

Change management (oticon) flashcard



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However, due to its bureaucratic and inflexible nature, the company was unable to adapt to the changing business environment and became unprofitable. Changes had to be made; else the company will go in the red. Besides the changes associated with the entry and exit of Mr. Lars Kolind as

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Oticon's President, the company went through three (3) phases of change under Kolind's leadership. The changes are; 1. In 1988: Appointment of Lars Kolind "an innovator" as the third President of Oticon. 2. In 1988: Turning the poor performance and negative profitability round through cost-cutting measures: he pared the company down, cut staff and increased efficiency, and reduced the price of a hearing aid by 20 per cent. 3.

In 1990: 15 months planned change in company vision, competitive strategy, culture/values, organizational structure e. t. c. 4. In 1995: To avoid slipping back into a traditional departmental organisational form Kolind re-organised the company as a strategy to keep it 'dis-organised'. 5. In 1998: Lars Kolind exit and Niels Jacobsen entry as Oticon's President. The following analysis will examine the triggers to the change; the change drivers and barriers; main stakeholders and opinions; and Oticon's approach to change. Triggers leading to the change: Oticon was pioneer hearing instrument manufacturer and continued to operate in its initial strategy until things began to change due to; 1.

Economic Trigger: It lost money and market share in the 80s'. In 1987, performance was so low that it lost half of its equity. 2. Technology Trigger: Market became dominated by more advanced technology companies with preferred digital products compared to Oticon's 'behind the ear' products. 3. Social Trigger: Customers preferred 'in the ear' variety products compared to Oticon's standard 'behind the ear' products. 4. Environmental Trigger: Oticon was operating as a state-subsidised Scandinavian company making it weak in more buoyant markets of America and the Far East. Oticon Change

Drivers: 1. The new company President (Lars Kolind) was determined and will stop at nothing to bring change to Oticon. 2.

Market gap for knowledge based hearing instrument company with good marketing relationship and main goal of putting a smile on customer's face.

3. Shareholders expectation: After 10 years of poor performance, shareholder must be putting pressure on management for profitability. 4.

Customer expectation: Demand for 'in the ear' type and digital product.

Change Barriers: 1. Financial barrier: On arrival of Kolind as new president he needed to cut down cost to bring Oticon back to profitability in his first change drive. In his second stage change drive (strategic change) two (2) old building was abandoned and a new head office required ? 30 million. 2.

Human resources skills and capabilities: Shifting from technical to knowledge (making people smile) based competition required multi-discipline team comprising psychologists, audiologist, logistics, relationship marketers e. t. c.

3. Company structure: Traditional structure, job descriptions and policies were barriers to cooperation, innovation and teamwork. 4. Hierarchy barrier: Psychological barrier to change among senior managers based on fear or self preservation (resistance to change). 5. Time: Estimating time required to plan and create the change especially the second change under Kolind that required change in company vision, strategy, culture and structure. 6.

Change management know-how: Lack of training on change management, information technology, mentoring and team building... The main stakeholders, their influence and major concerns. Stakeholder-1: Oticon Customers. Influence: Stakeholder has Low Power & High Interest. It has an

informal referent power that stems from being a highly valued customer.

Concern: Stakeholder seeking for a customer focused and knowledge based hearing device manufacturer/marketer. Stakeholder-2: Oticon's

Management. Influence: Stakeholder has High Power & High Interest. It has a formal legitimate power that stems from position in organisation's hierarchy "that is right to command". Stakeholder is a key player in organizational change and change management strategy.

Concern: Stakeholder concerned with developing vision strategy and values to keep business profitable through organisational change and change management. Stakeholder-3: Oticon's Ownership (shareholders). Influence: Stakeholder has High Power & High Interest. It has a formal legitimate power that stems from consensus shareholders decision during AGM. Stakeholder is a key player in organizational change, financial investment, company vision, culture/values and change management strategy. Concern: Stakeholder concerned with creating wealth and adding value on invested capital.

Maintaining a Danish company in the industry and creating employment for nationals. Stakeholder-4: Workforce (employees).

Influence: Stakeholder has Low Power & High Interest. Concern: Stakeholder with concern to keep their jobs and authority. Also, to be trained to acquire enabling skills to fit-in to the new "disorganised" Oticon. Stakeholder-5:

Oticon's Suppliers. Influence: Stakeholder has Low Power & High Interest.

