

In Focus: CHANGE MANAGEMENT

FROM THE DIRECTOR

The Management Sciences Laboratory of the Athens University of Economics and Business was created in 2000 as a center of excellence in Management Sciences Research. MSL is part of the Department of Management Science and Technology of AUEB. Its mission is research, technology transfer and corporate development tackling critical issues in management from a perspective of global change, information technology advances, and dynamically evolving business models.

MSL is organized into three independent but interconnected research centers: The Innovation and Knowledge Management Center InnKnow, the Operations Management and ERP Systems Center OPeR, and the Financial Engineering Research Center FRC. Each center has its own research agenda and has achieved considerable development in terms of participating in European or Nationally funded research projects, and in terms of scientific publications. You are invited to visit our web site www.msl.aueb.gr to find out more about our activities.

In view of these achievements, it is timely to introduce a first newsletter, that of the Innovation and Knowledge Management Center. The objective of the newsletter is to present research projects and results of both applied and more theoretical nature, that would be of interest to a wider academic and practitioners community internationally. As its name indicates, the InnKnow center focuses on Innovation and Knowledge Management, but also on Change Management, R&D and New Product and Service Development Management. I have asked Klas Eric Soderquist to be the editor of the series. This inaugural newsletter is devoted to the topic of Change Management.

In the following pages we present five articles related to various aspects of change management. All of these represent ongoing work in different phases of accomplishment. The first article presents initial findings of the InQB project, concerning the strategic management of change in Greek corporations. Efficient planning for change is discussed as well as the difficulties of changing culture and behaviour in a way that matches the intended objectives of change. Besides the "common" driving forces for change, the managers

we interviewed insisted a lot on the influence that public policies might have on operations and strategy development.

It is precisely the interplay between the public and private spheres of the economy that is the subject of the second article. Here we present three important contributions to change management and theory from the coevolution perspective.

Managers often express frustration because many change projects do not evolve as intended. In the third article, therefore, we take a closer look at how and why resistance to change develops and how such resistance can be limited.

The fourth article highlights the changing role of Human Resource Management and reports some of the central findings from a longitudinal research on evolving HR practices in Greek corporations. Finally, in the last article we provide a framework for managing change in a hyper-competitive environment.

I hope that you will find the content of the newsletter interesting, intellectually challenging, and applicable. I invite you to come in contact with us in order to discuss these and other topics of common interest.

Gregory P. Prastacos

CONTENTS

From the Director, <i>Gregory P. Prastacos</i>	1
Strategic Management of Change in Greek Enterprises, <i>Klas Eric Soderquist</i>	2
The Reciprocal Influence between Public and Private Organizations: Change as Coevolution, <i>Klas Eric Soderquist</i>	3
Exploring Resistance to Change, <i>Maria Vakola</i>	4
The Changing Role of Human Resource Management, <i>Nancy Papalexandris</i>	5
Managing Change in the New Competitive Landscape, <i>Gregory P. Prastacos</i>	7
References and Additional Readings	9
Contributing Authors	9
In the next Newsletter	9
Contact	9



STRATEGIC MANAGEMENT OF CHANGE IN GREEK ENTERPRISES

By Klas Eric Soderquist

The InQB project (Incubating Corporate Evolution) was launched in 2001 with the objective of developing the understanding of strategic change efforts and business transformation in large Greek and international corporations operating in the telecom, banking and retail sectors. So far data has been collected in four corporations, providing interesting insights into critical areas of change management such as driving forces, top management's perception of how to manage change, and strategic objectives of change efforts.

The Power of Efficient Planning

The success of all the four change efforts that the research has focused on so far can be attributed to a careful planning and follow-up process. The change efforts studied, a fundamental strategic reorientation, a merger with a former competitor, a reengineering project, and the integration of new regulatory conditions, were of such company-wide importance and equal to a "live or die" situation, as one Manager expressed it, that the change processes had to be guided by clear and explicit implementation frameworks.

