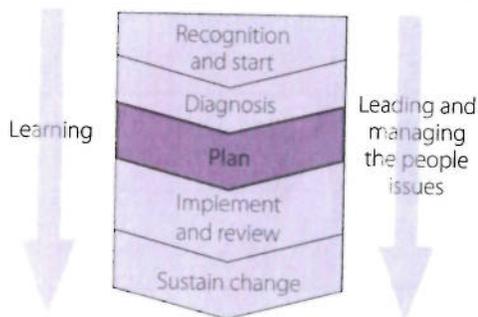


Shaping implementation strategies

Sometimes, those leading change give insufficient attention to developing a change strategy that will be fit for purpose. If they have a successful record of leading change, they may assume that what worked in the past will work again in the current situation. This might not be the case.



This chapter begins with a historical overview of change strategies and the values and assumptions that underpin them. After exploring the strengths and weaknesses of three frequently used approaches to managing change, some of the situational variables that need to be considered when shaping a change strategy are reviewed. The final part of the chapter draws together these ideas and presents a contingency model that leaders can use to identify the most effective way of implementing change.

Before reading on, look at Case study 14.1 on Asda and think about how you would have managed the situation if you had been the newly appointed CEO. Make a note of the essential features of your proposed change strategy. After you have read this chapter, revisit your proposed strategy for managing change at Asda and consider whether, in the light of the ideas presented, it would have been as effective as it could have been.

Case study 14.1 Asda: a winning formula

Asda was the first company in the UK to invest in large, out-of-town superstores, selling food and related products, and offering ample free car parking. Asda was created in 1965 as a subsidiary of Associated Dairies. It started business by opening a string of large discount stores in converted mill and warehouse premises. In the early days, shoppers were offered a limited range of competitively priced products. When Asda went public in 1978, it was the third largest food retailer in the UK, selling an ever widening range of products. Its success continued to be based on high volumes, low margins and good value for money.

A change of strategy: the pursuit of higher margins

In 1981, Asda began to shift towards a new strategy focused on raising margins. A range of new initiatives involved seeking efficiencies to reduce costs and introducing more high-margin products such as prepared foods and a wider range of non-food items. There was also a drive to expand in the south of England where customers had greater spending power. However:

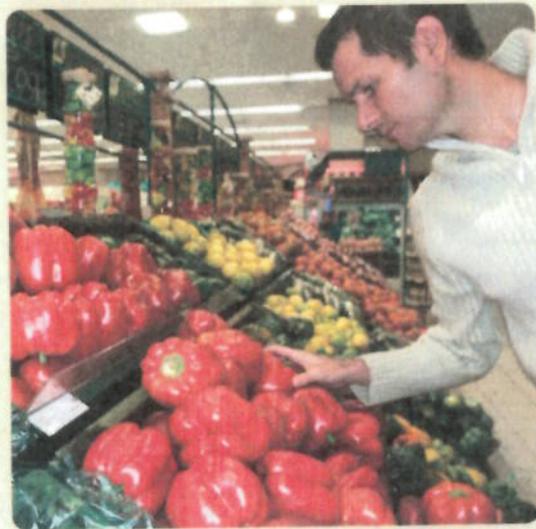
- This expansion policy was slow to get off the ground, partly because planning permissions for large retail developments were more difficult to secure in the south, since the price of land was significantly higher

and many of the best sites were already being developed by competitors.

- Sales were less than anticipated because Asda's value-for-money image and its somewhat austere store layouts tended to be unattractive to relatively wealthy southern customers who were used to shopping in more upmarket stores. Asda attempted to brighten up some of its stores and further distance itself from its 'pile 'em high, sell 'em cheap' image but this did not generate the anticipated contribution to operating profits.
- Long-standing customers in the north appeared to be confused by what Asda was beginning to offer them and many switched their allegiance to new cut-price retailers who were more focused on offering value for money.

Diversification

Additionally, towards the end of the 1970s, senior management had begun to consider the possibility that saturation may limit future growth in food retailing and the decision was taken to diversify into non-foods by acquiring other companies. Some of the most notable acquisitions included Wades Department Stores, with over 70 prime high-street sites, in 1977, and Allied Retailers (Allied Carpets, Ukay Furniture and Williams Furnishings) in 1978; unfortunately this acquisition did not make the anticipated contribution to profitability because the recession in the early 1980s led to heavy discounting. Ukay furniture fared worst



and was sold in 1982. While the recession hit Allied Carpets, it continued to make modest profits and by 1985 had improved to the point where it was decided to expand this side of the business.

