Barbara Heitger/Alexander Doujak

Managing CUTS and New GROWTH

an innovative approach to change management

GOLDEGG VERLAG

THE AUTHORS

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Trainer for group dynamics and instructing consultant for the Austrian Society for Group Dynamics and Organization Consulting
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Education and Experience:

Studies: Law, sociology, political science, educational group dynamics trainer and educational consultant with the Austrian Society for Group Dynamics and Organizational Consulting (OEGGO Managing partner of consultants group neuwaldegg for 17 years);)
Systemic consultant trainings, supervisor, depth psychology therapy training – consultant, project manager in a bank and an international IT corporation; Studytrips in the USA; Longstanding boardmember in an international NGO

Main emphases:

Corporate development and change management:
Concept, architecture, process consulting & moderation, implementation controlling and anchoring

- Strategy work

- Team development and coaching for managers, project managers and consultants

- Advanced training for consultants

- Large group events & workshops

- Conflict moderation

- Technical consulting for project management, internal services, human resources management, organization & management, research

Publications on strategy development, project management for repositioning of internal service provider and human resources, change management, systemic consulting and management development.

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Main emphases:
Holistic strategy and corporate development projects combining organizational development with rationalization aspects
Developmental processes in international business enterprises
Concept and implementation of large group events
Project management (coordination of project portfolios / team building / coaching clients and project managers / corporate controlling)
Artistic interventions in consulting processes

Publications on project management, project portfolios, reengineering as a developmental process, IT and change management

"Managing Cuts and New Growth - an innovative approach to change management by Barbara Heitger and Alexander Doujak is a breathtaking contribution to the management literature by virtue of its scope, depth, practical wisdom, and originality. Here is a book of timely significance. Here is a book that addresses how organizations can truly move from the traps of contradictory objectives that limit growth, to restructuring the fundamental elements in which complexity and internal conflicts are able to be transformed and aligned. Barbara Heitger and Alexander Doujak are masters of change management, and Managing Cuts and New Growth is a must read for anyone who is involved in the field."

Robert Fritz: Bestseller author of "The Path of Least Resistance for Managers" and co-author of "The Managerial Moment of Truth"

CASE STUDIES

CASE I:

my.change, my.chance
The path from standard software selling
to solution providing
Alexander Doujak, Barbara Heitger

Introduction
The following case study is closely linked with our work on this book. The two of us had "blocked" three weeks in the beginning of January 2000 to work on the book, hoping to complete essential parts of it. But: "*Things never turn out as expected*".

From our point of view as consultants, this was true for the present case study from the very start. During the Christmas holidays we had lunch with the manager of an international software firm – a provider to one of our customers. At the end of our talk, the manager told us about a restructuring program that was being planned in his company. Other consultants had already been asked for offers, time was running short, and an in-house employee event had already been scheduled. Would we be interested in drawing up a consulting concept? The case roused our interest, and we began to consider under which conditions we could submit an offer.

Our first consideration was: We need direct contact with the senior managers, need to get to know their perception of the project. Interview appointments were quickly arranged, and we spoke with each of the five Steering Committee members. These discussions formed the basis for our proposal. In a meeting, we presented our hypotheses and proposed approach. We saw to it that already in this preliminary stage of making an offer, our way of working together tangibly anticipated the form our common work would take in the later project. The Steering Committee accepted our tender, and things began to move in quick succession – but first, let's take a look at the customer's initial situation.

The initial situation

The customer is an international software company that develops and implements Enterprise Resource Planning (ERP) software. This international parent organization has developed a new structural and process model that is to be implemented in the national units. The transformation will be a fundamental one. A software company that supplies standard software is about to become a Solution Provider that prepares and implements value-oriented solutions in collaboration with its customers. Additional products – mainly Internet-based – open up new market segments, but also increase complexity. This means a change of basic position from "ERP market leader" in a saturated market to the position of a provider of new solutions in new market segments. The priority shifts from "acquiring as many new customers as possible" to "expand the custumer base providing solutions".

