



Gyeongju University

From the Selected Works of Anthony J Jackson Prof

Fall September 18, 2015

Adopting Change Initiatives During Economic Downturns

Anthony J Jackson, Prof, *Gyeongju University*



This work is licensed under a [Creative Commons CC_BY-NC-ND International License](https://creativecommons.org/licenses/by-nc-nd/4.0/).



Available at: https://works.bepress.com/anthony_jackson/8/

Adopting Change Initiatives During Economic Downturns

Anthony J Jackson
Assistant Professor
Gyeongju University, Global Studies
Gyeongju, South Korea

September 10, 2015

Abstract

Change initiatives is a popular approach to eliminate waste and increase profits with a more efficient approach to productivity. Developed by Motorola it now has spread world wide with the more popular Toyota Production System (TPS) to Trumpf with its Synchro Production System, Healthcare, and Small Business Enterprises (SME's). Many companies have claimed benefits from change initiative implementation with some failures. This paper reviews the critical success factors and change projects and what the companies did to be successful..

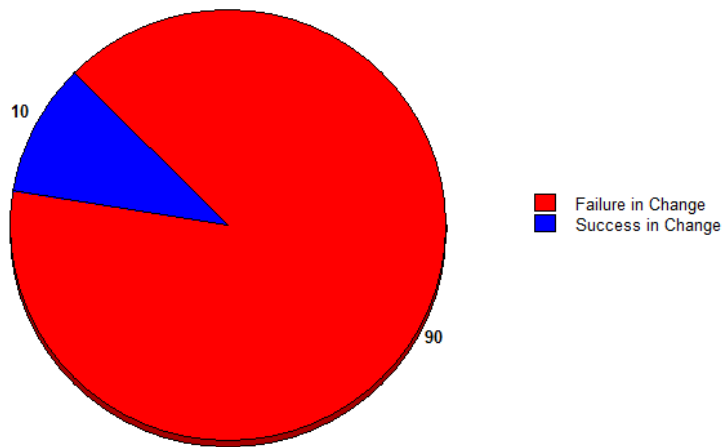
Introduction

During economic downturns or at any time it's hard for Small and Medium Enterprises (SME's) to focus and adopt change initiatives yet, there are organizations, companies and individuals changing everyday.

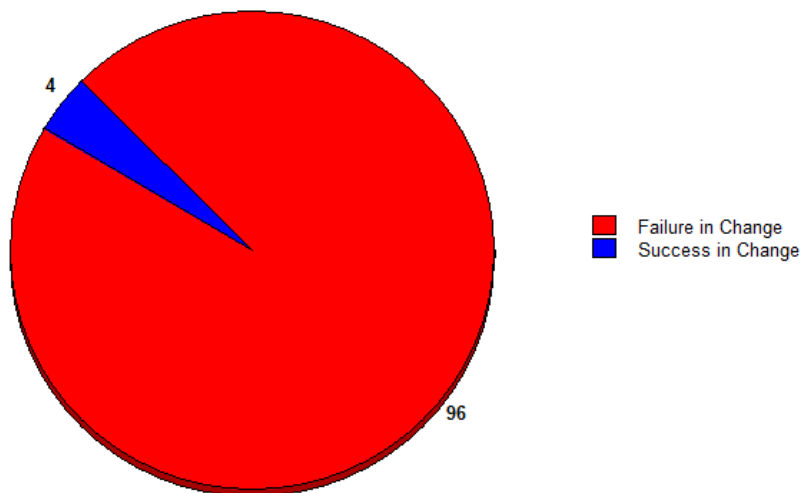
The change initiatives are about what a company needs in order to sustain its competitive edge and growth when the economic pendulum swings back the other way. The economies turn around but, it's the company that's prepared for change that will surge to the top. Smart et al., (2004) posited that change occurs frequently in most large and small companies. The problem is that it isn't always well planned, deliberately executed, and successful. It is also often reactive to events rather than proactive in anticipating or even creating them. The typical SME has not invested much in planning, pursues change haphazardly, and adopts generic or packaged change initiatives.

Few change efforts are very successful and some are complete failures. However, the majority of change efforts lie between the two extremes, meaning they achieve some level of success, but fail to achieve all the change objectives. The Pie chart below shows the success rate for change in the U.K. And the U.S. of SME's

Success Rate for change In the U.K.



Success Rate for change In the U.S.



Some companies do very well during economic recessions defying all the odds yet, the number of failures in change outpaces success. Burnes (2004) (As cited by By, 2005) suggested that this poor success rate indicates a fundamental lack of a valid framework of how to implement and manage organizational change as what is currently available to academics and practitioners is a wide range of contradictory and confusing theories and approaches. Yet, if you view Hughes (2011) theory it contrasts Burnes view in that it refers specifically to re-engineering failing, rather than all forms of organizational change.