Concern: Stakeholder with concern to keep supplying goods and services to Oticon and develop partnership-style relationship. Oticon's approach to change management. After ten (10) years of poor performance and making losses, change came to Oticon in three (3) phases after the appointment of

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Lars Kolind as President in 1988. Each of the change started with developing a strategy for change.

Phase one (1): The first two (2) years the company experienced the first breeze of change as Kolind worked hard to turn the poor performance and negative profitability round through cost-cutting measures: he pared the company down, cut staff and increased efficiency, and reduced the price of a hearing aid by 20 per cent. By 1990, Oticon made a profit of some ? 16 million on a turnover of ? 400 million with sales growing at 2 per cent per annum. However, the market was growing at 6 per cent. Change approach: Emergent Approach of rapid transformation (bold stroke). Phase two (2): The second stage of changed started from new year day of 1990 with the President coming up with a totally new company strategy of shifting from a technological based competitive advantage to a knowledge based one.

The change here required changing from a traditional organisation, got rid of departments, departmental heads and other managerial and supervisory positions. Job descriptions and titles and anything else that created a barrier between one member of staff and another were also eliminated. Change approach: Management set up a group to plan and implement the change using a Plan Approach of slow change in a stable environment which took 15 months of planning before implementation. The company did not rush into making a decision about what exactly was the problem, what solution to adopt or what equipment to purchase but rather to it time to plan and implement using a “ top-down approach”.

The planned approach used follows the four (4) planned phases of change model (Bullock & Batten, 1985) which has;

- Exploration (unfreezing): Oticon was able to establish not only where problems lay in the company, but also whether the problems intensity and the priority and approach to change and change management.
- Planning (moving for change): Clearly defining goals for change and setting up small group comprising staffs to plan and implement the new strategy which took 15 months.
- Action (making the change): Change to the new way of working and doing business took effect on 8th of August starting with the head office as an approach that once the head office changes other subsidiary will follow “ top-down approach”.

Integration (Freeze): It took months before everyone understood their new roles, and for the organization to cast off its old ways and begin to operate in the expected manner. By 1994 resultant outcome was impressive (see conclusion for change impact measurement). The change management process applied here is similar to ADKAR model (Awareness-Desire-Knowledge-Ability-Reinforcement).

- ? Awareness: As a change innovator leader Kolind first built awareness of the need for change. Sharing why the change is necessary with all relevant stakeholders and all the needful risk assessment.
- ? Desire: He further created the necessary motivating factors such as training staffs and address issue of resistance to change by involving staffs in the transformational planning which result in employees choosing to support the change.
- Knowledge: Moving from technology to knowledge based competitive advantage required trainings and education program. This knowledge is critical to understanding what is changing, what the future will look like, how to change, and how stakeholders will fit into the change. ?
- Ability: The extension of knowledge into an action or behaviour in support of

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the future state of the change (Hiatt, 2006). In this case the human value was used to support the future state of change. ? Reinforcement: Rewarding the successful efforts of implementing change was seen by way of Awards to Oticon, financial results, number of launched new projects and its lead time, balanced score card and market share increase.

Phase three (3): After achieving ground breaking change and performance by 1995, he still believed the company was in danger of slipping back into a traditional departmental organisational form. His response to this was to ‘explode the organisation’. In an uncharacteristically directive way, Kolind instructed people and teams to relocate within the Head Office. Teams devoted to short-term business goals (such as sales, marketing, and customer service) were moved to the top floor. People working on medium-term projects (upgrading existing products, for example) and long-term research were put on the second floor. Those dealing with technology, infrastructure and support were located on the first floor. In Kolind’s words, ‘It was total chaos. Within three hours, over 100 people had moved. He justified this new bout of chaos by arguing that ‘To keep a company alive, one of the jobs of top management is to keep it dis-organised.’ Change approach: Emergent Approach of rapid transformation (bold stroke). Dealing with people issues (Resistance) during Oticon change process. “You’re not a war-time Consigliari, Tom. Things could get rough with the move we’re making” – Michael Corleone to Tom Hagen in Godfather II. The statement above shows how resistance to change by stakeholders can make things look very ugly. Hence, a strategy must be in place to mitigate resistance. There are five approaches to overcoming resistance to change (Kotter &

Schlesinger, 1979), which are; 1. Educative Approach 2. Persuasive Approach 3. Facilitative Approach 4.