The last year has been a very successful one for the Austrian unit. Further growth is planned for the next year. The market situation is extremely demanding. New providers are pushing their way into the market, particularly in the new segments. The internal template for the reorganization has been arranged in two projects – a Vision Project and a Field Operations Project (FOP) that has developed structures and roles for the new organization. An initial draft of the new organizational structure has been drawn up by the management. This change project is – after the considerable personnel growth and expansion of the range of services in the previous years – the most comprehensive project of its kind in the Austrian unit.

The managers suggest images to describe this initial situation. The following three images are highly significant as illustrations of how demanding and turbulent the change is expected to be:

- "Quiet before the storm"
- "Mountain with a steep, zigzag track leading up – we're standing at the base"
- "Now: principalities. In the future: autonomous cities and municipalities in a common whole"

The first step: decide on project architecture; determine objectives and composition of the project team
The initial phase already anticipates the subsequent dynamics. The basic architecture is resolved in the course of an initial evening & night meeting with the decision-makers (regional managers, the designated new country and project managers). These managers plan the following elements: a Steering Committee consisting of executives from the overriding unit (regional management), a Change Board, in which all managerial personnel from the Austrian organization participate, and a Sounding Board involving all employees.

The staffing of the Change Team, which will control and drive the change process with the project manager as team leader, is a significant, indicatory decision. We select a microcosm approach that aims for the representation of all essential trends in the company in the project team. Initial staffing proposals are evaluated according to the following criteria:
- Affiliation with the involved organizational units
- Corporate affiliation (< 1, < 2, > 2 years)
- Basic attitude: progressive/conservative
- FOP know-how: high/average/low

The decision committee votes in a two-stage process: In the first round, each committee member evaluates the candidates based on their individual assessment (point polling) and subsequently the overall image is discussed. Interestingly, the initial decision is considerably modified in the course of this decision-making process. The committee decides for a "well-balanced combination" that symbolically documents the external representation of all forces and perspectives.

From our observer's perspective, we see that fundamental things are decided upon this evening – in part implicitly: the key players for the upcoming process, essential responsibilities and collaboration & decision-making configurations. And last but not least, the standing of the consultants. The discussion of the "microcosm project team approach" generates acceptance, which, in a system with immense consulting know-how of its own, is no small matter.

The second step: setting phases and appointing the future management team

In the next stage, a phase model with concrete milestones is prepared and passed by the decision-making group. This is the second crucial decision-making process, which takes place in a second night meeting. The basic considerations for this are: ###

This results in the following overall image, which shows that the tempo at the beginning of the process is much faster than in the later phases. The concentration of the meetings of the main panels (Steering Committee, Change Board and Sounding Board) around the milestones is also noteworthy. It means that making, communicating and implementing decisions rapidly is a necessity from the very start.
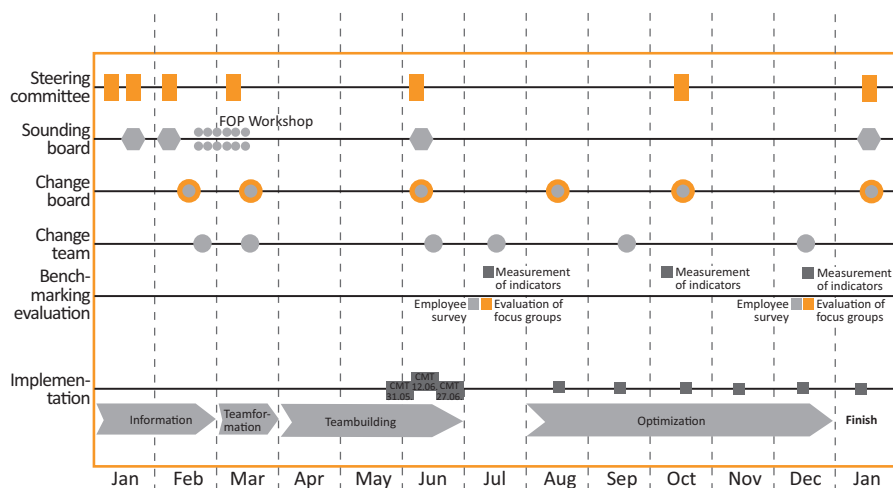
Key success factors for the implementation process