One important source for change project planning was the methods already used in product or service development. Arguably, it is rather strange that companies are repetitively capable of launching excellent new products or services integrating functional, conceptual, technological and process innovations, while, at the same time, they often fail in successfully implementing change programmes. Hence, an effort to plan the change effort in well defined "development steps" with regular evaluation gates, was proven successful. Further, corresponding to received wisdom in product and service development, each step and evaluation gate in the change process should be conducted in teams integrating all concerned functions and people from lower, middle and higher levels of the hierarchy. "Managing change in this way was new to us. It was the first but certainly not the last time we conducted important change efforts in this way" said one of the interviewed managers.

The downside of a large portion of cross-functional and cross-hierarchy collaboration must not be forgotten, however. As one manager expressed it: "Imagine the president of the corporation walking down the corridor saying he wants everyone to participate in this strategic decision. Nothing will happen!". The critical question then becomes how to make people feel they participate in the ongoing change, without paralysing the process of progression. Part of the answer lies in efficient use of communication tools such as Intranets, where discussion groups can be organized or encouraged to emerge spontaneously. Also, the setting up specific task-forces to work on sub-projects within

the overall change process had been successful in several companies. Such virtual communities or "physical" task-forces can rely on strong inter-functional and inter-hierarchical work with the objective of reaching consensus decisions for the advancement of the overall change process.

The Difficulty of Changing Culture and Behaviour

If all interviewees agreed that planning is an important success factor, the formal approaches discussed above can not easily be applied to "softer" change objectives. The difference between planned, and what management theorists have called "emerging" change, is important to recognize. They require different sets of management approaches and methods.

The preliminary results from the InQB project confirm a recently developed framework of four distinctive types of change management (Huy, 2001). The interview data indicate that planned change is most successfully managed through "commanding" and "engineering", while emerging change in beliefs and behaviour should be managed through "teaching" and "socialization". Table 1 presents the key characteristics of the four types of change intervention.

Type	Main Characteristics
Commanding Intervention	<p>Commanding role of change agents. Change actions demand strict compliance. Change tactic is anchored in power relations. Change agents are Top Executives with analysis aided by external consultants. Type cases are financially driven restructuring, or mergers and acquisitions</p>
Engineering Intervention	<p>Analyst role of change agents. Change actions demand in-depth analysis, benchmarking, design of work systems, development of new skills, reengineering... Change tactic is normative and reeducative. Change agents are process and work design analysts. Type cases are productivity, cost, quality or lead-time improvement programs.</p>
Teaching Intervention	<p>Pedagogical role of change agents. Change actions demand community efforts, learning in an open climate, and the revealing of cause-effect insights. Actions should bring to the surface people's deep beliefs against which things make sense or not. Change tactic is empirical, i.e., builds on an analytical trial and error approach, and mentoring, i.e., builds on guided self discovery. Change agents are external process consultants and action researchers. Typical cases are the development of new organizational capabilities.</p>

Table 1. Four Types of Change Intervention, after Huy (2001), mainly p. 611.



Type	Main Characteristics
Socialization Intervention	<p>Facilitating role of change agents.</p> <p>Change actions focus on the improvement of the quality of social relationships among organizational members by acting on emotions, power and politics.</p> <p>Change tactic is similar to the teaching intervention, but more normative in nature.</p> <p>Change agents are internal to the organization and must come from all concerned hierarchical levels.</p> <p>Typical cases are change in behaviour required for complementing other types of change efforts.</p>

Table 1. Continued.

The overview in table 1 clearly indicates that different types of change efforts need different styles of change management. The companies we interviewed all expressed this difficulty of shifting from one type of change to another. Some interviewees explained failures by precisely the fact that the same "recipe" for change too often is applied to situations where the goal of the change is very different. Thus, the importance of adapting the managerial actions and the underlying assumptions about what will work or not cannot be over-emphasized. For example, change based on modified employee behaviour can not be achieved through commanding or engineering. Conversely, the teaching approach assumes that change in beliefs will lead to change in behaviours. In view of cultural shifts, this assumption of the teaching approach is complemented by that of the socialization approach where it is assumed that change in behavioural interactions among individuals will lead to change in beliefs.

The Societal Context of Change Management

In most of the popularized and academic literature, very little attention is given to the impact that public policies and regulations might have on company operations and on strategic management. The results from our interviews show that this might be a fatal shortcoming.

