web and a Kaleidoscope system design were used in the research approach.

This enabled a full background and environmental analysis to be completed with regards to the respective strategies undertaken. A discussion on the

respective critical historical issues is then provided as well as providing a thorough analysis of the issues facing the business, concluding with a summary and recommendations for action (M. U. , 2009) ASSUMPTIONS Following discussions held between Jerry Smiles and Harry Jones, and between Jerry Smiles and Harry's brother-in-law, the following assumptions have been made as gleaned from those conversations.

These conversations took place to understand the contextual position behind the organisations evolution, Jerry's appointment, and in the case of the latter conversation with Harry's full knowledge and support. The assumptions made are therefore: CompuFix Cash in bank is $500, 000. All financial ratios appear adequate. No claims or actions pending. Harry Jones * Harry is presently aged 57, is in good health, with a desire to retire and spend time with his extended family from age 60, in three years time. Harry's shareholding is currently at 51% with no succession plan in place. His agreement to the appointment of Jerry Smiles as CEO was welcomed, conditional upon Jerry Smiles providing a strategy for Harry to sell down his ownership in stages with an end result of being left with a 25% shareholding at age 65. Harry's expectation of his share value is not unreasonable although wishes to maximise benefit over the next three years but still retain an ownership stake in ' his' company. Harry wishes to retain his Board of Directors position to ensure that ' his people' are looked after. * Harry believes he gets on well with his brother-in-law so long as the Board does what Harry wants and Harry is struggling to rationalise the differences in relationship nature between the Board, organisation and himself, as he still sees the company as ' his' regardless of structure. Brother-in-law * Harry's

brother-in-law has retained his equity funding and injected funds in the initial years to ensure adequate cash flow for growth.

His is the only funding other than creditor obligations. * Whilst not needing the funds to be repaid, he does not want to be an investor for life, and would prefer to see a pathway for repayment over the next three to five years. * He has become increasingly aware of the need to ' bite-his-lip' in Board meetings and is becoming increasingly frustrated with Harry's inability to separate out people's roles. He was surprised at Harry's agreement to step aside as CEO and has become suspicious as to Harry's motives for this. * He is also at a loss to understand why the D. W.

Smith software system is still not working but Harry shoots him down whenever the matter is raised at Board level. PROBLEM SUMMARY The process of establishing the strategic initiative and associated assessment of the organisation's current status points to an organisational structure and internal culture that has evolved to a point of dysfunctional effectiveness at CompuFix. This is coupled with the relationship situational position between Harry Jones as founding CEO and the organisations funder, being Harry's brother-in-law. Internal staff are either Harry supporters or alternatively wish he would step aside and retire.

A number of issues were identified covering three separate layers of importance from critical, to sub-issues and those not requiring attention but in need of highlighting for their potential risk factor. The critical issue is in the reaffirming of an organisational structure that will provide robustness around the existing relationships and also allow for future on-going growth of

CompuFix beyond its current ownership, whilst also establishing business disciplines that allow for flexibility within a dynamic industry and retention of the excellent market perception of the business.

These major issues are therefore identified as follows: * The relationship between Harry Jones and CompuFix * Reaffirmation of the organisational structure * Job costing software (D. W. Smith) is ineffective * Refocusing the internal culture towards driving better value for effort Sub-issues were identified as: * The performance of Bob Sailor * Lack of formality in business processes * Client concentration (Boeing 74%) and other client mix * Need to manage future growth expectations The need to understand the transition process * Development of strategic initiatives The incidental issues identified were: * A high level of comparative remuneration across the technical/engineering staff * Poor level of management skills across the department managers SOLUTION SUMMARY The proposed initiatives fit into the three specific areas of people, process and technology, along with the appropriate degree of resource allocation matched by the organisations commitment to delivering the project to a successful outcome.

There is faith in CompuFix's ability to deliver on the strategic initiatives, and no major alternative contingency plan has been established, except for the mitigance of individual risk assessments. However this is also noted that any recommendations must be supported by Harry Jones and have his express commitment prior to moving forward. Without Harry's support and commitment there is little point in proceeding in a direction he doesn't agree. APPROACH

I was engaged on the 15th November by Jerry Smiles with the express purpose of providing a strategic analysis of CompuFix, together with establishing a clear strategic pathway forward and identifying a programme of initiatives to support the change as proposed along with an implementation plan. The following approach was used to analysing the organisation and the potential impact of the change in order to fully understand how the vision might be achieved within the new structure. * Macro environment – STEEPLE Organisation – SWOT and Five Forces of Power * Team culture – Web * Team readiness for change – Kaleidoscope * Past involvement with industry change MACRO LEVEL ENVIRONMENT The computer repair industry is characterised by two types of providers. The first being the original equipment manufacturer, and the second being third-party maintenance organisations. Work is labour and inventory intensive with the typical firm having developed out of servicing a small number of manufacturers.

Increasing competition in the repair industry will see firms move to reduce the reliance on labour and holding stocks of inventory, with other trends being for the outsourcing of maintenance contracts, greater diversification of client base, the client's preference to deal with one organisation for purchase and service of technology, amalgamation of smaller firms to provide economies of scale with cost reduction and profit maximisation, and these larger firms concentrating on core competencies and outsourcing parts of their contracts to firms such as CompuFix.

CompuFix needs to position itself for these industry trends and future development of opportunities. STEEPLE Analysis STEEPLE analysis was

undertaken to help understand the business's market and potential according to external factors of social, technological, education, economic, political, legal and environmental issues (De Wit & Meyer, 2004). The full assessment is included as an Appendix to this report. The macro environmental issues indicate a highly competitive market with the need to ensure each organisation at least keeps pace with, if not acts ahead of, such changes.

