

Developing a high level plan for change

Example 2.1 on Concrete Flags, discussed in Chapter 2, illustrates a common problem. The plan for change failed to take account of the need to maintain internal alignment. Plans focused on developing new products and markets and installing a new production technology, but failed to consider the implications of the change for the operatives whose job was to manufacture and dispatch the new 'dream patios'. Case study 15.1 offers another example of how high level plans can evolve after a need for change has been recognized.

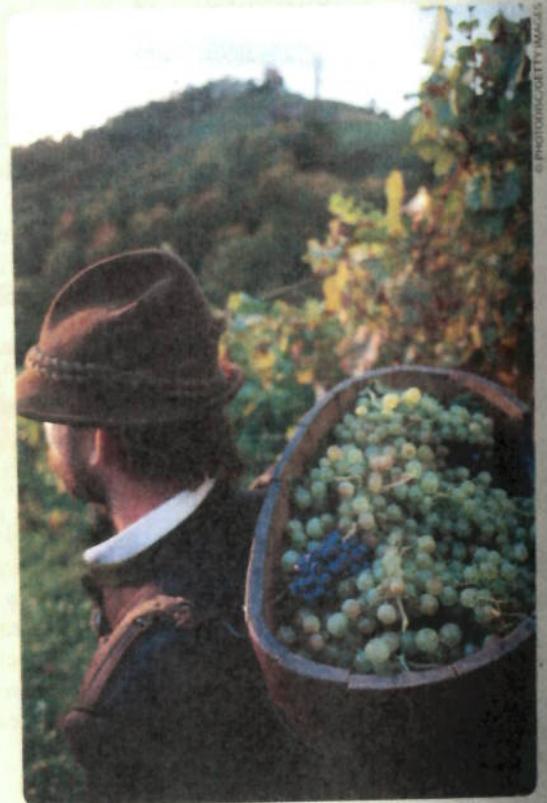
Case study 15.1 *Planning for change at Bairrada Wines*

Bairrada Wines (as it will be referred to here) is a small family-owned Portuguese winery that uses traditional methods to produce excellent wine from its own grapes. For many years, demand outstripped supply, so in 1999 it was decided to plant more vines. It was 2003 before the additional output was available for sale but, once again, all the wine was quickly sold. Encouraged by this, the founder/owner acquired more land and planted more vines to increase production, and profits continued to increase until the last quarter of 2008. It was then that the economic downturn began to affect sales. However, although revenue fell, the winery was still making a profit and the banks were happy to continue lending to Bairrada Wines, even though they were closing their doors to many similar businesses. This created a false sense of security and it was not until 2009 that the founder/owner and the CEO recognized that the recession was not a temporary downturn and they had to take action if they were to survive and prosper in the new hostile economic climate.

Although times were getting harder, the business was continuing to make a modest profit and had few debts, so the founder/owner and the CEO decided that the situation did not call for them to impose any draconian cuts. They felt that sudden radical change could do serious damage to the winery's culture and the high level of staff commitment that, over the years, had contributed to the success of the business. Their view was that the best way forward was to involve the management team and as many employees as possible in developing a plan that would secure the long-term success of the business.

After several meetings of the management team, a plan began to emerge. It was decided that more needed to be done to secure the future market for their wine. Over 75 per cent of output was sold within

Portugal and no effort had been made to develop export markets. The 25 per cent of the wine that had been sold for export had been sold to foreign buyers who had sought out the winery. But in 2009, the Portuguese economy was in free fall and local sales were predicted to fall over the long term. So, it was decided to begin exhibiting at those wine fairs that attracted foreign buyers and to do more travelling to visit buyers in selected export markets such as Germany and the UK.



Attention was also given to reducing costs. Labour costs accounted for a high proportion of the company's annual spend so this was an obvious target, but because most employees had been with the company for many years, redundancy was a costly option and letting people go could undermine the commitment of those who were retained. However, one senior member of the administrative department was 12 months off qualifying for early retirement, so a possibility was to explore her willingness to switch to a part-time contract until then. It was also decided to explore other possibilities for moving staff to part-time work.

Savings could also be made if winery and vineyard workers could be persuaded to work more flexibly. It was already accepted practice that the agricultural workers would work in the winery when, because of weather conditions or the time of the year, there was little or no work in the vineyard. But this arrangement did not work the other way round. Winery workers did not normally work outside and seasonal workers were employed at harvest and for pruning. It was anticipated that the proposal to temporarily relocate some of the winery workers to the vineyards at peak times would be resisted, but it was decided that this option needed to be explored. The management team acknowledged that they would have to communicate a compelling vision of the required changes if they were to secure the support for more flexible working, an approach Dibella (2007) identified as effective when the appeal of a necessary change is low (see Figure 15.2 below).