Both telecom and banking are sectors where the evolution of business models is strongly governed by public authorities, at least in the Greek context. The effects can be both positive and negative. What is important is that change in competitive forces must be matched with appropriate changes in regulatory mechanisms. This calls for a strong collaboration and mutual understanding between firms and public bodies. It seems urgent to act upon these relationships when companies perceive the business models imposed by public authorities either as their main threat to survival, or as a kind of safe-guard against the effects of low performance or errors in governance.

In this important domain influencing change management, there is need for dialogue and joint work in order to prevent that public regulations

ultimately overruns whatever other change efforts are conducted within companies. Otherwise, the waste of human effort and capital investment can be tremendous.

The first four interviews within the InQB project are currently analysed in depth. A comparative research report will be finalized in the summer.

THE RECIPROCAL INFLUENCE BETWEEN PUBLIC AND PRIVATE ORGANIZATIONS: CHANGE AS CO-EVOLUTION

By Klas Eric Soderquist

The coevolution perspective has been developed in management theory during the late 1990s and has reached increasing importance through a series of groundbreaking papers presented in a special issue of Organization Science in 1999 (vol. 10, no. 5).

Coevolution as a theory and possibly emerging management framework focuses on how organizations, both private and public, change and evolve as an outcome of the interplay between external and internal forces. These forces can be of different nature: they can consist of deliberate actions, of institutional influences, and of extra-institutional changes (Lewin et al, 1999). Deliberate actions refer to management decisions (in firms) and political decisions (in public organizations). Institutional factors include regulations, capital markets, educational systems and employment relationships. Forces of extra institutional nature are for example demographics, social movements, and ecological factors.

How is this Perspective Relevant for Business Practitioners?

The *first contribution* from the coevolution framework is the imperative of analysing any strategic change decision in the light of institutional forces. With some perspective on the events, wouldn't the failure of planned mega-mergers such as those between Volvo and Scania in Sweden (in 1999) and between Schneider and Legrand in France (in 2001), refused by the European Commissioner for Competition, have been easily foreseeable? These examples show that managers often neglect to "do their homework" in terms of understanding, analysing or simply inform themselves about regulatory public policies. Another institutional force, that of labour relations, is often overlooked when important strategic decisions are made. Again in the context of a planned merger, this time between the National Bank of Greece and Alpha Bank (also Greece), a "backstairs revolution" of employees in both banks has been put forth as one important reason for abandoning the fusion project.

The *second contribution* from coevolution is the imperative to integrate an analysis of extra-institutional forces when preparing for important



change initiatives. First, it is of utmost importance for each organization to clearly identify which are the true extra institutional forces, i.e., those forces for which the degree of control is very weak. Some management thinkers have advanced that technology is an example of such a factor. We challenge this affirmation because a technology evolution factor such as the "IT-explosion", for example, is not a phenomenon independent of purposeful managerial and political acts. A strong market push by firms in the IT and telecom sectors give birth to new technologies and products, often quickly adopted and integrated as indispensable tools in other organizations. So technology is both constructed and deterministic, depending on the perspective from which it is observed; that of a creator of technology, or that of an adopter.

Some general deterministic and extra institutional factors do exist, however, including ecological, catastrophic and to some extent economical (e.g., stock market volatility) and societal (e.g., anti globalization movements) factors. These can be "managed" only by including them in strategic risk analysis and scenario planning.

The *third contribution* from the coevolution thinking is that the forces (i.e., deliberate actions, institutional influences, and extra-institutional changes) that govern how change efforts evolve in organizations consist of a mix between socially constructed forces and deterministic forces. Consider a regulatory mechanism in a Nation or within the EU. In most cases, if the analysis is taken far enough, the particular form and content of a regulation is a result of purposeful political action on the one hand, and, through lobbying for example, of purposeful managerial acts on the other. A regulatory framework such as the anti-trust rules has strong roots in the private sector and in individuals or organizations defending the cause of entrepreneurial activity and free competition. So when business leaders today feel that certain institutional factors are deterministic, they should pay particular attention to how they actually simultaneously are involved in creating the institutional conditions of tomorrow. In the case of technology, this process of combined deterministic and constructed evolution is maybe even more obvious, as discussed above.