BUSINESS LEVEL ENVIRONMENT By way of background, the total market hardware repair industry was estimated to be $10 billion in 1995. CompuFix is well defined within that market and secures $7. 5 million in annual revenue making it a small but important player. Boeing is one of the key CompuFix clients, making up an estimated 74% of total revenues. For analysis at the business level I looked at the existing realities of the current organisational structure along with the historical position of how it has evolved to this point. SWOT Analysis

A SWOT analysis focuses on the strengths, weaknesses, opportunities and threats of the business. This is a useful tool in providing a framework for reviewing strategy, position and direction of the business (De Wit & Meyer, 2004). The full analysis is attached as an Appendix to this report. Ultimately a number of key components were identified for retention at CompuFix, however the treats of the current relationship arrangements with the key stakeholders must be addressed to enable full effectiveness of using these strengths for future opportunities. Porters Five Forces of Competitive Power

The factors within Porter's five forces of competitive position illustrated the key areas for this business (Porter, 2005). They validated the STEEPLE analysis for external trends and high-lighted internal areas of management development and for CompuFix to behave more like a learning organisation. Cultural Web The cultural web tool was used to highlight the effectiveness of the organisation in all aspects of organisational power and structure, policies, procedures and routines. CompuFix has evolved to a point where it is trying to act internally like a small family orientated business with complete democracy, yet externally big.

The business is not providing a balanced return to all stakeholders (Carroll, 1991). Kaleidoscope A kaleidoscope design tool was used to determine that the team is not expecting change and is not ready for change away from the current status. Awareness for any need to change is low. However, external factors such as operational project priorities, CompuFix's planning cycle and the requirement to nurture and retain certain skills within the teams, mandate the use of a thoroughly planned change management programme.

Past involvement with industry change This is a rapidly changing industry with change being smaller incremental steps accompanied by major leaps in technology driven changes that affect the way services are delivered and how clients expect engagement. Compufix has responded poorly to evolution and major changes, only playing catch-up and acting sporadically to meet client demands, usually at the time of engagement of a new client. This is viewed in the attached organisational change model.

At times CompuFix has lagged well behind the industry however retention of clients has been achieved due to perceived over-servicing or under charging, or a combination of both. THE PROBLEM INTRODUCTION You have engaged my support to provide an analysis of the issues within CompuFix and make recommendation as to a future direction. Through the extensive investigative process multi-layered issues have been defined which need to be addressed. There are fundamental critical issues, with a number of sub-issues that will need to be addressed to ensure the framework has maximum opportunity for success.

A third layer of incidental issues have been uncovered which I raise here for the benefit of clarity however will not be addressed as they fall outside of the scope of my brief. The following is a discussion based upon my findings for the business. Initially the critical event time line shows the major events that have impacted on the business, thereafter various models of analysis have been used in the formulation of situational and other analysis leading to a summary of the issues identified. CRITICAL EVENT TIME LINE

A number of critical events happened during the longevity of the business over the last ten years producing the evolutionary position of CompuFix as it is today. The only additional knowledge gained beyond the background paper was a list of assumptions which have been presented in the introduction to this paper gained from conversations held separately between Jerry Smiles and Harry Jones, and Jerry Smiles and Harry's brother-in-law, thereby adding to the body of knowledge held about the business. These critical dates along their time line are shown as follows. CRITICAL ISSUES

The process of establishing the strategic initiative and associated assessment of the organisations current status points to an evolution of CompuFix's structure which is ineffective and not delivering best value to all stakeholders, nor is the future direction universally accepted from within all levels of the CompuFix employee and management team. The four critical issues are currently in the mix of CompuFix as pieces of a jig-saw however they do not fit well and have a strong and adverse affect on the current and potential performance of both Jerry Smiles as CEO, and the organisation. The relationship between Harry Jones and CompuFix is not unique for an originally owner-operated business in that Harry holds 51% shareholding, therefore a controlling interest and decision making capability. Harry's recent decision to step aside as CEO is countered by his continued position as influencer of strategic direction by wishing to establish an industry-leading full service offering. He appears in agreement to Jerry's appointment but future direction announcement, undermining of Jerry and Board, and incongruence with business strategy is symbolic of some reticence. There is an organisational structure that has evolved out of sales and other resource growth. Being a highly technical industry the technologists/engineers have taken a prominence in this structure to the detriment of business practices like accurate job costings. There is a need to reaffirmation the organisational structure with some changes. * Job costing software (D. W. Smith) is ineffective and is leaving CompuFix vulnerable to ineffective business practices, under-pricing for contract work and leaving the organisation exposed to suffering ongoing financial osses, or lack of potential profits. Ongoing work with this software system has been costly in time and other labour resources well beyond the payback benefits to date. A decision is

required on retention/replacement of the system. * Refocusing the internal culture towards driving value for effort is a critical aspect, as the true plight of the company and its ' luck' in surviving to date has been as a result of some fortunate problem solving by Harry Jones and loyalty that Boeing have bestowed upon CompuFix as a result of those early days. Company strategic direction needs revisiting.