Opportunities for cost savings were also identified within the winery. Elaborating aged wine is a traditional process, and in the winery many of the steps in the process, such as pump over, pressing, run off and racking, involved little mechanization, but it was decided to engage a consultant to investigate possibilities of reducing costs without affecting quality. With this exception, it was decided to curtail all capital investment, so plans to construct a new water purification plant and purchase additional land for planting new vineyards were put on hold.

The founder/owner and CEO felt that the management team had helped them to develop a good plan for change that involved working on several levers for change simultaneously.

Before reading on, review the change plan developed by the founder/owner and senior managers at Bairrada Wines:

- 1 Is the change plan based on an appropriate strategy for change (see ideas discussed in Chapter 14)?
- 2 Does the change plan address the main problems confronting the business?
- 3 Does the plan take account of all the issues that could affect the outcome or are there important omissions?
- 4 Would an alternative approach deliver superior outcomes?
- 5 If 'Yes', outline the essential elements of your alternative plan.

The proposed changes needed to be presented to the board of directors, so the CEO prepared a paper that outlined the plan and detailed all the actions that required approval. The CEO and management team considered the required approval as a formal step and did not anticipate any problems. It was a huge surprise, therefore, when the plan was not approved and the founder/owner, who owned 40 per cent of the shares, was released from the role of company president. He was outvoted by his children and other family members who, together, owned the other 60 per cent of the shares.

The board, which comprised the other family members, was not happy with the proposed plan. It wanted fast action to restore the previous level of profitability and came up with a new strategy, which involved laying off five managers and supervisors and replacing them with two new managers who would be tasked to work alongside the CEO to cut costs as quickly as possible.

The plan for change that had been developed by the management team was not implemented because the founder/owner and the CEO had paid insufficient attention to the other family members who were on the board. The founder/owner was taken completely by surprise when they rejected the plan because, during the good times, they had shown little interest in how the business was managed and had done little to help shape the company's strategy. The founder/owner also reported that he had never before observed them acting as a cohesive group.

Source: This case is based on contributions from Eva Perez.

This case illustrates how carefully thought-out plans for change may not be implemented as anticipated if those leading the change fail to take account of the concerns and interests of all powerful stakeholders. In this case, the founder/owner and the CEO, based on their past experience, had been completely unaware of the threat posed by other members of the board to their plans.

Translating high level intentions into detailed plans

Beckhard and Harris (1987) define the period of time between the identification of the need for change and the achievement of a desired future state as the 'transition state'. Often, key phases of this state are unique and different from either the pre-change state or the post-change state. For example, if an organization recognizes that it needs to improve the way it manages information and, after exploring a number of possibilities, decides to move to an enterprise resource planning integrated information system, it will experience a period of transition. There will come a point when the organization continues to rely on the old system while the new one is being developed, installed and debugged. During this period, people affected by the change will have to keep the old system going while learning how to work with the new system and develop the work roles and relationships that will have to be in place when the new system is up and running.

It is not unusual for many types of change to disrupt normal work practices and undermine existing systems of management. Nadler (1993) argues that during this period, control is one of the major challenges facing management. To abandon previous management systems before new ones have been developed can frustrate any attempt to manage the change unless some form of temporary management system is put in place. Nadler refers to the need for 'transition devices'. These include the appointment of a transition manager, the development of a plan for the period of transition between the old state and the proposed future state, the allocation of specific transition resources such as budgets, time and staff, and the development of feedback mechanisms to facilitate monitoring and control. These, along with some other planning issues, will be considered below.

✓ **Exercise 15.1** *Reflect on and review a past plan for change*

Reflect on a change that you tried to introduce at work or elsewhere:

- Did you have an explicit plan for achieving the desired change?
- Did it work?
- Why was this?
- Could you have done anything to improve your plan?

Appoint a transition manager

It is not always obvious who should be in charge during the transition phase. Should the person in charge of the pre-change state continue to be in charge during the transition? Should management responsibility pass to a temporary project manager or the person who will be in charge post-transition? Beckhard and Harris (1987) suggest that there is no cut-and-dried answer to this question. Typically, the