To conclude, let us consider three different types of change with respect to the degree of *reactivity* and *proactivity* in the managerial actions taken (Brown & Eisenhardt, 1998):

- *Reacting* means, for example, to respond to a competitor's product move with a better product, or to meet new customer demands with an innovative repackaging of an existing product. Reacting is a defensive tactic that happens as a response to driving forces.
- *Anticipating* means looking ahead to the emerging needs of customers and markets, the emerging new technologies and the emerging changes in the economy, and then lining up, ahead of time,

the presumably appropriate resources to face these changes. As reacting, anticipating is still defensive because forces from outside the firm are triggering the internal changes. However, it normally creates more opportunities for sustaining competitive advantage.

- *Leading* means creating the changes to which others must react. Leading change can be about creation of new markets, rising of industry standards, redefinition of customer expectations, or increase the pace of product life cycles. It means being ahead of change or even changing the rules of the game.

All three levels deal both with carrying through *managerial changes* and with changes in an organization's *productive offering* – products and/or services. Coevolution thinking puts the finger on the fact that organizations are involved in all these types of change and emphasizes the importance of taking a lead, at least from time to time, by creating the competitive environment to which other firms, and eventually public policy makers, must adopt.

A paper entitled "Exploring the Organization - Environment Link: Change as Coevolution" by Sophia Philippidou, Klas Eric Soderquist and Gregory P. Prastacos was presented at the Second European Academy of Management Conference, Stockholm, 9-11 May, 2002.

EXPLORING RESISTANCE TO CHANGE

By Maria Vakola

Why do change programmes have such a high failure rate – as much as 70% according to different studies? Why do employees reject change implementation? Which factors are responsible and how can we deal with resistance to change? These questions are very frequent in organisations, no matter how big or small is the change scope. As organizations try to survive and remain competitive, they are reorganising, re-engineering, downsizing and implementing new technology. These ongoing and seemingly endless efforts can put a lot of strain not only on individuals and groups, but on the organisation itself.

Resistance to change is considered as an obstacle to change implementation. Academics and practitioners have tried to analyse this resistance in more depth, exploring its causes. At an individual level, people resist change because they feel uncertainty about their future, are concerned with potential loss of territory or are afraid to fail in front of new expectations and tasks (Wanberg and Banas, 2000). It has been argued that a combination of personality factors such as need for control or authoritarianism and previous bad experiences of change is related with high levels of resistance to change (King and Anderson, 1993).

At a group level, groups that are characterised by high cohesiveness and large independence vis-à-vis centralised power are likely to feel most threatened



when facing imposed change, and thus develop high resistance. Apart from individual and group factors, organisational factors such as organisational structure, climate, culture and strategy have been found to contribute to high levels of resistance (Child, 1984). The fact that change is unknown, challenges the status quo, and often implies extra workload can lead an organisation as a whole to develop high resistance to change. This happens in spite of a "theoretical" understanding that change is necessary in order to survive in the marketplace. Figure 1 summarizes the types of causes behind resistance to change.

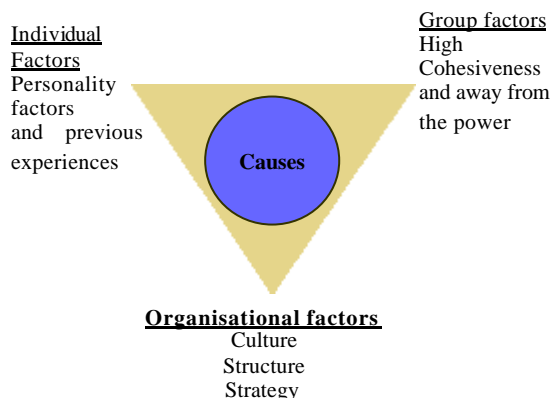


Figure 1. Causes of resistance to change.