SUB-ISSUES The sub-issues requiring attention are as follows: * The poor performance of Bob Sailor is of note. He is a strong supporter of Harry Jones and holds the position of director of operations and the in-house expert on the D. W. Smith software system. This latter system has consumed resources far in excess of a reasonable level and Bob has made himself irreplaceable with the system being the only person who can manipulate it for meaningful results. The system however remains incomplete and not an effective management or job-costing tool as designed. Lack of formality in business processes, especially with regards to pricing and client contract negotiation is of concern, with technicians and engineers in the field able to commit the organisation to contracts without proper due process, profitability and capacity understanding. This is an outcome of both a lack of tools and knowledge, but typifies the organisation which views itself with a ' fix-everything because we can' mentality, without understanding the implications of those problem solving decisions. Client concentration (Boeing 74%) and other client mix is of concern with five clients generating 84% of all revenues. Their revenue structure shows a degree of imbalance and subject to adverse change without notice. * 200 clients are under contract yet 195 of these only generate 15% of revenues. Little is understood about

the cost structure of maintaining these 200 contracts, including Boeing. *
300 clients are time and maintenance clients who demand ' FedEx service at
Post Office' rates.

Engagement with these is on the basis of " you never know what will
develop" with little regard to increasing market share for these clients, or
again understanding the cost and profitability of the fix-it required or the
whole relationship. * Need to manage future growth expectations is of
concern given the rapid growth that CompuFix has experienced over the last
10 years, together with holding substantial inventories to repair/replace at
short notice and the unknown nature of what that has done to cash flow and
company systems.

The announced desire by Harry Jones to lead the company through another
industry-first in becoming a full service organisation has been mooted
without any regard to strategy or resource requirements. The fragmentation
of the client base also infers that the company needs to develop a better
understanding of its client base and grow in the areas where they have
competitive or comparative advantage (De Wit & Meyer, 2004). * The need
to understand the transition process is a common issue in organisations that
have not experienced any major change other than a gradual evolution
process over time.

Aware of the need to change and the important of managing that process is
a critical aspect of success. * Development of strategic initiatives are also an
uncommon element for an organisation that has just evolved over time.
Rather than relying upon good fortune and intuition, a more robust

methodology for business strategy is required that will last irrespective of the people involved and ensure that the business will have longevity beyond the involvement of the principals. INCIDENTAL ISSUES

Outside of the scope of this implementation proposal are the following initiatives: * A high level of comparative remuneration across the technical/engineering staff * Poor level of management skills across the department managers These are being identified as they are potentially significant to the organisation and we felt strongly that these should be flagged, whilst not directly related to the change although symbolic of the present culture which will require a change management process under the implementation plan. INITIATIVE FRAMEWORK

INTRODUCTION The proposed initiatives fit into the three specific areas of people, process and technology. By addressing each of these areas (with some overlap) the initiatives will enhance and modify as required the operational and cultural aspects of CompuFix. The following initiatives will be implemented to support the development of the new culture and structure. PEOPLE BASED INITIATIVES One of the key areas of concern uncovered in the analysis of the current situation was the relationship between Harry Jones and CompuFix.

This was seen because of the uniqueness of the inter-related levels of involvement that Harry has within the orgainsation, both formally via founding CEO and also as a part of the informal power structures given that his role is originating father-figure and still being seen as the ' go-to guy' for problem solving. The added dynamic complexity is in his relationship with

the Chairman of the Board of Directors, being Harry's brother-in-law, who also provided the original venture capital to give life to CompuFix.

A new organisational structure is proposed for CompuFix and is now outlined as well as a supporting table showing the key focus for change by the individual or role as listed. Role| Name| Initiative / Focus| Ownership| Harry Jones| Succession plan to be developed for Harry reducing ownership stake from 51% to 25% within 8 years. Harry to provide commitment in writing to agree to the shareholding reduction and to allow Board of Directors set the future direction of the company based upon the desire to maximise Harry's shareholding value within 3 years and beyond. Board Chair| Brother-in-law| To remain as Board Chairman for at least the next three years. To lead the Board through a formal education process of understanding their governance role, how to run effective meetings and utilise appropriate information for meetings. | Board of Directors| Harry Jones| Harry to participate fully in these governance meetings and be committed to leading the separation of operational and governance at Board level. | CEO| Jerry Smiles| Have a revised employment contract established with performance KPI's around the three key initiative of people, processes and technology.

New departmental budgets for income and expenses are to be established, including contribution to overhead costs. | GM Sales| John Hisser| John to be moved into this role with formalisation of performance KPIs around driving economic benefit from all existing and new contacts. At least one joint KPI with Doug White to be established. Primary role is to establish wider diversified client and income base. | GM Corporate Services| Michelle | Promotion to Michelle to lead the amalgamation of the HR and Operations

teams under a new Corporate Services role. New KPIs to be introduced for her and her team. GM Technical Services| Doug White | Promoted to this role to oversee the continued development of the technical capability of the technicians and engineers to ensure ongoing best practise and the organisation is aware of future industry trends. At least one joint KPI with John Hisser to be established. | Boeing Account Manager| Harry Jones| Harry to be given full reign over this relationship, however within the constraints of a target for revenue and expenses to ensure that this important client contract is well maintained but also delivers significantly to the bottom line. |

Other people related initiatives are as follows as a consequence of this new organisational structure under the responsibility of the General Manager for Corporate Services. Initiative| Expected Outcome| Conduct a job-sizing and salary project| All salaries within the organisation will be set using a standard approach and to ensure that annual increments are based upon achievement of performance KPIs not longevity. | Introduce a single Performance Management Framework| All staff will be managed through the same approach to objective setting and review. Personal development plans will be mandatory. Mission Statement & Strategic Direction| The current mission statement is not the way of the future. Staff wide collaboration, including Harry Jones, is required to ensure a new/modified mission statement is developed that reflects the encapsulation of the business disciplines and clients strategy requirements for the future. An external facilitator could be required being jointly lead with Jerry Smiles as CEO. | | | Organisational Development Programme| Implement a programme to support the delivery of the vision and values throughout the organisation.