Moreover, in 1985 Asda merged with the MFI furniture group, but this merger, the biggest in British retailing up to that point, was another disappointment. Asda-MFI attributed the poor performance to one-off problems, such as a new range of kitchens that failed to sell. It was anticipated that the problems would be short-lived but performance failed to pick up as expected. Finally, in 1986, Asda launched Asdadrive, a car retailing business at sites adjacent to six of its superstores, with the intention of rolling it out to about 75 per cent of all sites.

Refocusing on the core business

Following the merger with MFI, Asda-MFI's shares significantly underperformed. In 1987, the company surprised the market with a major change of strategy. Instead of continuing with the policy of diversification, it decided to refocus on the Asda superstores. The Asda-MFI merger ended with a management buyout of MFI, although Asda then bought a 25 per cent stake in this new company. Asdadrive and most of the associated fresh foods business were also disposed of and it was the intention to get rid of the Allied Carpets business. However, following the collapse of the equity market, it proved impossible to obtain the anticipated profit from the sale of Allied Carpets, so the business was retained and later expanded with the acquisition of Marples in 1989.

In order to develop the core business, it was decided to invest up to £1 billion over a period of three years. Most was earmarked for accelerating the opening of new stores, especially in the south, but there were other demands. Asda had lagged behind its competitors in a number of areas:

- *Own-label products:* They had all invested heavily in own-label products, which offered higher margins and better value to customers, whereas Asda had only started to introduce them in the mid-1980s, and on a much smaller scale.
- *Computerized point of sale equipment:* Competitors had invested heavily in technology that improved stock control and provided better customer service at checkouts.

- *Centralized distribution networks:* The competition had also developed centralized distribution networks for fresh foods that pushed down costs, enabled stores to receive fewer just-in-time deliveries from vehicles carrying full loads, and reduced the requirement for store-related warehousing space.
- *Store refurbishment:* Asda had neglected many of its stores, which were beginning to look tired and in urgent need of refurbishing.

Asda recognized the need for investment in all these areas.

A leap forward that contributed to a major debt problem

In 1989, a consortium that was planning to buy Gateway agreed that, if its bid was successful, it would sell 62 superstores to Asda for £705 million. This was seen as an attractive proposition. It offered Asda the possibility of making up for lost ground and regaining its old position as the third largest British food retailer. It also promised to double the number of Asda stores in the south of England and contribute an extra £1 billion to sales. Asda bought the stores in October 1989.

However, Asda's performance following the purchase of the Gateway stores was poor. Profits were down and Asda's stake in MFI contributed a loss. Allied-Marples was also in trouble. Asda had net debts of over £900 million. From the end of 1989, Asda's share price began to slide compared with major competitors and, in September 1991, it dropped a further 29 per cent. The

announcement of a rights issue (an invitation to existing shareholders to purchase additional shares) at the end of the month led to another massive fall in the share price.

The appointment of Archie Norman

Archie Norman was offered the role of CEO in October 1991 and took up his appointment in December. By the time he arrived, Asda was fast running out of cash. He found a company that was bureaucratic, hierarchical and highly centralized. There was a large HQ located in the new custom-built Asda House. Directors had little contact with their subordinates. The culture was risk averse. People at all levels appeared to be intimidated by their bosses and told them what they thought they wanted to hear. They also seemed reluctant to take any initiatives that would call attention to themselves. Morale was low.

Norman also found that the trading department was dominant. Buyers, located at Asda House, determined what the stores would sell but they had little contact with store managers. The new CEO had concerns about the quality of management and the apparent unwillingness, throughout the organization, to make best use of the talent that existed. Store managers felt ignored and found it impossible to have any meaningful input to thinking at Asda House. There were also problems within stores themselves. Vertical communication was poor and customers were not valued.

If you had been Archie Norman in December 1991, what would have been your strategy for change?

A historical overview of change strategies

In the first half of the twentieth century, the dominant change strategy was a Tayloristic top-down search for efficiencies, which involved experts, such as experienced managers and methods engineers, applying their working knowledge and scientific principles to analyse problems and identify solutions that they then implemented/imposed with little, if any, consultation. The main focus of their expert attention was technostructural problems and the changes they implemented ranged from new work methods and job redesign to organization-wide production systems.

In the late 1930s and 1940s, a series of studies on autocratic and democratic leadership produced findings suggesting that participation and involvement led to improved outcomes, which stimulated the development of a new approach to managing change, known as organization development (OD), based on these values. Burnes and Cooke (2012) report that proponents of OD saw bureaucracy