Although resistance to change is traditionally considered as a major problem, which requires urgent and immediate action, it can also become a tool for change management. This "rethinking" of resistance to change (Waddell & Sohal, 1998) is based on the idea that instead of considering it a symptom of organisational dysfunction, resistance often represents a logical and justifiable course of action from the viewpoint of those who are involved or affected by the change.

How can we transform the above theoretical discussion into managerial action? The answer is by supporting organisations in their "coping with change" process. Managers need to examine available tools, methodologies and training materials in order to design, implement and evaluate change programmes. Most tools and methods supporting change have a common basis: change is conceptualized as a movement from a current to a future state (figure 2).

This movement involves the steps of "unfreeze", "change-move", and "refreeze" (Senge, 1999; Beckard and Harris, 1987). The most important phase is the transition state which analyses how the company will move from the current state to the future one. As a result, change is a matter of assessing the current situation, developing the right strategy and vision and designing the change process.

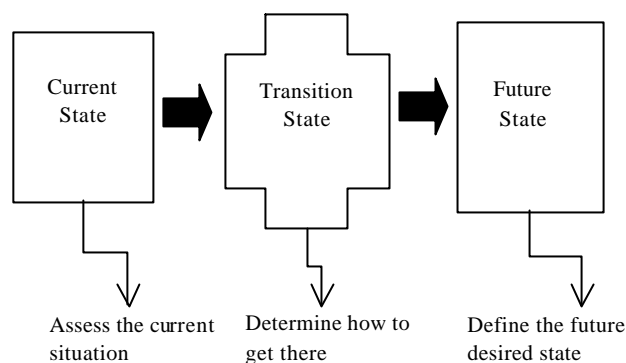


Figure 2. A three phase model (Beckard and Harris, 1987).

Further, it is important to identify the "hard" and "soft" elements in a change situation (McCalman & Paton, 1992). This identification leads to better communication among those involved in the change and suggests different tactics for coping with different types of change or elements of the change process. Some central tactics are the following:

- Assessing organisational culture with an emphasis on informal and formal communication and structure,
- Supporting participation and involvement,
- Understanding of people's fears and concerns, and
- Setting up a training strategy aiming at offering education and support.

These tactics all take into account the importance of the human factor as a critical success or failure factor for understanding and managing change programmes.

THE CHANGING ROLE OF HUMAN RESOURCE MANAGEMENT

By Nancy Papalexandris

In today's rapidly changing business environment, one of the managerial functions which has witnessed a dramatic change in its role and content is that of Human Resource Management. Facing constant change, companies have to manage shortage of qualified employees, training demands that rise from the use of new technologies, changing legislation and regulations which threaten old and demand new practices, mergers and acquisitions which create cultural clashes, and changes in hierarchical structures, job content and employees' value systems. Decline and even extinction is the fate of organizations failing to adapt to change. In this dynamic environment the HR manager has a series of crucial roles to play.

In the past, HR managers were mainly concerned with manpower staffing, employee training, and annual performance appraisal programs –the latter often put in files never to be used. In addition, salary administration, employee discipline, relations



with unions and day to day routine issues were their main focus. Today, from "watchdog of the boss" or "spare tire kept in the trunk", as some of its critics used to call the HR professionals, the modern HR Manager is a major partner who can act as the principal change facilitator of his or her organization. This is because all changes involve people and if people are not well prepared to accept change, any attempt for innovation will fail.

According to Jackson and Schuler (2000) the HR leader has the following key roles to play:

Linking Role. The HR Manager should act as a partner to the organization, to other line managers and employees, by helping them understand the labour market and the direction their company is heading for. By working closely with various departments in restructuring efforts, career counseling, climate and employee satisfaction surveys and necessary changes in management or leadership style the HR Manager is leveraging this interfacing and linking role.

Strategic Role. Act as advisor in strategic business decisions such as products or services to be added or eliminated, basis for competition, such as quality, cost or innovation, threats to be avoided and opportunities to be exploited. The implementation of strategic decisions relies heavily on Human Resources, therefore the availability or possibility to obtain the right people is crucial to the success of strategic plans.

Enabler Role. Enable and facilitate line managers to succeed through a series of effective and well designed HR policies and practices, including providing the appropriate support and know-how in matters of selecting, interviewing, training, evaluating, rewarding, counseling, promoting and, if no alternative solution can be found, firing employees. This support requires close cooperation and sound knowledge of the "customers" needs, that is, the line managers.

