Strategic Change Management (Unit 3)

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Introduction

Change is a process of moving from an unsatisfactory present state to a desired state by which an entity can stabilize itself. Founded by Jack Cohen in 1919, Tesco has grown rapidly over the years and now operates in 14 countries around the world, employing over 50000 people and serving tens of millions of customers every week. A company with an environment based on trust and respect, Tesco focuses on doing the right thing for their customers, colleagues and the communities they serve. Tesco's core business comes from UK, where they operate over 3000 stores and earn more than 60% of the group's profit. Tesco adapts a differentiated strategy from the rest, where a seven-part plan is used to ensure strong sustainable growth of the company. Being a globally distributed business deregulation, globalization, rapid phase of technological innovations, growing knowledge workforce, and fluctuating social and demographic trends in various markets make a significant impact on business operations introducing change and the need to change for Tesco. This report focuses on strategic change management of Tesco understanding the background for strategic change, analyzing issues related to strategic change, evaluating how to lead the stakeholders of Tesco to assist strategic change, and finally giving insights to implement models to control on going change.

TASK 01: Understanding the background to organisational strategic change.

1.1 Discussion of models of strategic change

Strategic change can be defined as a difference in the form, quality, or state over time in organization's alignment with its external environment. There are basically three types of models for strategic change. Kolb's model of individual change was published in 1984 and has four distinct learning styles which are based on four learning cycles as per Sims (2002: p.86). Feeling and watching: These are people with diverging styles. They are sensitive and prefer to observe rather than doing anything. Also, they are creative, emotional, team workers with broad cultural interests. Watching and thinking: People with logical approach and concise. They give more attention to ideas and concept than people. Doing and thinking: People who are known to be converging tend to solve problems based on their past experience and learning. They like to experiment their innovative ideas and to work with practical applications. Doing and feeling: These are the people with accommodating style. They rely on other people's information and carry out their own analysis. They like work in teams and actively try out new ways to achieve their objectives. As Professor Kotter (1996: p. 56) of Harvard University states there are 8 steps involved in strategic change and this occurs when leaders convince employees of the urgent need for change to occur. The steps are as follows;

1. Increase the urgency for change.

2. Build a team dedicated to change.

3. Create the vision for change.

4. Communicate the need for change.

5. Empower staff with the ability to change.

6. Create short term goals.

7. Stay persistent.

8. Make the change permanent.

As per Talloo (2007: p.114) Tuckman's model of change is another popular change model and this includes four stages namely, forming, storming, norming and performing.

Forming: In this stage roles and responsibilities of individuals are unclear therefore all team members depend on the leader for guidance.

Storming: This stage defines and enables common understanding of purpose and roles to be achieved. Therefore this is a very important stage in the process.

Norming: During this stage roles and responsibilities are clear and accepted and the major decisions will be taken by team discussions.

Performing: This is the final stage of team building. Therefore the team works in a collective and mature manner to achieve the goal.