1. Energetic implementation of the "solution provider" vision
2. A high level of initiative, promotion of autonomy
3. Fast, simple, pragmatic
4. Providing security, orientation and continuity (internally to employees; externally to customers)
5. The right people in the right places

6. Business plus emotion (combining the logics of figures and feelings)

7. Overall view, clear change architecture and simultaneous flexibility

8. Lasting change, not just initial successes (achievements; no "scorched earth" policy)

9. Making future managerial staff responsible for the change in their areas, and establishing a network among them

10. Timing meetings of the Change Team, Change Board, Steering Committee and Sounding Board in close succession – to strengthens rapid feedback and the integration of suggestions

"Flirting": company meeting; the information phase begins

The objective of this phase is to communicate the "why" and "where to" of "solution providing", to develop a common image, and to win over and activate the employees for this route. The overall project kickoff is on January 30th, 2001 in a company meeting for all employees. As a microcosm of the change process, it includes all the basic elements that characterize the overall process. The client's fundamental decisions are presented, focusing on vision, personnel decisions on top management staffing, introducing the project team and explaining how the change will proceed.

The project team then holds information workshops for all employees, in which the basic characteristics of the FOP organization are presented, while feedback and questions regarding the current employee situation arise from the interactive setting. In doing this, the Change Team obtains the necessary "traction"; the direct dialogue strengthens their position. The workshops clearly show: there are diverse approaches to the topic of FOP and solution providing, particularly in regard to the configuration of new roles. A number of personnel decisions by the managers add to the current emotional strain. Pressure within the company increases, the "open" situation is causing insecurity for many employees, particularly regarding personal perspectives.

An Intranet platform installed for the topic of change takes off well initially, but is shut down by the Steering Committee after an escalation in which employees are personally attacked.

"Getting engaged": the team–finding phase

The FOP concept foresees quantitative and qualitative reinforcement, particularly of the market-oriented teams (four branch-specific "segments") in order to ensure that the solution-providing approach can be implemented. The plan is to staff the new positions internally: external recruitment is not an issue until the second stage. The objective in this phase is: *"The right people in the right place – in a process that is both interesting and transparent for everyone and exploits the company's corporate culture of taking initiative and entrepreneurial action."*

The basic principle is: "internal market" with clear ground rules. The new managerial personnel advertise new positions, and employees can submit applications. As a support measure, assessments are carried out as demand arises (employees or managers) – for employee orientation or as a basis for decision-making. The response varies widely throughout the different departments.

The Change Team, as the "process architect", sets up a few ground rules for this temporary phase (1–31 March), and acts as an "information hub". For instance, one essential rule is that each employee is allowed to apply for only *one* new job. The ground rules are decided upon with the management in a meeting of the Change Board at the beginning of February. Response to this event is highly ambivalent in the aftermath, showing that people have differing degrees of commitment and differing expectations of one another. Again, decision-making is carried out in two stages. After basic agreements have been reached between the employees concerned and supervisors, the results of all decisions is reported to the "Trio Team", an ad hoc decision-making panel of the Steering Committee. The Trio Team makes final decisions in cases where management were unable to reach consensus, and issues the overall personnel plan as a fair and reasonable distribution of resources. Only in three cases does it become necessary to revise a decision by the Trio Team, confirming the initial assumption that – *"we have known our people for a long time, 80% of the personnel decisions are practically made already"*. By the end of March, managerial personnel have staffed their teams, with the exception of a few positions that require external recruitment. Attention is focused almost entirely on personnel decisions, overshadowing both internal clarification of processes and roles and external communication. However, each employee having made his or her own personal decision has strengthened commitment to their individual positions.

"Wedding": kick-off phase in departments and teams

The organization is "ready to fire" (original quote from our client) on April 1st. On March 29th there have been meetings of the Steering Committee, the Change Board, and the Sounding Board with the participation of all employees. In a cascade procedure, the essential points are coordinated, refined and examined from various perspectives in order to ensure the effectiveness of the implementation. In the Change Board, managerial personnel focus particularly on the new structure's feasibility in their respective areas. Diverse assessments of the situation are presented in a spatial constellation that makes them visible and addressable in a controversial way.