Monitoring Role. Ensure that HR policies and practices are implemented with consistency and fairness. This involves monitoring the outcomes and effectiveness of all HR activities, making sure that all legal requirements are met and that all ethical issues are observed and respected. Moreover, HR Managers must make sure that the changing needs of the company, of line managers and of employees are catered to in the best possible way.

Change Facilitator Role. Competition requires fast adaptation to new technologies, structures, processes, cultures and procedures. As a change facilitator, HRM must be focused to the future foreseeing the need for new skills and competencies and preparing the stage for the introduction and implementation of change.

Innovator Role. Innovation is no longer an exception or a "luxury", but a necessity for corporate survival. The HRM function must take a lead in finding and developing appropriate solutions such as a modern HR information system (HRIS), knowledge management, internal communications

via Intranet, 360° performance appraisal system, employee stock ownership plans, e-learning activities, socialization activities, assessment centers for employee selection, recruitment through Internet, and flexible working patterns involving time, place and functional flexibility. All these solutions must be cost effective and add value to the company.

To which extent are all these roles fulfilled in today's corporations? Research shows that larger companies in the US and in major EU countries are definitely moving along the directions outlined above. In Greece research conducted three times in the 1990's (1993, 1996 and 1999), among a representative sample of firms with more than 200 employees, has revealed an important progress between the beginning and the end of the decade. Some interesting research findings are:

- An increasing number of HR Managers participate in their company's Board of Directors.
- People staffing the HR Department show increased specialized professional knowledge in the field.
- HR consultants are more actively involved offering their know-how mainly in selection and training matters.
- Line managers' cooperation with HR is increasing with the exception of industrial relations, which in larger companies is dealt with by the head of the HR Department.
- An increasing variety in the sources of recruitment is observed, and more sophisticated tools are used. The old practice of selecting "a friend's son or daughter" is giving way to the search among candidates with job-specific competencies but also skills in cooperation, adaptability and flexibility.
- Greater emphasis is given to training and development, while promotion from within for higher managerial posts remains the most desirable option.
- Performance management is changing from a routine to a developmental procedure leading to training needs identification, performance related pay and better opportunities for career and personal development.
- More opportunities for upward and downward communication are introduced and employee relations are moving from adversarial to more cooperative forms.

The major challenges HRM is facing in Greece are raising the effectiveness of employee selection, training and performance management, in order to add value to companies and increase their competitiveness at the speed of increased international and global competition.

In conclusion, the research shows that in Greece, as in other major countries of the world, the role of the HR manager is changing and this change points towards one direction: that of raising competitiveness through effective management of Human Resources.



MANAGING CHANGE IN THE NEW COMPETITIVE LANDSCAPE

By Gregory P. Prastacos

If change is an inherent element in the business world today, one needs a framework – a methodology - to manage change. Three researchers of InnKnow, E. Soderquist, Y. Spanos and myself, in collaboration with L. Van Wassenhove of INSEAD, recently came up with an integrated framework that addresses this issue. Using Scott-Morton's (1991) organizational framework as a point of departure, and looking at technology as a key enabler for implementing change, we have developed an integrative model of organisational change that seeks to offer managers guidance as to the fundamental factors that need to be considered when planning and implementing change initiatives.