Participative Approach 5. Power Approach. In the three phases of change that took place during Kolind tenure some or all of the approach was applied. Particularly, phase-2 change which was a major change Kolind applied all the five change approach. Phase-1: The fact that Oticon has been performing poorly and consistently making loss for the past 10 years made it for the new President on arrival to cut non-performing staffs, increase efficiency and achieving reduction in price of products by 20%. In this phase, Kolind used predominantly power approach to lay-off unproductive workers which are most likely to resist change and unlikely to increase efficiency.

This was augmented with educative approach by training the remaining staff to be more productive and persuasive approach by making staff realize that poor efficiency/performance will not be welcomed by management. Phase-2: After deep thinking and consultation with main stakeholders on Oticon's new vision and business strategy. It was evident that Oticon needed a clear direction that everyone understood and a fundamental consensus about the basic human values to avoid disoriented mass of individual and resistance to change. " The management and staff open and lengthy discussion on the new strategy made everyone know why, what and the reason behind the new business strategy".

Employee relations and communication was very good in Oticon and hence employee saw things with management that change was justified. Staffs that lacked project management skills and managers that had power base

initially found the new strategy as a threat. This fear and act of self preservation was overcome by involving staff in planning the transformation, all staffs were given IT skills training and given a home PC. Finally, the ultimatum issued by Kolind “ accept the new arrangements or leave” sent a signal to staffs that management will not tolerate resistance from any staff or group of staffs. In addition, the use of open-plan office took away privacy that encourages conspiracy.

Oticon emphasized on its human value to re-assure its workforce that their level of responsibility will not be threatened in the new Oticon. Its human value states “ Oticon only employ adults, and will treat its staffs as responsible adults”. Giving them some level of authority with management slogan “ It’s easier to be forgiven than to get permission” meaning ‘ if in doubt do it. If it works, fine. If it doesn’t we forgive you’. See table-11. 2 of the case study for details on how Oticon implemented its human value. To overcome resistance to change in this phase Oticon used all five approaches.

- **Educative approach:** By making sure stakeholders understand the reasons for change and consequences as most resistance are born out of misunderstanding or lack of accurate information.
- **Facilitative approach:** This approach was applied to overcome resistance born out of fear from lack of required skills and threat to self preservation following change. To overcome this project management and IT trainings were given and a home PC was provided for staffs.
- **Persuasive Approach:** This approach was applied to overcome resistance born out of fear of loss of power base and authority. To overcome some resistance managers that were to lose their title and power base in a new flat organization was offered project leader position in return.

Participative Approach: Naturally, humans are political animals and want to have some influence on matters that affects them.

This approach was applied by involving staffs in planning the transformation and emphasizing on the human values of the company to motivate and demonstrate to staffs that they are still a highly valued stakeholder. • Power Approach: This approach which is the most distasteful was applied at last when all the other four approach has been used. This approach was in the form of (threat) ultimatum issued by Kolind “ accept the new arrangements or leave”. Phase-3: Resistance to change here was avoided using educative approach by staffs understanding what the change was about and facilitative approach by not having individual offices, use of little filling cabinet on wheels and adoption of ‘ paperless office’.

It was easy for staffs to come in each morning, pick up their mobile office and trundle it to wherever. This made it easy for management to avoid staff sitting back and the company slipping back into a traditional departmental organisation and achieve keeping it ‘ dis-organised’. Leadership and management. After deep thoughts Kolind demonstrated his skill as an innovative leader by establishing a clear vision and desired future state of the organisation. As a motivating leader he kept an on-going, open, multi-way flow communication regarding the need for change, how change will be implemented and measured. In this way, a feeling of collective ownership to success and failure was created in Oticon.

Conclusion. During the tenure of Lars Kolind “ an innovator” as President of Oticon the company went through phases of changes both major and minor

change. The impact of change was measurable with numerous benefits for all stakeholders. Change impact measurement can be deduced by: 1. 15 new products launched in 3 years (by 1994). 2. New product lead time was halved. 3. Company sales were growing at 20% per annum when market was shrinking by 5% per annum. 4. Oticon's market share increased from 8% in 1990 to 12% in 1993. 5. Launch of first digital hearing aid in 1995 6. By 1995, turnover increased by 100% on 1990 and profit has increased ten-folds. 7.

Receiving of numerous awards for innovations and employee empowerment.

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