The highlight of the employee event (Sounding Board) is an analogous presentation of the new processes to all involved employees, in which concrete scenarios are enacted. An interactive Q&A game focuses on dialogue between the new country manager and newly formed teams. One question in particular concerns everyone: *"How much is actually going to change?"* The teams that have experienced personnel changes, especially a change of manager, expect the most radical future change.

The new teams – particularly in the branch-oriented sectors – start with team-building workshops. Some of these are still only rudimentarily staffed. The Change Team conducts an initial evaluation, which reveals that individual stakeholders' understanding for the reasons to change is relatively high (70–80 %), although not everyone has a clear understanding of his or her individual contribution to the project. External communication (e.g. see "Evaluation Sun") still shows gaps.

The Change Team increasingly finds itself in a monitoring and controlling role. The new line managers assume the role of "Change Drivers".

"Marriage": optimization in departments, initial evaluation

Once the staffing of the new positions has been clarified, focus moves to internal structure and process. The Country Management Team of the new organization slowly begins to take form, with the effect that two Country Management Team members assume a dual role in the Change Team. This illustrates the gradual handover of the "change responsibility wand" from the Change Team to the Country Management Team (CMT). Managers have to adjust to the new business model and its management, and do so by "diving into the deep

end". Not only the team, the business model and the operative objectives are new: the new CMT also represents a new generation of management. The previous senior managers are now concentrating on growth in the new region. Some CMT members receive support in the form of individual consulting.

A qualitative evaluation is carried out in group and individual interviews. The interviews are taken very seriously, a fact expressed in punctuality and full attendance. In mid-June, the results are presented to the Change Board.

Three trends are clearly discernible:
- Winner: *"I've been advocating a strategy change in this direction for the past two years."*
- Offended: *"We were the best on the market with our old strategy. Why does there always have to be a change?"*
- Ostrich: *"Well, I've already lived through many changes in the company, but in the end, everything always stays the same. This one too will pass."*

Positive and critical voices are more or less in balance.

The following hypotheses regarding the as-is situation are discussed in the Change Board:

- Not everyone in the company is feeling the change yet. The perception of change depends on the degree of involvement in the change process.
- The new structure is perceived as a burden, since closure on the old structure has not been entirely completed. Many people harbour the hope that a return to the old structure will be possible at the end of the year.
- Senior management is perceived as failing to set an example for the new corporate culture. Many employees are irritated by the arrival of a new management level. (*"Since the new management's been staffed, the number of large BMWs in the garage is increasing by the week."* Although this statement is not based on facts, it is symptomatic for the basic feeling of many employees.).

Results	
How important is the project for our future success?	min. 40% max. 100% Ø 70%
What do you think our company's position is in terms of goal achievement in the overall my.change project?	min. 20% max. 50% Ø 40%
What effect do you think my.change has on customer relations? (50% stands for unchanged, 50% for negative, 50% for positive)	min. 50% max. 75% Ø 60%
What effect do you think my.change has on partner relations? (50% stands for unchanged, 50% for negative, 50% for positive)	min. 25% max. 40% Ø 30%

Positive voices
Information policy for the change process was very good
Survival strategy: no further successes without this new course
„lines of business"-thinking is shrinking
new teams are experienced positively
a lot of people had the chance to talk with each other

Critical voices
Downsizing wave as a risk
Old responsibilities are a barrier to the practice of new roles
Resource problems
Customers/partners not involved enough
Communication was not good
The tasks of Business Development have not been clarified
Executives are not accepted

**Implementation crisis and slow handover of responsibility from project to line**

The project is slowly reaching high-altitude strain. Most of the energy lies in identity formation of teams and customer-oriented activities. The Change Team, which giving up its role as main agent and advisor and taking on a controlling function, is feeling somewhat degraded by this transition. Its members lack confidence in the new management structure's ability to push forward "their" change project and to ensure consistent implementation. Furthermore, although the evaluation results have been registered and ostensibly understood, there is no evidence of activities being organized in consequence of this.