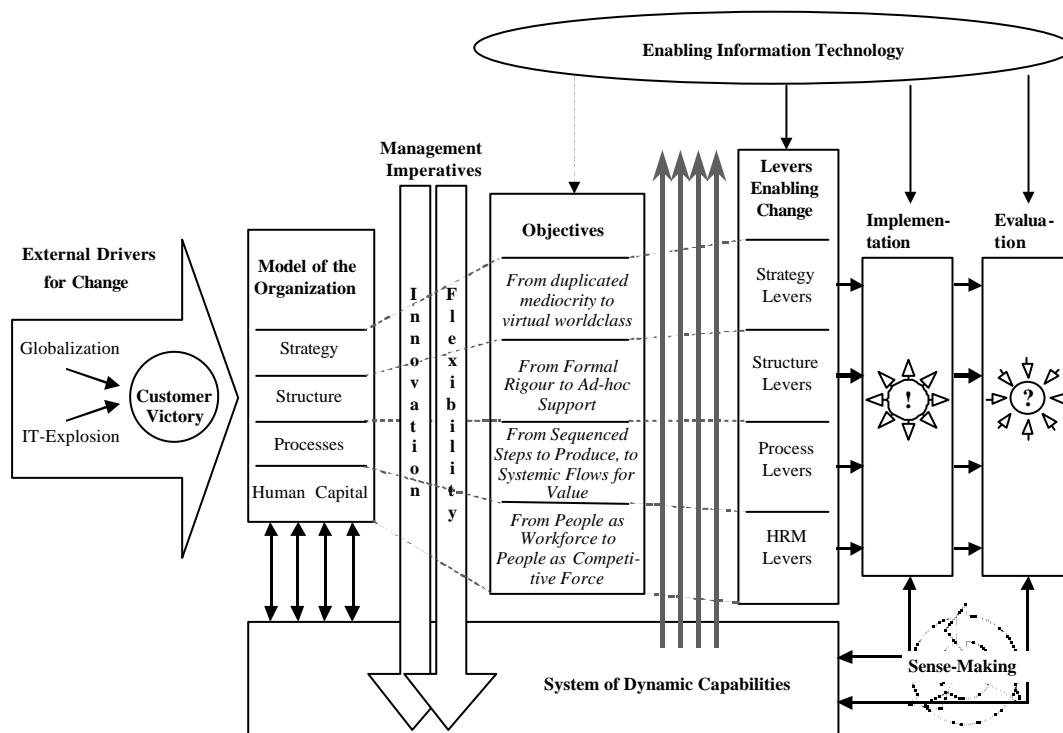
The model, depicted below, is based on the underlying assumption that the forces of globalisation and technology explosion have resulted in the enthroning of the customer as the "king" of the competitive game, and that for firms to survive and grow they need to become innovative and flexible. Therefore, the model assumes that actions for managing change should take into account the primary management imperatives of *flexibility* and *innovation*. These imperatives, when applied to the Scott-Morton forces/dimensions, "generate" a set of key *managerial objectives*, as indicated in the model below.

In this research, we provide some insights on how these objectives can be achieved through a set of *actions-levers*. Here is a selection of these levers:

Use Strategy as an incubator for change. This means that strategy formulation should be considered as a continuous and dynamic process; giving the opportunity to reformulate business plans at appropriate and flexible intervals. Note, however: Strategy as incubation relies on strong and well-disseminated *guiding visions* that give people guidelines, anchored in the business strategy, for how to act in critical situations. Additionally, highly visible and transparent *performance monitoring* (such as the balanced scorecard, c.f., Kaplan & Norton, 1996) and *reward systems* are required.

Become truly customer focused. Try to develop confidence, trust and openness with customers, thus getting a unique opportunity to understand them and develop your business for and with them. The importance of cultivating these relationships for sustained competitive advantage cannot be overstressed. Note, however: dealing with customers on an individual basis can be exhausting - and expensive - in terms of the mobilisation of resources it requires. Hence, the importance of developing and managing a portfolio of *customer relations* where the degree of attention can be differentiated among different groups or segments.

Rely on mechanisms of connectivity in order to remain in the front-line of innovation, flexibility and market penetration. In any hyper-competitive environment, and especially in periods of falling markets, any organisation, large or small, manufacturer or service provider, must know how to manage alliances and collaborations - both vertical and horizontal - and how to cultivate and leverage these connections.



Develop Virtual Webs of Collaboration. In an organisational structure optimised for productivity, innovation and flexibility, power residing within numerous hierarchical levels should be transferred to organic webs of collaboration empowered by advanced information and communication technology, and supported by appropriate and structuring work-methodologies.