This will include communication and education, and work to identify how best to implement these within each team. Consequences for not demonstrating appropriate behaviours will be formulated. This is an organisation wide initiative, not limited to the new Corporate Services division. | Leadership Development Programme| Following the identification of particular management and leadership issues a leadership development programme will be developed to support leaders in their work.

This will include education and training, a mentoring system and leadership evaluation programme including annual 360degrees feedback. | | | PROCESS BASED INITIATIVES The processes for each of the new teams are quite different although have a common thread of ensuring that contracts and work engagement is undertaken with full understanding of cost awareness. Initiative| Expected Outcome| Management Information and Reporting| All reporting processes will be standardised but with enough flexibility applied so that reporting provides meaningful information across each team. Performance Review Process| The performance review process will be applied in a standard format across all staff within the organisation. | Communications and Sales Training Programme| A programme of proactive communications and client presentations will be developed. All sales staff will receive training in profitable relationship building. A structured process of identifying and promoting positive stories both internally and through the industry will be developed. | TECHNOLOGY BASED INITIATIVES The D.

W. Smith job costing system does not function as designed and question remains as to the worth of investing further funds and still not having a system capable of delivering. This is the primary focus for technology

initiatives. Initiative| Expected Outcome| D. W. Smith Review | A review of the D. W. Smith information system is to be conducted by engagement of an external auditing contractor. This contractor to have Bob Sailor assigned to them for informational resource during the time of the investigation.

The brief is to make recommendation on the best course of action, including information management policies and processes with the following issues: * Keep Bob Sailor involved but verify his input by independent means at all times without his knowledge * Undertake an audit of how much resource is required to make it fully operational to meet organisational needs for a fully integrated job costing system * Investigate other possible solutions to the requirements for such a job costing system * Investigate extraction of historical data from the D. W.

Smith system for use in any possible new system| Technology Programme| A programme of initiatives to implement the recommendations of the review. | OPERATIONAL IMPLICATIONS The initiatives framework presented above will require significant resource and budget implications. The following table provides an indication of the budget and resources required for each initiative and the potential elapsed time it will take to achieve and its priority. The priority has been set as an indication of the project's importance in the establishment of an effective culture for CompuFix. Urgency| Cost| Description|

Primary| $ 60, 000| Must be achieved as soon as possible| Secondary| $ 15, 000 | Important but not day-1 essential| Tertiary| $ 150, 000 – $300, 000| Not urgent for immediate establishment of culture| Total| $ 225, 000 – $375,

000| | Initial discussions have been held with Harry's brother-in-law as to his willingness to contribute to these expenses, but I feel that this is unnecessary given the cash reserves held at bank to be able to fund this expense. Further cash will be generated by the company as they continue to reduce inventory levels and implement just in time stocking for some xpensive inventory lines. These actions will improve cash flow. RISKS AND MITIGATION The following risks have been identified with the delivery of the initiative framework. Risk| Mitigation| Resources Availability| Priority to be given to primary and secondary initiatives. Board to sign off on expenses with mandate to be given to GM team for completion. | Budget Overspend | GM team to have budget compliance as part of their KPI structure. GM Corporate Services and CFO to be engaged with all projects on a milestone check-in basis with the owner of each project. Non-compliance of staff| Resistance management plan to be followed resorting to coercion where necessary. | Business continuity interruption during project| CompuFix's priority is to maximise value for stakeholders. Where the health and safety of staff is not in jeopardy this change programme takes precedence. The business continuity plan will be updated as appropriate. | Union Derailment| Engaging the union on the overall programme and many individual initiatives this risk will be somewhat minimised and further reduced by encouragement of their design input.

This will ensure individual and union ownership and interest in successful delivery. | Politics| External political and legislative framework not considered a risk. Internal political involvement of the informal power network has ability to derail strategy however this to be minimised by engagement of Harry into

short, medium and longer term plan, and by ensuring people centric programmes are developed whilst also meeting Harry's goals. | EMPLOYMENT CONTINGENCY – JERRY SMILES Harry Jones' commitment and willingness to change is vital.

Without this both Jerry's involvement with CompuFix, and CompuFix as a company, is doomed to failure, especially with the loss of a major contract to Boeing. A conversation needs to be had with Harry to gain his commitment to sticking to the functions allocated within each of his roles, Director, Shareholder, and Department Head. Failure of his commitment would see Jerry in a career suicide position of having no powerbase, and being employed by a Board of Directors that likewise has no powerbase. My recommendation in this event is for Jerry to resign, citing personal reasons, and to leave of good terms with his employer.

IMPLEMENTATION PLAN INTRODUCTION Change management encompasses all the activities aimed at helping an organisation to successfully accept and adopt new structures, policies, processes and technologies with the purpose of improving the way the organisation currently operates. For change to occur effectively at the organisational level its drivers must be clear enough to cut through resistance and destabilise the status quo, drive to the new desired state and then re-establish a new status quo (unfreeze, transition, refreeze).

With regards to individuals this will involve a similar three phase process for the individual of letting go of the past, adapting to change and then moving forward (Balogun & Hailey, 2008). Change management is the process

through which this is achieved. This implementation plan defines the approach that will be followed to manage the successful implementation of the initiatives framework with a key focus on the development of a new culture. It covers the three change management phases involved in organisational change: * Preparing for Change * Managing Change Reinforcing Change The change management plan will also contribute to the formulation of specific plans, which include: * Analysing Stakeholders * Programme Communications * Resistance Management * Reinforcing Change The transition required to attain the desired future position is all about designing the change levers and the interventions required. CHANGE MANAGEMENT Introduction The benefits of a well-planned and executed change strategy include: * increased awareness, understanding and commitment; * reduced confusion, frustration and or resistance; and an organisation that is prepared for the positive and negative impacts of the change. One of the critical success factors with the adoption of any change strategy is successfully putting any theory, strategy and plans into practise. It is important to keep foremost in mind that change is constant. Strategies and theories will mean little if individually and collectively the execution of various plans is not effectively implemented, monitored and maintained. Individual change In response to a positive change every individual will go through seven stages.