"Hot topics" – such as the lack of acceptance for managerial personnel in some areas – are being hushed up. A "stoplight model" for controlling implementation activities, which is logical content-wise, is "shot down" by management. Furthermore, the new structure has yet to yield "star projects". Some of the examples presented are rated as "cosmetic changes". There are shortcomings in operative implementation. Upon reflection, it becomes clear that the reasons for this are primarily structure-related. The Change Board has lost implementation energy, which has shifted to the CMT. But the CMT is more than overburdened with its new responsibilities, and a new model needs to be found for clearly demonstrating the shift of responsibility from the change project to the line.

Entities responsible for change management
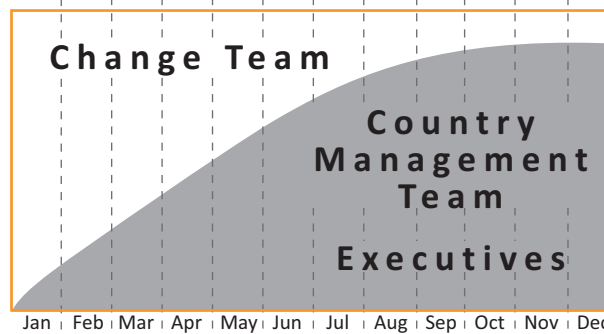
Change project phases
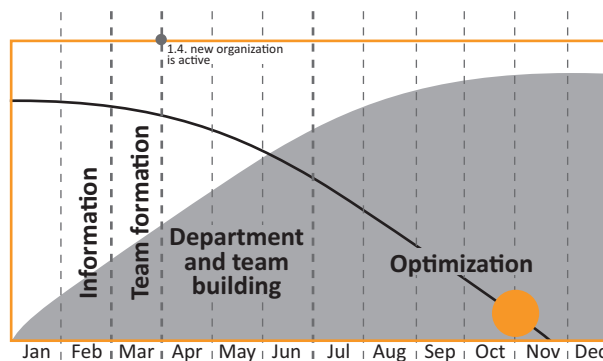
— Level of activity and importance of the change team for the project.

— Level of activity and importance of Country Management and new executives in the change projekt.

An exemplary implementation in one of the sectors

In one of the sectors, the new "solution providing" strategy is implemented on a market-related basis. There are two directions of impact. For key accounts, executive contacts are consistently maintained in order to establish "solution providing" at the level of top customers. For the second target group of traditional contacts, IT managers, a "Customer Parliament" is organized. The objective is to firmly establish "solution providing" among the operative customer contacts, and to collaborate on further concept development. An innovative event is planned, with the idea of enabling a direct, personal dialogue among all relevant customers. For the customers, this creates an improved basis both for collaboration with the company and for an exchange of views with other users. The event's protocol, which mimics a parliamentary session, guarantees direct, unfiltered customer feedback. Like citizens in a parliamentary session, the employees are allowed only to listen and not to participate in discussions. The customers discuss their perception of the collaboration with a frankness that shocks quite a few employees. The main feedback is that solution providing has by no means hit home among the customers, and that there are numerous ways in which collaboration could be improved.

The results are processed, and a customer-specific follow-up is agreed upon in a subsequent Employee Conference. The Customer Parliament has a rousing effect, both internally and externally. New projects emerge from the aftermath of the Customer Parliament discussion and customer commitment increases.

Closure of the Change Team and handover to the line sector

The handover to the line sector takes longer than initially planned. Several "honor laps" have yet to be run. The objective "project conclusion by the end of December" proves too daunting. At first, ambivalence is felt within the Change Team itself toward letting go and handing over complete responsibility to the line managers. Following preliminary discussions with the Country Manager, the Steering Committee also makes an initial attempt to commit the project team to maintaining responsibility for "sustainable anchoring". The basic question is: *"How can we establish clear responsibility in the line organization for the FOP implementation?"* At first, there is talk of establishing a staff position for "corporate development". The ultimate decision is for a variant that plans for a CMT manager taking (part-time) responsibility for corporate development. The responsibility of this function lies in monitoring and driving the change process, as well as supporting the Country Manager in this connection.