Develop a Frontline Culture. With customers constantly present in operations and decision-making, there are no more in closed and opaque hierarchies. What needs to be rooted out in organisations is irresponsibility, and *laissez-faire* attitudes. Employees "in the frontline" will not forget who make their living – the customers do. They will not misunderstand what the customers want – immediate correction will take place. Note, however: IT in the form of databases and CRM systems is required to provide support and online access to BackOffice information for the frontline employees.

Move from Anorexic Downsizing, to Agile Right-Sizing. When downsizing was launched as a management recipe, today's business environment with its entrepreneurial, technology-driven focus was not around. What was "hot stuff" was not brainpower, but cost cutting. Today, when again we seem to be facing a recession, some lessons have hopefully been learnt so that managers pay more attention to the importance of human capital for survival in a period of crisis.

Move from Task and Function, to Value Stream. The real challenge, here, lies in *orchestrating tasks and activities in unique ways* that are difficult for competitors to understand and imitate. This is where the notion of process actually materializes a core capability strategy, in which core capabilities are defined as a unique, difficult to imitate, mix of basic resources where the latter are common to all players in a given business.

Move from Arm's-Length Subcontracting, to Integrated Sourcing. In a world where confidence in, and flexibility of suppliers are of paramount importance, most world-class performers independently of size, have been in the process of abandoning arm's length subcontracting –except for commodities- and have implemented a number of changes, such as establishing strong collaborative ties with selected suppliers, paving the way for integrated sourcing, sustaining relationships and optimising transactions through IT support.

Move from Archiving Knowledge, to Activating Knowledge. Knowledge Management (KM) is more than a fashionable buzzword. If knowledge is an asset, then how can it be turned into competitive advantage? The mission of KM is to visualize and elucidate the knowledge that exists within an organisation, and to direct, pilot, and control it so that it transforms into competencies that pay off in business. When Hewlett Packard's former CEO Lew Platt said, "If only HP knew what

HP knows we would be 3 times more productive", he put the finger on an important issue. Are you mainly *archiving* the fraction of corporate knowledge that is explicit, or are you *activating* the tacit dimension through processes of reflection in practice in value creating projects?

Move from Carrot and Stick, to Conscious Coaching. HRM is faced with an enormous paradox: how to deal with the trade-off between the individual's inherent drive for competition - so badly needed for continuous progress - and the imperative of communication, knowledge sharing, and "straight" relationships between people at all hierarchical levels – equally badly needed for continuous progress! Motivation of employees is extremely complex. Today employees need coaching and this coaching must take into account the multiple dimensions of the human character at work. *Emotional payment*, including empowerment and encouragement, acts complementarily to stock options and partnering in companies pioneering innovative HRM. Managers also should remember that their co-workers are their best coaches. In order to win in markets, firms not only need to win their customers but also the confidence, respect and sustained appreciation of their employees, by listening to them, taking an impression of and acting on their opinions.

Move from Invention by the Few, to Innovation by the Many. A strong misconception of how to become an innovative company is that it depends on a few, supposedly highly creative people who are given great freedom and an imperative to... *invent*. However, as Robinson & Stern (1998) argue, the creativity of these high flyers is certainly important but constitutes only a fraction of a company's creative potential, and its ability to... *innovate*. Today, invention is still important, but innovation in both tangibles and intangibles has to become a major task for every organizational member.

As a final word of caution: Organisational Change is not a "one-shot" undertaking! It simultaneously involves the whole organisation embracing the entire array of organisational domains be it strategy, structure, people or processes. Equally important, it never stops. Organisational Change is a never-ending process of continuous transformation, as it ought to be in a world where Darwin's motto about the responsiveness to change seems more true than ever: "It is neither the strongest species that will survive, nor the most intelligent, but the ones most responsive to change".

This article is based on a paper entitled "An Integrated Framework for Managing Change in the New Competitive Landscape" by G.P. Prastacos, K.E. Söderquist, Y.E. Spanos and L. Van Wassenhove, European Management Journal, vol. 20, no. 1, pp. 55-71 (2002).



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IN THE NEXT NEWSLETTER

The next Newsletter, to be published Fall 2002, will be devoted to **Strategic Performance Measurement**, with a particular focus on the **Balanced Scorecard Methodology**.

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InnKnow NEWS is published three times a year: Spring, Fall and Winter.