These are: Stage 1 – Shock – Shock and surprise to the forthcoming change (" they can't do that! "). Stage 2 – Denial – Denial of the change and finding ways to convince yourself and others that it isn't really happening (" but they surely won't change how we…"). Stage 3 – Frustration – On the way down

and experiencing anger and frustration. Often accompanied by a tendency to blame others and lash out. No acceptance of the change yet. Stage 4 – Depression – Hitting rock bottom and experiencing depression and apathy. Everything seems pointless and purposeless. Lack of self-confidence (" I can't do it", " I will never learn how to..). Stage 5 – Experimentation – This is where people who haven't given up entirely and opted out of the process, start to experiment with the new situation and try new things out. Stage 6 – Decisions – Deciding what works and what doesn't. Coming to terms with what's happened and beginning to feel more optimistic and positive. Stage 7 – Integration – Integrating the changes into life so it becomes part of the way things are now done (" this is just how we do things around here"). Every individual goes through these stages at different times and at different speeds.

The change management plan enables the project or management team to identify which particular stage an individual is going through at a given time and respond accordingly. The aim is to move recognise particularly when people are going through stages 3, 4, and 5 and help support them through these stages as quickly as possible. It is also an important issue that the role of the change manager is not an easy role, and it is recommended that change management be undertaken by a project team made up of the GM level hierarchy, including Jerry Smiles and Harry Jones.

Key influencers at the team leader level will also be seconded into this team to ensure buy-in at different levels of CompuFix. Key phases There will be two primary focuses for change management. Initially there is the organisational response to new structure, key performance indicators, close

adherence to business practises. There will also be a secondary phase with regards to the amalgamation of the previous HR and Operations functions under the new GM of Corporate Services. It is therefore expected that CompuFix will go through a three phase change management programme. The phases are as follows:

Phase 1 – Preparing for change (Before) The first phase is aimed at preparing individuals and teams within the organisation for what is changing. During this phase the project team will learn about how specific teams currently work so that the amount of change required can be effectively gauged. Deliverable: Detailed Change Management Plan Phase 2 – Managing change (During) The second phase is focused on creating plans that are integrated into project activities. These plans will be created to enable individual staff to progress through the awareness, desire, knowledge, ability and reinforcement model.

Deliverables: Detailed Communications Plan Coaching Plan Resistance Management Plan Phase 3 – Reinforcing change (After) Equally critical but most often overlooked, the third phase helps create specific action plans for ensuring that the new model is sustained. In this phase, the project team will also develop measures and mechanisms to evaluate and monitor change. Deliverables: Reinforcement Plan Compliance Audit Report Template (where appropriate) Corrective Action Plan Individual and celebrations and recognition

Three phase deliverables The detailed deliverables prepared at each stage of the change programme will specifically address the following key question

areas that staff will need to understand the answers to: Change management scope The situational analysis has identified issues that require both organisation-wide change and an amalgamation of the HR and wider Operations functions. However, this proposal is designed to specifically address the change required to support the implementation of the wider structural and cultural change.

Organisational projects such as the division amalgamation and the technology project initiatives are mentioned simply because it is important that they are initiated simultaneously. The project team can expect to experience resistance and reluctance to this change. The organisational change management effort detailed in this document provides the various stakeholders with information about the project's purpose, scope and benefits. The plans and messages that will be provided via this change management plan and accompanying detailed documents will be produced at a later stage.

It is the intent of the project team that this organisational change management effort will lessen the productivity dip that is inevitable with projects of this size and complexity. Preparing for Change In preparing for change there is a need for determination as to what type of change is required, based upon an analysis as such things as the Kaleidoscope, with the main four types being adaptation, reconstruction, evolution and revolution. These are represented in the following cube and which one, or combination, is chosen is determined largely upon the outcomes required and the nature of the change.

Adaptation – where realignment change is staged and implemented gradually Reconstruction – where realignment is required in a faster and more dramatic fashion Evolution – transformational change staged gradually Revolution – where fundamental and transformational change is required quickly. Big-Bang – where a major overnight change is required Incremental – where staged steps and initiatives are appropriate Transformational – where fundamental change is required to how things undertaken Realignment – where a tweaking of the systems are required but not a major overhaul.

CompuFix need a mix of reconstruction and evolution to ensure that sufficient upfront work is done to realign the core company strategy and mission as a matter of some urgency, thereafter taking the staged and incremental approach to systematic change to ensure Harry remains engaged and role modelling the changes. Successful change management is also about communication. For an organisation-wide change it is important that key messages are clear, concise and regularly reinforced. The key messages for the CompuFix project are presented below:

WHY are we changing # 1? Key Message 1: " We are introducing business discipline to the way we deliver our top quality services to ensure that we are all adequately compensated for the work that we do and we receive a fair contribution to the company for our efforts" Expanded message – The current processes and structure within which we operated have contributed to the ineffective and inefficient ways we have been operating as they have failed to deliver an adequate level of compensation for the time and other resources used in providing the level of service we do.