Conceptual Framework

This research doesn't attempt to solve the problems of why change initiatives fail but to highlight the successes and what steps SME's can take to increase the rate of success for their organization.

Resistance to organizational change

One common factor among organizations is employees resistance to change which can derail any change attempt. Negative employee reactions can be detrimental for organizations since they are commonly associated with harmful outcomes, such as employee withdrawal (Armstrong-Stassen 1994) and reduced performance (Weeks et al. 2004) however, Ford et al. posited that it is important to expand the discussion of resistance to change to include its sources and its potential contribution to effective change management.

Communication

How organizations communicate change is also an important factor in leading to successful change. Gebert (2004, 2007) indicated that perception of deficits is an inevitable condition for people's willingness to accept innovation and change. Nevertheless, Jonas et al. (2002) recommended that it was necessary to address changes proactively by pointing out the need to change in the present in order to secure standards for the future (e.g., social security, the environment, and natural resources).

Critical failure factors

Before any comparison can be made of why organizations succeed in change it must be clear as to why they fail at change. Albliwi, Antony, Lim, van der Wiele (2014) identified five critical failure factors (CFF) that prevents change from being successful in any organization.

1. Lack of top management attitude, commitment and involvement.
2. Lack of training and education.
3. Poor lean six sigma (LSS) project selection and prioritization
4. A weak link between the continuous improvement (CI) projects and the strategic objectives of the organization.
5. Lack of resources, such as technical, human, and financial resources.

Initiating change in the organization

Change is always constant in organizational life least we can't predict it and the process doesn't unfold in the ways we expect it to. Nevertheless, a key element in successful change is having effective leadership. Gilley, Dixon, & Gilley (2008) implied that a primary reason for an organization's inability to change and innovate lies with its leaders—the individuals who are responsible for leading change efforts—and their lack of skill or will, impeding successful implementation. Although many organizations and their leaders desire lasting, meaningful change, few are capable of achieving it.

Organizational change

Organizations seeking to change will experience resistance to the change from

employees. Bovey & Hede (2001) asserted that people are inherently resistant to change; avoiding or resisting it is human nature. Albeit resisting change is natural, failing to change can be deadly. Businesses that don't change disappear (Lewis, Goodman, & Fandt, 2001). Nevertheless, the importance of the leader's role and skills in driving change is clear.

Leadership skills for successful change

Change regardless of the magnitude will have either a positive or negative effect on the organization. Yet, Miles (2001), asserted that any change, no matter its size, has a cascading effect on an organization. Furthermore, leaders at all levels in organizations will confront the challenges of change while concurrently facing opportunities to create a work environment that supports change readiness and innovation.

What can companies do to position themselves and adopt successful change in the global economy?

Have prior knowledge of change initiatives.

Before adopting change make sure everyone who will be involved in the implementation have some knowledge of change processes. Motivate and train managers because they need to learn how to recognize and expect excellence from their employees. Bamber and Dale (2000) found that there are two main stumbling blocks to the LM application, the redundant program and lack of employee education in concepts and principles of LM (Anand and Kodali, 2010). If the new way of working requires new knowledge and skill, members must be provided with the necessary formal and informal training (Schein, 2004). Lean training helps the practitioners to learn the basic knowledge and skills for improvements (Wan and Chen, 2009). Anand and Kodali (2010) claimed that many LM initiatives have failed due to the lack of its understanding by managers and employees (Wong and Wong, 2011b).

Change the corporate culture.

True change will last only if everyone in the organization has the same mindset for change and improvement. The creation of a supportive organizational culture is essential for the implementation of lean manufacturing. Katzenbach, Steffen, & Kronley (2012) implied that there are five principles to change corporate culture.

1. **Match strategy and culture.** Too often a company's strategy, imposed from above, is at odds with the ingrained practices and attitudes of its culture.
2. **Focus on a few critical shifts in behavior.** The behaviors you focus on can be small, as long as they are widely recognized and likely to be emulated.
3. **Honor the strengths of your existing culture.** It's tempting to dwell on the negative traits of your culture, but any corporate culture is a product of good intentions that evolved in unexpected ways and will have many strengths.
4. **Integrate formal and informal interventions.** As you promote critical new behaviors, making people aware of how they affect the company's strategic performance,

be sure to integrate formal approaches—like new rules, metrics, and incentives—with informal interactions.

5. Measure and monitor cultural evolution. It's essential to measure and monitor cultural progress at each stage of your effort, just as you would with any other priority business initiative. Rigorous measurement allows executives to identify backsliding, correct course where needed, and demonstrate tangible evidence of improvement—which can help to maintain positive momentum over the long haul.