This decision creates stability and clarity for the further consistent management of the change process, with emphasis on fine-tuning and anchoring in daily business.

The Country Management Team is up and running

In November, things are ready to go. The Change Team members hand over their work packages – yellow post parcels highlight the symbolic act– to the managers and CMT; this "ritual" reinforces the official stepping down of the Change Team. A mirror on each parcel emphasizes the necessity of keen self-observation in FOP implementation. The subsequent CMT workshop is held under the banner of focusing, prioritizing and improving the work of the team. Twenty-four "priority" topics are proposed during preparations for the meeting. Our intervention consists in classifying these into portfolios and establishing an observer panel that monitors the team's working method. The results of this self-analysis show that the team's working mode needs improvement, and that it is in need of structuring, so that it can co-ordinate with other teams to increase its efficiency. The Country Management Team needs to carry out its various functions (strategy work, change management and corporate development, control of operative business) in a more differentiated fashion.
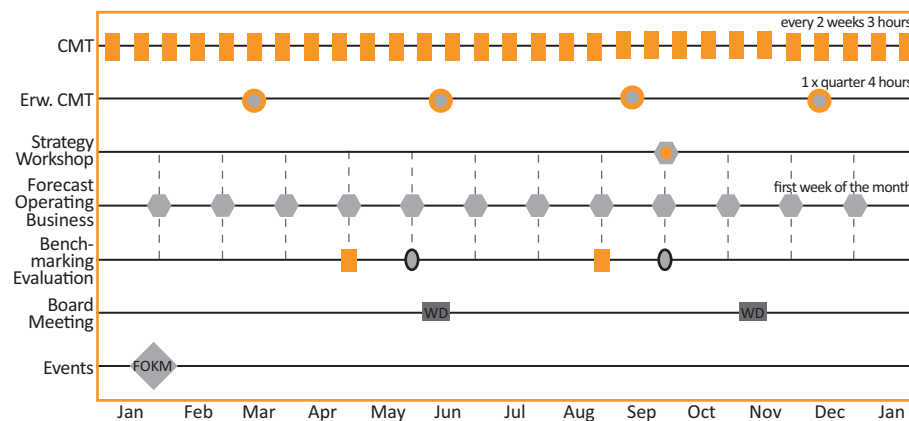
The final qualitative evaluation

A final qualitative evaluation is carried out in January of the following year. The setting is the same as in June. Group and individual interviews are carried out by in-house consultants regarding fundamental questions such as: "*What is the*

current mood regarding the change process, the new structure and the topic of solution providing?"; "What has changed in comparison with the spring of 2001?"; "How well are we positioned for the future?". The following results are presented to the Country Management Team in February:

The overall assessment of the new structure is basically positive. Working in sectors makes it possible to concentrate more effectively on one's own responsibilities. There are clear contact partners for customer inquiries. ("*Now I know who to pass them on to.*").

Working in sectors has been accepted. The irritation that was felt in the spring has for the most part disappeared. The lack of clarity that still remains concerning the new processes has ceased to be a major cause for concern, since focus is now more on tasks in one's own sector and not so much on the processes.

However, the new structure is still a cause for discomfort in cases where an individual's contribution or precise tasks remain unclear, or where uncertainty is still felt about possessing the required competencies and the hierarchy and bureaucracy are perceived as becoming more pronounced. (A recurrent image is: "*People are looking up, trying to climb the ladder by hanging on to the coattails of the person in front of them.*").

Insofar as the change process is primarily equated with the implementation of the new structure, it is considered to be complete. The new processes are known. But they are still not really being carried out. Process design and clarification of new roles in daily business are – apart from one's own immediate environment – considered to be management's responsibility ("*This still needs fine-tuning; this is an issue for management.*").