This change project is aimed at addressing this situation. This will introduce some key tools to assess the value of each client and relationship and ensure that we are getting and giving value of money. Reality – The change project may cause staff to look internally and believe that this is a cost saving exercise and fearful that their jobs are threatened, thereby having a flow on effect to a reduction in efficiency and have an impact on the achievement of the vision whilst the new structure and new processes are embedded. WHY are we changing # 2?

Key Message 2: " Harry has stepped aside from his company wide CEO duties to focus on the key relationship we have with Boeing. Boeing is an important part of the future success of CompuFix and Harry has the best organisational knowledge on how to extract best value from this relationship. Harry will also help mentor our sales force to ensure we replicate the good work learned from this client relationship" Expanded message – The previous structure of having Harry as the sole driver of business is not sustainable and whilst success has come from this in the past, we are now a company of over 100 employees with over 500 clients.

It is important that we look at each and every one of these relationships and leverage as much as possible from them to ensure that we keep pace and ahead of the changing industry. Reality – The change project may cause some anxiety with the knowledge that Harry is no longer the CEO and further confusion as to his ownership and engagement with CompuFix. It is important that he also be a part of the key deliverable changes, and be seen to endorse them, which will serve to further engage other staff such as Bob Sailor in the process moving forward.

Failure to successfully manage Harry's involvement will leave the CEO and Board as figureheads and powerless in the change process. Harry also has a wealth of knowledge and using him as a mentor will enable the sales team to replicate the good traits and refine their sales and relationship focus for the new clients ahead. What IS changing # 1 ? Key Message 3: " We are amending the reporting and organisational structure to be more aligned to the business shape for the future. " Expanded message – This will require a restructure.

We will be careful to identify the things that are working well in the current organisation and will make sure that these elements are protected or improved. There is not expected to be any job losses in this change, however at the completion of the change process we may find that there has been a duplication, or redundancy, of functions for which we are over-staffed in some areas. We will be working with other parts of CompuFix and known organisations to try to reassign any affected individuals. In any event a support process will be instituted.

Reality – It does mean that there will be job losses and that not everybody will come out of this in a good place. Some people will also realise through the change process that this is not the place for them to be and leave. What IS changing # 2 ? Key Message 4: " We are amending the mission statement to be more aligned to the business shape for the future. " Expanded message – This will require a modified understanding of where the company is headed and why. It will be the governing document that is a reference point for the company's future. Some changes are required due to the nature of the changing industry.

Reality – The existing mission statement is defunct and reflects a position that is no longer sustainable into the future. Without a directional change the company has maybe two years until full scale downsizing is required. The loss of the Boeing contract could expedite this timeframe. What is NOT changing? Key Message 5: " The reputation that CompuFix has developed with its clients based upon service delivery will not change. " Expanded message – Whilst we are changing our internal structure and some people, process and technology factors, customer service delivery will not be interrupted.

It is envisaged that customers will not notice any glitch in services but will soon be noticing the positive outcomes of the change. Reality – It is going to require hard work and dedication by staff to ensure customers remain unaffected. Some customers have been over-serviced in the past and some have been receiving a price structure that is unsustainable into the future. A proper price/costing tool will enable these discussions to be had with affected clients and ongoing arrangements made to meet their servicing needs, at a price point that makes sense for CompuFix, as required.

Promoting the Change Every opportunity will be taken to present vibrant, consistent and informative messages. We can push messages to targets via team meetings, presentations, one-on-one meetings (where necessary) and printed material. The General Management and Team Leader levels will ensure that all operating staff, including those on remote on-site assignments are kept fully informed of changes and updates. As a result some communications will need to be hard copy. These will include newsletters, posters and formal letters.

Acknowledging the different informational needs of the specialised business units, we will also make sure staff are aware of where they can go to receive a greater level of detail and who they can feedback ideas and comments to. Because of the business unit nature of the teams the social network will be very important. The social network will be analysed and ' hubs' identified. The power of these social hubs will be harnessed to spread important messages. Communications plan Communication will be the lifeblood of the change programme.

To ensure the project team is in a strong position to provide timely information about the project to all stakeholders and equally important, receive feedback from them; a detailed communications plan will be developed. The plan will identify the various audiences within this project and specifies who will get what information at what time, in what format and through what means of delivery. Visits to affected teams The business unit's general manager and CEO will visit the affected teams prior to the preparation stage. This will provide the opportunity for them to demonstrate their personal commitment to the project.

It will also provide the opportunity to discuss with the individuals, the project and what it means for them. These meetings will also provide a forum in which the business teams to interact with the project team. Where considered strategically important Harry Jones will also be present to ensure his commitment to the change is demonstrated to all levels of staff. * answer staff questions, address concerns and receive feedback direct from staff * provide timely and accurate information about the programme * ensure the

consistency of information passed onto staff * enable project buy-in by the staff.

These meetings can: * Coaching plan – Champions Champions will help with the dissemination of information concerning the change project and how those changes will be managed within teams. Champions will be chosen from within the teams on the guidance of the General Manager. Where possible they will be at team leader level. They will advise the project team on business processes and will help to identify and manage resistance. The Champions will learn information in advance and will be used to trickle out information at an appropriate rate to the business teams. Reinforcing the change

The third and final phase of the change management plan is to reinforce the change. Practice makes permanent any good, or bad, habits and behaviours will become second nature if constantly applied and positively reinforced. Any behaviour that is inconsistent with the vision will be quickly corrected for error, checked for knowledge and understanding and then monitored. Without reinforcement there may be unexpected resistance, even 12 months on. There may be something bubbling under the surface that the project team is unaware of. * Monitoring individual behaviours and attitudes Using the newly created performance management process and individual objectives * Empower and train team leaders to deal swiftly with any decent using negotiation skills The reinforcement of change will initially be team specific 3 to 6 months after the overall restructure reinforcement becomes an organisational process managed by team leaders. Reinforcement is achieved through: The Reinforcement plan will cover the following

mechanisms for reinforcing the change: STAKEHOLDER ANALYSIS The stakeholders for CompuFix have been identified as follows:

Active Stakeholders| Allied Stakeholders| Associated Stakeholders| Remote Stakeholders| Impacted by the outcomes of the change initiative| Have an interest in successful delivery but are not necessarily involved in the actual project| Have a passive interest in the outcomes| Have a remote connection or interest in the outcomes – but will not necessarily require proactive engagement| StaffTeam LeadersGeneral ManagersCEOHarry JonesBoard of DirectorsUnions| Staff familiesAll clientsSuppliers| SuppliersIndustry colleagues/non-competitors| The industryCompetitors|

The engagement of each category of stakeholders is represented as follows: Stakeholder engagement/communication plan Managing the stakeholders in each of these areas requires different approaches. Below is a recommendation on areas which a stakeholder engagement/communication plan should focus. Allied Stakeholders| Active Stakeholders| Meet their needs| Priority Stakeholder| Actively engage & consult on development Stimulate their interest Involve in governance| Focus maximum effort on this Involve in planning and development Engage & consult regularly Involve in project as appropriate| Remote Stakeholders| Associated Stakeholders|

Least impacted| Show consideration| No need for active engagementInform via general communications| Keep informed Potential supporters/ goodwill ambassadors| The role of Harry Jones as stakeholder requires special attention here as he crosses over currently two, and by future strategy three, of the levels in the hierarchy structure, being owner, director and employee.

Harry's engagement and commitment to each role that he plays requires his agreement which needs to be attained via collaboration. The key functional requirements and management of those requirements for Harry are as follows: Role| Responsibility| How Managed|

Owner| Committed to the stated direction and not be swayed by control over day to day operational issues but rather accept the mutually agreed strategy. | Strategy document allocating resources for a defined period in conjunction with an agreed succession plan to reduce shareholding over eight years| Director| Be part of the team that collaborately decides upon strategic direction, and manage the contract with the employee charged with responsibility to carry out that strategic direction, the CEO. | Part of governance structure agreeing to forward strategy and allocating operational task to CEO.

Bound by memorandum of understanding. | Employee| Play his part in ensuring the that the operational issues contained within his role are carried out, both as a stand-alone performance and also as role modelling of desired behaviours| Employment contract signed with the CEO detailing specific operational KPI's. Subjected to same operational performance standards as all employees. | RESISTANCE Introduction Organisational change management encompasses all the activities aimed at helping an organisation to successfully accept and adopt new technologies with the purpose of improving the way the organisation currently operates.

For change to occur effectively its drivers must be clear enough to cut through resistance and destabilise the status quo, drive the organisation to

the new desired state and then re-establish a new status quo. Change management is the process through which this is achieved. Why People Resist Change| How People Resist Change| Direct Cost Saving Face Fear of the Unknown Worried about the Consequences Breaking Routines Incongruent Organisational Systems| Passive noncompliance Complaints Absenteeism Collective Action|

Much of the resistance faced by the programme can be avoided if effective change management is applied to the project from the very beginning. While resistance is a normal human reaction in times of change, good planning and change management can mitigate much of this resistance. Change management is not just a tool for managing resistance when it occurs; it is most effective as a tool for activating and engaging employees in change. Capturing and leveraging the passion and positive emotion surrounding a change can prevent resistance from occurring.

The following four tactics will aid in addressing the main sources of resistance: * Utilising a structured change management approach * Active and visible participation and advocacy by General Managers and Team Leaders * Involvement by staff at all levels * Communications that describe the need for change, the impact on employees and the benefits to the employee (answering " what's in it for me") Likely sources of resistance Below are some of the likely sources of resistance that will be experienced by the project team: * Employees are not aware of the underlying business need for change. Employees may be unsure if they have the needed skills for success in the new environment. * Employees that have invested highly in the current structure and way of doing things. In some instances these will

be people who helped create the current way. * Employees who expect more work as a result of the change. * Employees who have been successful and rewarded in the current way of doing things. * Employees who currently feel stressed in their role (because the perceive they are too busy, do not have enough support, or, do not have enough resource) * Employees who fear they have inadequacies that may be uncovered by new rocesses. Providing the needed information to increase employee' awareness of the business need for change is the first and most important proactive step in successfully managing this potential resistance. This will achieved though the communications plan and the early stages of the training plan. Identify the root cause Managing resistance is ineffective when it simply focuses on the symptoms. The symptoms of resistance are observable and often overt – such as complaining, not attending key meetings, not providing requested information or resources, or simply not adopting a change to process or behaviour.

While they are more evident, focusing on these symptoms will not yield results. To be effective at managing resistance requires looking deeper into what is ultimately causing the resistance. Effective resistance management requires identification of the root causes of the resistance – understanding why an individual or team is resistant, not simply how that resistance is manifesting itself. Resistance management Resistance is to be expected from a project that is fundamentally changing the way people work. A resistance management plan and reinforcement strategy will help to ensure the change achieved is effective in the long term.