Communication.

Communication is essential when initiating throughout the entire change process. Employees need to be properly informed of the changes that are being implemented (Cudney and Elrod, 2010). Scherrer-Rathje et al. (2009) mentioned that lack of team autonomy and lack of organizational communication led to the termination of the lean project. Lean wins (e.g. cost reduction, lead time reduction) were not being communicated effectively at all levels of the organization. Employees in manufacturing and other functional areas were not aware of the success of the project and, as a result, there was little support from them. Denning (2005) argued that innovation requires leadership to move beyond the command-and-control mode of managing, which ultimately maintains the status quo. Specifically, innovation requires an array of communication techniques communicating to the organization the risks in clinging to the status quo and the potential rewards of embracing a radically different future.

Identify what part of the organization you want to change or improve. This may be setting goals like improving (customer service or streamlining the supply chain). More difficult the goals, better the performance. Goals are only effective if they are difficult and challenging. Understanding change management requires the consideration of the role of goals. Linderman, Schroeder, Zaheer, & Choo (2003) articulated that goals serve as regulators of human action by motivating the actions of organizational members. Thus, improvement goals motivate organizational members to engage in intentional learning activities that create knowledge and make improvements.

Benchmark progress: Bench-marking ensures that you are on track to meet your objectives or if you need to go back readjust something in the process. Cross (2015) posit that benchmarking involves establishing performance measures using comparative data about key business operations and processes from competing and leading firms within an industry. Management can drive organizational change using insights gained from benchmark research about industry best practices, financial rankings and customer perceptions. Meaningful business goals and performance measures based on customer needs and market expectations can assist a firm in accelerating its rate of positive internal change.

Don't fear the unknown: Take change in small incremental steps. As you gain success you gain momentum. Connelly (2009) asserted that not knowing what to expect occurs when we don't have enough information about the change and we're expected to take a 'leap of faith'. This can result in a lot of anxious feelings.

Organizational Transformations

Some organizations have a clear vision and the supporting culture to make successful change initiatives. Banuelas Coronado, & Antony (2002) stated that General Electric has been one of the more successful companies in implementing change initiatives realizing a significance in cost reductions and gaining more than \$2 billion in benefits and profit. Motorola the developer of change initiatives realized similar savings. Honored with the Malcolm Baldrige award Motorola spent \$170 million on employees education and training which resulted in \$2.2 billion in cost reduction of poor quality. Furthermore, companies such as Allied Signal, Citibank, and Sony have also implemented successful change initiatives.

Another example according to Ahrens (2004) was Porsche which increased their operational result from -122 million euros 1994 to 933 million euros in 2004 using change initiatives.

Trumpf used a alternative for change initiatives called Synchro Production System which is a an excellent system for machine tool builders. Roser (2014) defended Trumpf and the system saying is an outstanding example of lean manufacturing it did not simply copy whatever Toyota did (a common mistake), but adapted its system to the needs of a high variety low volume machine tool builder. Trumpf, however, implemented a flow line. All its (bulky) machines are on hover cushions or on rails, and hence they can be moved from one spot to the next. With about 500 to 1000 units per line and year, they have a cycle time of about 8 hours. Their fastest lines have a cycle time of 1.5 hours. In comparison, automotive cycle times are around 1-2 minutes.

Machinery Inc had a different experience with lean because the first try was a total failure yet, on the second attempt they were successful in implementation. Productivity increased prior to lean, two machines per week were finished; now, after lean, they finish ten machines per week. With the increase in productivity, the resource availability also increased along with employees willing to develop themselves further and have a high interest in continuing education. Lean has also initiated discussions in how to increase our competitive advantages further (Scherrer-Rathje et al. 2009).

The Evolution and Future of Change Initiatives

Change initiatives will continue to evolve and get better because companies seek to improve on the bottom line which is cost and profits. Snee (2010) argued that improvement approaches come and go, but improving the bottom line never goes out of style. The financial crisis encouraged leaders and organizations to view Lean Six Sigma as an approach to reduce costs and keep the cash flowing.

As holistic improvement becomes a reality we will see Lean Six Sigma solutions developed from projects becoming “embedded” in how the organization runs it business (Pfeifer et al., 1988). A critical element of this embedding will be the development of data-based process management systems involving process design, improvement and control being driven by the voice of the process and voice of the customer in the form of

process measurements and customer feedback (Snee and Gardner, 2008). Such systems provide the fuel that drives the CI culture.

Change is always constant and Snee (2010) change happens one person at a time. Leaders will have to become skilled in change initiatives concepts, methods, and tools. Additionally, all of the trends – holistic improvement, CI culture, leader development using lean Six Sigma experiences, change initiatives, and keeping a keen focus on the bottom line will require change both individually and organizationally.