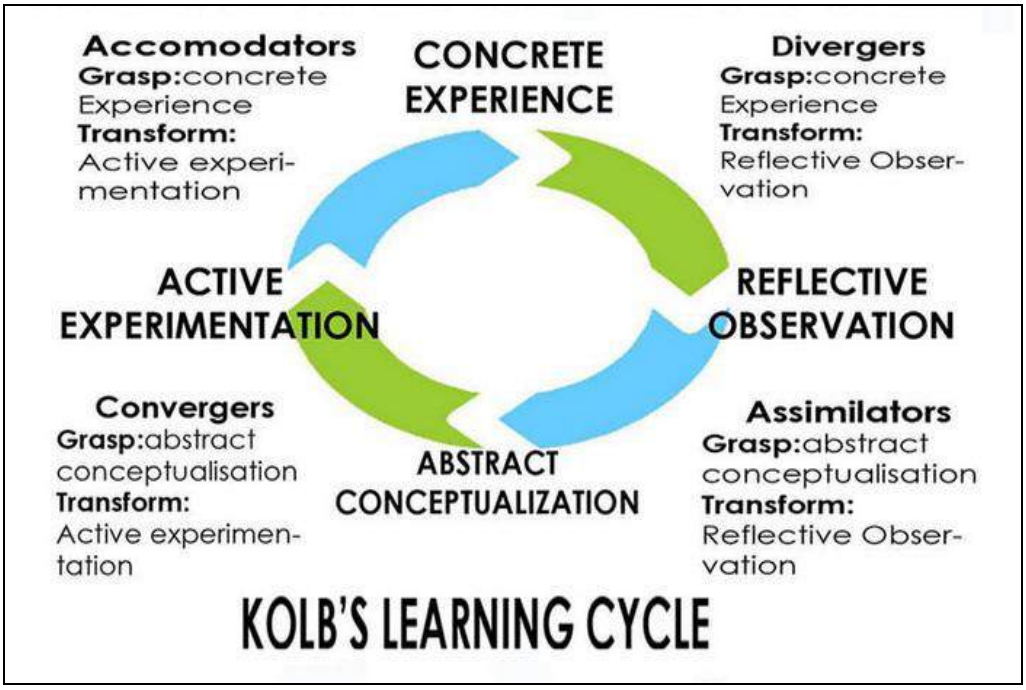

Figure 1: Kolb's Model

Source: (http://academic.regis.edu/ed202/subsequent/kolb2.htm)

1.2 Evaluation of the relevance of models of strategic change to organisation in the current economy

Organisational change as discussed in the Kotter's model is a taken as a process. First the urgency to change is increased with the current dynamic environment. Then forming of a clear vision incorporating the corporate goals and objectives through a dedicated change management team should be carried out. This must be communicated to each and every level of management of the organization as every individual of the company is affected directly or indirectly by the changes made. Staff ideas and comments must be considered and a proper planning strategy must be carried out. As the model suggests short term goals are set to motivate the staff in achieving the planned strategic change successfully. As Thompson suggests (2010: p. 102) organizations in the current business environment are highly dependent on its work team and individuals. Therefore Tukman's model of team change and individual change model of Kolb is also of high importance in understanding the management of individuals and teams behavior in achieving the goals and objectives of the organization as a whole.

1.3 Assessment of the value of using strategic intervention techniques in organisations.

For a successful strategic change process it is important to understand the core strength of an organization. Strategic intervention techniques help in identifying these core strengths and using them in adapting to the strategic change. As per Green (2012: p. 202) some of the strategic intervention techniques that could be used are as follows;

Techno structural interventions: These focus on improving the organizational effectiveness and human resource development by focusing on technology and structure.

Management and Leadership Development Interventions: This improves organizational performance by increasing effectiveness of formal and informal leaders which is basically a contingency plan to prepare a group in absence of the superior or the other team members.

Team Development and Group Processes Interventions: This is to improve different aspects of a group performance, such as goal setting, development of interpersonal relations among team members, role clarification and analysis, decision making and problem solving etc.

Individual / Interpersonal Process: This involves improving organizational performance by developing specific skills of individuals through learning strategies, life transitions, mentoring and interpersonal communication etc.

TASK 02: Understanding issues relating to strategic change in an organisation

2.1 Examination of the need for strategic change in Tesco.

Almost all the entities carrying out there operations in a dynamic business environment driven by uncertainty and risk currently pay significant attention on change and strategic change management in order to adopt themselves according to the changing internal and external business environment in order to remain its competitive position in the market. As per Balogun (2001: p.9) most of the change strategies arise due to management trends such as cultural change, business process engineering, empowerment, and total quality. The other change initiatives are driven by the need to reposition and entity effectively facing change in level of competition in the market. A fundamental change in an entity which incorporates strategy, structure, system, processes, and culture is demonstrated by the term 'strategic change'.

Tesco; being the biggest grocery retailer in Ireland has reported the very first downfall in profits this year after two decades as per Independent (2013). The reason behind the fall is identified as the challenging market created by intense retail competition and deterioration in consumer spending. A 14.5% fall in home market profit reported is identified as a result of high launch cost of a turnaround plan initiated in 2012 whose aim was to halting the loss of market share to Sainsbury's and Asda. Tesco is in need of a solid strategic change management program to address these changes at the same time to face the adverse impact from the Euro zone debt crisis, store opening restrictions in South Korea, and losses at Fresh and Easy.