The following table summarises the resistance management plan:

StrategyWhat needs to happen? | SymptomsWhy is it required? | ExampleWhat tool or approach? | When Used| Notes| Outward Communication| Lack of understanding. Lack of urgency. To tell people what is going to happen. | NewslettersPostersMeetingsPresentationsEmail| When employees don't understand the change or know how the change will affect them or don't feel the urgency for change. | Time-consuming. Messages need to be consistent. | 2-way Communication| Knowledge gaps are evident. Employees are asking questions that we feel have been answered already. One-on-one meetingsFeedback mechanisms| Helping employees understand how to break old routines and adopt new ones. | Time consuming and potentially costly because itinvolves staff time. | Employee Involvement| When people cannot engage with the proposal. Reinforce ' what does this mean to me'| Workshops| Reinforcing the change. | Might also lead to conflict if employee's interests are incompatible with organizational or team needs. | Stress Management| People grumbling or getting cross with each other. | EAP| When communications have not eased worries. | Time consuming and potentially expensive.

Some methods may not reduce stress for all employees| Negotiation| When other strategies have failed and grumbling still occurs. | Compromise sometimes required around timeframes. | When employees feel they are going to lose something of value. | Be clear about the things that are non negotiable. | Coercion| When resistance seems unfounded. When people have not engaged with other strategies| ' Get with the programme' or ' Get on the bus' management message | When change becomes urgent and staff

are resistant for no apparent reason. | Can lead to more subtle forms of resistance, sabotage or long term antagonism. Addressing resistance Anticipatory or proactive resistance management involves systematically identifying where resistance might come from and what it might look like. Identifying gaps and possible points of resistance with units and teams and addressing them before they emerge. Reactive resistance management is in response to specific points of resistance. In the reactive situation the project team must listen to employees and identify the source of the resistance. Specific action steps should be developed, communicated and implemented. The project team will need to demonstrate the following: Do not react to resistance with surprise, expect it and plan for it. Be patient with individuals as they work their way through the individual change model. * Assess resistance not only from an individual's natural aversion or dislike to change, but also based on how much other change is going on – what is the capacity for more change. * Treating the root causes of resistance is a more productive use of resources than simply reinforcing the forces for change. Choose the most powerful of the restraining forces and devote time and energy to weakening these. * Show the fiercest resisters what's in it for them.

Appeal to them either in terms of personal gain (such as status, salary bonus, recognition, and so on) or loss avoided (such as financial loss or job outplacement prevented) in accordance with their preferred communication style (analytical, sensory, intuitive or people-oriented). * Put resisters on teams that allow them to play some decision-making part in the change process, however small. * Defuse political power plays amongst managers

and other employees by conducting broad-based meetings where goals and tactics are openly discussed and introduce processes that leave little room for individual discretion where appropriate.

Endeavour to look at the world through the eyes of the change resister. Listen openly and honestly to what they are trying to say. Examine your own basic beliefs and assumptions. Through engaging resisters, be prepared to change yourself. Resistance managers Aside from the project team, the General Management and Team Leaders in conjunction with the CEO must act as resistance managers. This is also a role for Harry Jones. However, this needs to be carefully managed as some of these will be feeling resistant themselves. In addition getting key staff involved and onboard early in the project (social hubs and secretaries) can be of benefit.

Harry Jones can be utilised as a role model to mitigate resistance by making a case for the need for change and by demonstrating their commitment to change. Employees look to and listen to people such as Harry when they are deciding if a change is important and they will judge what they hear and what they see from this. If senior leaders are not committed to a change or hesitate in their support, employees will judge the change as unimportant and at worst resist the change, at best not engage fully with the project. Team leaders are also key to managing resistance.

They are the closest to front-line employees who we are asking to ultimately adopt the change. If they are neutral to or resistant to a change, the chances are that their employees will follow suit. However, if they are openly supportive of and advocating a particular change these behaviours will also

show up in how employees react to the change. CONCLUSIONS AND RECOMMENDATIONS The organisation faces some significant challenges in order to address the issues identified at the start of this document. Any or all of these issues, if not managed effectively, could undermine the success of the reorganisation project.

In order to address these issues, I recommend the following approach: 1. Change Management – a formal change management approach, which includes the following detailed plans, will need to be developed in conjunction with the entire staff, the organisation and the union: a) Communications Plan b) Resistance Management Plan c) Reinforcement Plan; and, d) Coaching Plan. 2. By following the proposed initiatives framework CompuFix will be able to unfreeze, change and refreeze the formal elements of the new culture. These initiatives include: a) People initiatives:) Performance Management Framework ii) Mission Statement & Strategic Direction iii) Organisational Development Programme iv) Leadership Development Programme b) Process initiatives: v) Management Information & Reporting vi) Performance Review Process vii) Communications and Sales Training Programme c) Technology initiatives: viii) D. W. Smith Review ix) Technology Programme The body of the report includes indicative project details such as timeframes, resource and budget requirements. Risks and mitigations are also given providing contingency.

APPENDICES APPENDIX – 1 STEEPLE ANALYSIS Social | | Industry noted for high reliance on labour and spare parts inventoryIndustry has unique service proposition designed to satisfy specific clientsIncreasing use of specialised systems by organizations with service needsIndustry rationalization for cost

reduction and profit maximization| Technological| | Increasing use of technology requiring greater reliance on repair servicesMove to greater technology solutions to reduce reliance on labour and inventory| Economic| Increasing competition and new entrants into the marketDeclining margins and profitabilityIncreasing demand for investment capital to retain market share| Environmental| | Society focus on the adverse effects of hardware discarding in landfills etc Increased investigation into alternative uses of technology to avoid wastage| Political | | Increasing public awareness of the industries self regulation in hardware wastageNeutral political influence on the repair and service industryIncreasing Green political power focus on wastage if self-regulation doesn't work | Legal| Repair and service industry covered by existing legislation Business to ConsumerConsumer Guarantees Act: Adequacies of repair, reasonable costs and timeframes. Business to Business, market forces dictate market share and organ