Discussion of questions regarding change of identity and the corporate culture is still at an early stage. One aspect is particularly important: one of the core values of the company is to be competent, to exude confidence. In the course of the switch to solution providing, this self-image of competency changes dramatically. The technical consultant (who always "knows better" than the customers) has become a solutions consultant (who collaborates with the customers: "*I have to ask the customers?!*"). This still triggers a great deal of anxiety.

The completion of the first year of solution providing also marks the conclusion of our description of the process. One thing should be added that was an essential success factor: despite restructuring, the main business objectives for the year were achieved. The project ended a month earlier than planned and its completion was deemed very successful in evaluation discussions with the Steering Committee and the Country Manager.

Our contribution as consultants in the sense of "development partners" of the client

- Intense diagnosis and intervention work with the Change Team
- Moderation and design development for Change Boards and large-scale Sounding Board events (> 200 employees)
- Kickoff workshops in the departments
- On-demand individual consulting and coaching of managers
- Strategy work with individual teams
- Concept, moderation and evaluation of the Customer Parliament
- Training workshops in which the new self-image of "solution consultant" was put to the test and enriched with change management know-how
- Evaluation (through consultants who were otherwise not involved in the project, strengthening the external perspective)

Special features of our collaboration with the client in this case were: high speed and mutual flexibility. The "acid tests" in the beginning and the intense contact in the acquisition and planning phases that arose from "off the bat" architecture work lay the foundation for considerable openness and frankness in consultant-customer interaction. The diversity of our role was also unusual for us. We were (specialist) consultants for change architectures and processes, and as systemic consultants we developed designs, moderated events, contributed external perspectives and strengthened the system's self-control mechanisms. We acted as personal consultants for the individual support of key staff. As trainers in the change management workshop, we contributed ideas for the organization of customer projects. Evaluation was the one area where we found separation from personnel important. This unusual versatility of roles worked very well in this project, since our client (also in the consulting business) has considerable competence and experience with flexibility of roles. Moreover, we arranged our own cooperation so that one of us was more strongly involved than the other, enabling us to exploit our different proximity/distance to the client in our work together. We had a great deal of fun working on this project

through all its highs and lows in what we experienced as a clear partnership with the client from start to implementation.

Lessons learned

On the change map, this case study falls under the heading "Renewal". What conclusions can we draw from this case regarding hard cuts and new growth?

Hard cuts

It is very difficult to change organizations during a phase of great success. The necessity to establish or mutually prepare hard cuts is an essential condition for achievement – not only at the start, but also continually throughout the course of the process. Rapid personnel decisions in the beginning (in this case, the decisions of senior management) may have a polarizing effect, but they also provide orientation. The rapid change from top-down decisions to broad bottom-up involvement (over the stages "flirt", "getting engaged" and "wedding") mobilizes a great deal of change energy.

Personal communication by the Change Team and executive staff is crucial in the phase of unclear responsibilities. The interactive information & feedback workshops – with the intense involvement of the Change Team – were instrumental in the employees' acceptance of the overall process.

The length of the transition phase (the temporary phase of parting from the previous structure and making way for the new) varies for individual target groups. This is why the acceptance of hard cuts takes varying lengths of time and the general mood remains ambivalent over a long period.

New growth

New growth requires verifiable initial business successes. Acceptance is substantially boosted by not selling cosmetic changes as "quick wins".

Organizational change "from the outside to the inside" generates energy. Early integration of customers (e.g. within the framework of a Customer Parliament) yields important innovative impulses, both for the company and for the customers.

In our observation, it was particularly the competitive situation in new market segments and the ambitious objectives (< 50 % turnover from the new product) that were essential change drivers for new growth.

Overall direction
Anchoring business goals in the mandate for change projects steers them clearly in the direction of implementation and spans a structural bridge to the line. In this case, this "experiment" was successful; we feel that the question whether or not to do this needs to be rethought for every project.

The continuous cooperation and reflection on the overall direction of the process with the clients and key individuals enhances process security and the coupling of client and consultant systems.

An early modification to the project architecture, the handover of the project to the line, proved successful in this case. Expressed in an image: change projects are "midwives, not nannies" of changes.