2.2 Assessment of the factors that are driving the need for strategic change in Tesco.

Every market force including customers, competitors, suppliers, technology, regulations, and distribution channels can be identified as the driving forces of strategic change of an entity. As per Russell (2006: p.27) there are internal and external forces driving change. Profitability, new product and service design, innovations in the manufacturing process, change of management, low performance triggering job redesign, inadequate skills generating training programs, and office and factory relocation close to suppliers and markets are identified as internal forces of change whereas change in customer requirements, activities and innovations of competitors, technological advancement, changing global trading conditions, novel legislation and government policies, changes in local, national, and international politics, and socio cultural changes are identified as the external factors driving the need for strategic change. As per BBC (2013) Tesco's exit from the US this year could be identifies as the key factor driving strategic change. While Tesco tried to expand and develop the US market, the UK market evolved rapidly permitting customer service and quality takeover the upper hand over low pricing strategies; leading Waitrose and Sainsbury's to be appealing to growing middle class segment. Withdrawal of its operations from the US market thus would essentially drive change in the UK market, providing better strategic direction and focus to the operations in home in order to turn around profits.

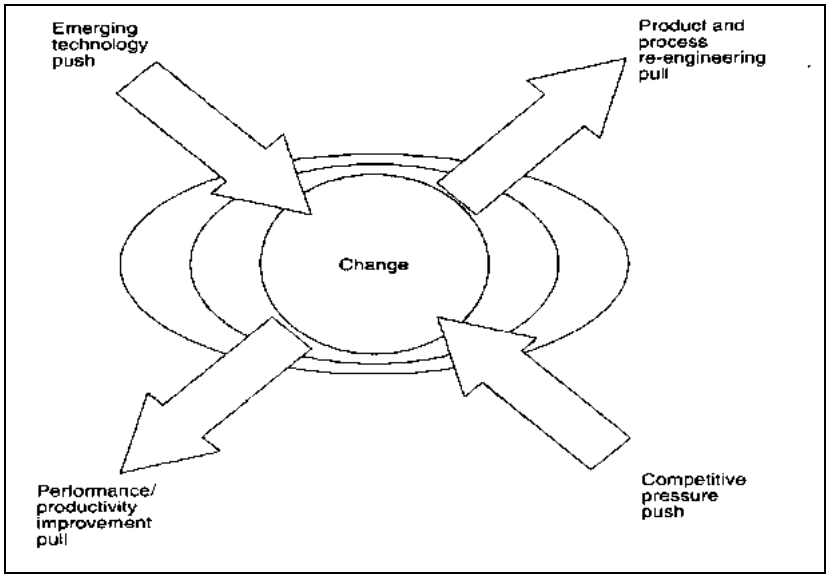

Figure 2: Driving Forces of Change

Source: (http://www.emeraldinsight.com/journals.htm?articleid=840201&show=html)

2.3 Assessment of the resource implications of the organisation not responding to strategic change.

As per BBC (2013) Tesco seem not to have identified the customer requirements in the US as in UK markets they have been unable to achieve the projected growth rate and to result profits. The resource implications for Tesco after announcing that they are going to pull out the US operating and not responding to it would result in further losses in their overall profits from the other profit making markets. Also they will not have credibility among its stakeholders such as customers, employees, creditors, suppliers, investors etc. Further extending the operation in US would result in the share price falling further which will result in the brand losing its brand value and shareholders will not want to invest further to a market that is making losses continuously. Economic implications would be, the companies that are already engaged with Tesco in displaying their goods may not want to stock products at Tesco due to its uncertainty. Hence Tesco customers will be compelled to shop at competitors which will result in drop of revenue for Tesco.

TASK 03: Leading stakeholders in developing a strategy for change.

3.1 Development of systems to involve stakeholders in the planning of change.

Gossy (2008: p.6) suggests that a stakeholder is "any identifiable group or individual who can affect the achievements of an organisation's objectives". As Tesco is exiting its US chain of 199 Fresh & Easy shops, a proper strategy has to be used to involve its stakeholders in the planning process. Stakeholders include;