References

- Ahrens, T. (2006). Lean production: Successful implementation of organizational change in operations instead of short term cost reduction efforts. *Lean Alliance*.
- Albliwi, S., Antony, J., Lim, S.A.H., van der Wiele, T. (2014) "Critical failure factors of Lean Six Sigma: a systematic literature review", *International Journal of Quality & Reliability Management*, Vol. 31 Iss: 9, pp.1012 - 1030
- Anand, G. and Kodali, R. (2010), Development of a framework for implementation of lean manufacturing systems, *International Journal of Management Practice*, Vol. 4 No. 1, pp. 95-116.
- Armstrong-Stassen, M. (1994): Coping with transition: A study of layoff survivors. *Journal of Organizational Behavior*, 14: 597-621
- Bamber, L. and Dale, B.G. (2000), Lean production: a study of application in a traditional manufacturing environment, *Production Planning and Control*, Vol. 11 No. 3, pp. 291-298
- Banuelas Coronado, R., & Antony, J. (2002). Critical success factors for the successful implementation of six sigma projects in organizations. *The TQM magazine*, 14(2), 92-99.
- Bovey, W. H., & Hede, A. (2001). Resistance to organizational change: The role of defense mechanisms. *Journal of Managerial Psychology*, 16(7), 534-549.
- Connelly, M. (2009). Exposing Fear of Change. *Management Coach*.
- Cudney, E., & Elrod, C. (2010). Incorporating lean concepts into supply chain management. *International Journal of Six Sigma and Competitive Advantage*, 6(1-2), 12-30.
- Denning, S. (2005). Transformational innovation. *Strategy & Leadership*, 33(3), 11-16.
- Gebert, D. (2004): Organisationsentwicklung: Organization development. In: Schuler, H. *Lehrbuch Organisationspsychologie*. Bern: Huber: 601-616.
- Gebert, D. (2007): Psychologies der Innovationsgenerierung: *The psychology of innovation generation*.
- Gilley, A., Dixon, P., & Gilley, J. W. (2008). Characteristics of leadership effectiveness: Implementing change and driving innovation in organizations. *Human Resource Development Quarterly*, 19(2), 153-169.

Hughes, M. (2011). Do 70 Per Cent of All Organizational Change Initiatives Really Fail? *Journal of Change Management*. Vol. 11 Issue 4, p451-464. 14p.

Jonas, E./Greitemeyer, T./Frey, D. /Schulz-Hardt, S. (2002): Psychological effects of the Euro – experimental research on the perception of salaries and price estimations. *European Journal of Social Psychology*, 32: 147-169.

Katzenbach, J. R., Steffen, I., & Kronley, C. (2012). Cultural change that sticks. *Harvard Business Review*, 90(7), 8.

Linderman, K., Schroeder, R. G., Zaheer, S., & Choo, A. S. (2003). Six Sigma: a goal-theoretic perspective. *Journal of Operations management*, 21(2), 193-203.

Lewis, P. S., Goodman, S. H., & Fandt, P. M. (2001). *Management: Challenges in the 21st century* (3rd ed.). Cincinnati, OH: South-Western.

Miles, R. M. (2001). Accelerating corporate transformations by rapidly engaging all employees. *Organizational Dynamics*, 313–321.

Pfeifer, C.G., Marquardt, D.W. and Snee, R.D. (1988), Statistics – a road to the future: a time for change, *Chance*, Vol. 1 No. 1, pp. 39-42.

Schein, E.H. (2004), *Organizational Culture and Leadership*, 3rd ed, Jossey-Bass, San Francisco, CA.

Scherrer-Rathje, M., Boyle, T. A., & Deflorin, P. (2009). Lean, take two! Reflections from the second attempt at lean implementation. *Business Horizons*, 52(1), 79-88.

Snee, R. D. (2010). Lean Six Sigma-getting better all the time. *International Journal of Lean Six Sigma*, 1(1), 9-29.

Snee, R.D. and Gardner, E.C. (2008), “Putting it all together: continuous improvement is better than postponed perfection”, *Quality Progress*, October, pp. 56-9.

Todnem By, R. (2005). Organizational change management: A critical review. *Journal of Change Management*, 5(4), 369-380.

Wan, H.-D. and Chen, F.F. (2009), Decision support for lean practitioners: a web-based adaptive assessment approach, *Computers in Industry*, Vol. 60 No. 4, pp. 277-283.

Wong, Y.C. and Wong, K.Y. (2011b), A lean manufacturing framework for the Malaysian electrical and electronics industry, *3rd International Conference on Information and Financial Engineering, IPEDR*, Vol. 12, pp. 30-34, IACSIT Press, Singapore.