- Employees
- Shareholders
- Financiers
- Government
- Suppliers
- Customers

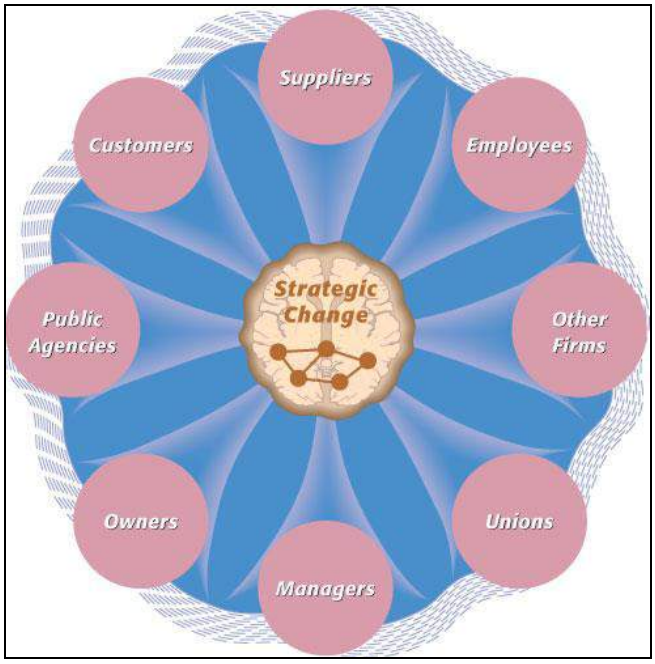

Figure 2: Driving Forces of Change

Source: (http://www.kilmanndiagnostics.com/assumptional-analysis-essence-quantum-thinking)

As Dubev (2009: p.151) suggests these stakeholders/ representatives of them could participate in the planning process of the strategic change in order to overcome obstacles and to give maximum satisfaction for its stakeholders.

- A communication strategy is developed including meetings, E-mailing, interviewing, Voting and Questionnaires.
- Formal invitations are sent to the top management for the meeting on the discussion of bringing strategic change in Tesco-US.
- The needs and factors for exiting the US market is formally presented to the major stakeholders.
- The minutes of meeting is prepared and is forward to all the employees/staff members, requesting their feedbacks.
- Once feedbacks are received, a strategy is planned to resolve the issues rose.
- All stakeholders are convinced for the need of change.
- A formal team is formed and a change leader is chosen to initiate the change.
- The team should have members representing different business processes.

3.2 Development of a change management strategy with stakeholders.

Different stakeholders have different responses to change, therefore first they have to be analysed according to their interests, scope of action, power and their responses to change. As per Blokdijk (2008: p.58) there are basically three types of stakeholders as early adopters, reluctant and resistant. Strategic change planning and development has to be carried out in a way that all the three types of stakeholders are satisfied and the change has to be accepted by them. For example shareholders and higher level of management will react as early adopters as they are interested in profit maximization and higher performance of Tesco and would support the idea of exiting the US market. On the other hand employees who would lose the jobs as a result of the change would be reluctant or resistant to the change.

As suggested by Olomolaiye (2009: p.7) first the early adopters are incorporated in the development process and the plan is developed so that they would have an influence over majority who are reluctant to change. This could result in converting reluctant stakeholders with fewer interests to adopt the change. Later when the majority of the stakeholders are ready to face the change they could be used to promote the change to the stakeholders who are known to be resistant.

3.3 Evaluation of the systems used to involve stakeholders in the planning of change.

A proper system in planning the change in Tesco should involve all its stakeholders. They have to be well communicated and educated throughout the strategic change planning process. As suggested by Miles (2006:pg.30) they should also be engaged in decision making processes as well. Feedbacks should be obtained constantly from all stakeholders in order to obtain maximum participation to Tesco's strategic change planning process. Employees, financiers and shareholders should be presented with the current progess of the change planning process and their views and ideas must also be conveyed to other stakeholders. This should therefore be supported with a proper communication strategy which identifies acceptance and rejection of decisions by stakeholders effectively and efficiently. Further the stakeholders should be accurately updated on the progress of the strategic change planning process. Therefore the evaluation of the system could be carried out through questionnaires, meetings, emails and even face to face conversations. As per Kusek (2004:pg.40) the evaluation processes should be proactive, clarificative and interactive. The results obtained from evaluating the system could be used to access the impact of the involvement of stakeholders in co-creating the strategic change and monitoring the process.

3.4 A strategy for managing resistance to change.

Resistance to change could rise due to many reasons from various stakeholders. As Sharma (2008:p.90) suggests it could be lack of belief that there is a serious need for change in Tesco US operations, different descriptions of the need for change or lack of confidence in the manner of change. This could be handled according to Kotter & Schlesinger theory through;

Negotiation and agreement: Since Tesco has never made profits in the US market it is important to move towards change this could be obtained by forming an agreement among all the resistant stakeholders and management through proper negotiations.

Education and Communication: As per Luis (2010:p.22) misconceptions and confusions can be sorted out by properly educating and communicating with the concerned stakeholders about the change. People tend to accept the change once they become aware of the change and the clear understanding of the need for the change.

Participation and involvement: Participation and involvement in the change planning process gives motivation and sense of involvement to the stakeholders and makes them feel part of the change which will minimize the resistance.

Facilitation and support: As suggested by Hiatt (2003: p.21) facilitating and supporting the stakeholders who promote the change will increase their motivation and will eventually be an example for resistant stakeholders in supporting the change.

TASK 04: Planning to implement models for ensuring ongoing change.

4.1 Development of appropriate models for change.

There are various change implementation models in use from which McKinsey's seven S models, Lewin's change model, and Kotter's eight step are the commonly used out of all. Kotters eight step model which demonstrates planning, implementing, and sustaining change in an organisation with creating a sense of urgency, a guiding coalition, developing a vision and strategy for the specific change, communicating the vision and strategy, empowering the employees for action, generating short term wins, consolidating and producing more change, and anchoring the new changes in the culture would be ideal in developing change in Tesco. The urgency to withdraw the operations from USA and Japan is identified currently with the decline in company profits after 19 years. A clear vision and strategy should be developed to go ahead with this change since there are number of stakeholders involved and to be satisfied when moving ahead with the decision. Change should be made part of the company culture eventually when developing engaging and enabling the entire organisation to be aware and be a part of the development of change.

Figure 2: Kotter's Change Model

Source: (http://www.changology.co.uk/it-change-implementation.htm)

4.2 A plan to implement a model for change.

Change implementation is a crucial task in change development for the success of the change program minimizing possible resistance to change that could arise. As per Sabri (2006; p.176) implementing change is a challenging task hence should be carried out adhering to

'SMART' principle depicted below. Tesco will have to face plethora of challenges in withdrawing its business from the US and Japan especially in addressing staff redundancies which is unavoidable in this case. This would create a high level of demotivation and lack of job security in existing employees' minds. At the same time increased focus on the UK market would put extra burden on the Tesco UK staff due to novel tight targets and schedules. Hence this change program should be implemented SMARTly specifying, measuring, adapting, reviewing, and tracking continuously.

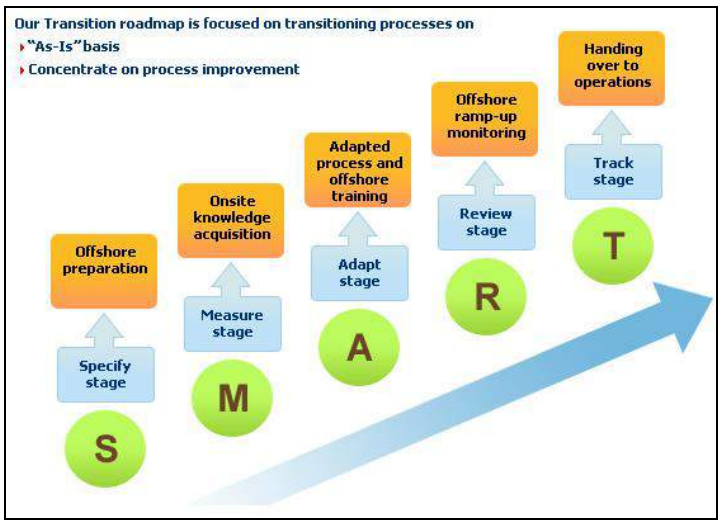

Figure 4: Implementing Change

Source: (http://www.vsynergizeoutsourcing.com/our-approach/implementation-models/)

4.3 Development of appropriate measures to monitor progress.

Monitoring and control is a vital step to be taken when implementing change to ensure the change process has addressed the need for change exactly. As per Blazey (2008: p.20) an entity must check, measure, and monitor progress and provide appropriate incentives to actually achieve the desired behaviour. The sole purpose of withdrawing business from USA and Japan is to regain the group profit figures of Tesco and maintain their competitive position in the UK market essentially. Hence the profit and the share price movements should be tracked periodically and evaluated whether the targets are met.

Conclusion

The report above has analysed the basic principles of change and strategic change management relating it to the decision made by Tesco to withdraw its operations from USA and Japan markets due to the downfall of the overall profitability and share price in year 2012. This is a massive organisational change initiative taken by the entity. The need for change and the factors governing change is clearly discussed above relating to the case study. There are many parties and stakeholders involved and related to this change process and an insight is given on how to involve the stakeholders in the planning stage leading minimal resistance to change. Kotter's eight step model is suggested as the model to be used in developing change and change implementation should be carried out according to a SMART plan. In order to ensure successful change implementation and sustainable change it is vital to monitor and control the impact of the change program. In the case of Tesco fluctuation of profits and share price changes should be tracked and evaluated continuously since implementation in order to identify the overall effectiveness of change program.

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