

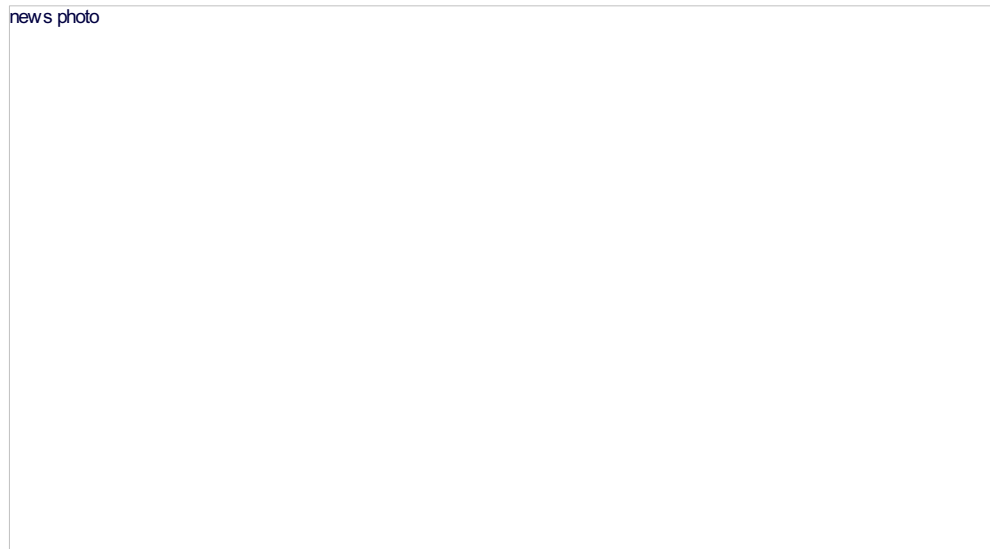


Managing Change in the New Competitive Landscape

By Professor Gregory P. Prastacos

If change is an inherent element in the business world today, one needs a framework - a methodology - to manage change effectively. Three researchers of the InnKnow Center of MSL, Eric Soderquist, Yiannis Spanos and myself, in collaboration with Luk 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 globalization 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.



How can the objectives be achieved? We suggest that managers formulate, develop and implement a set of *actions-levers* of which we indicate a selection here below:

Use strategy as an incubator for change. 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 in order to channel the organization's energy towards the accomplishment of goals.

Become truly customer focused. Developing confidence, trust and openness with customers, provides a unique opportunity to understand them and develop your business for and with them. The importance of cultivating customer relationships for sustained competitive advantage cannot be over-stressed. 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 dynamically 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, the power that traditionally resides 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 such as knowledge sharing networks and other IT-enabled collaboration and communication systems.

Develop a Frontline Culture. With customers constantly present in operations and decision-making, by the means of close and continuous customer collaboration and interaction, 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, some lessons have hopefully been learnt so that managers pay more attention to the importance of human capital for survival through periods of crisis and rapid growth in periods of prosperity. "Fatness" is always dangerous - many dot-com start-ups have experienced that painfully - so the objective is to remain agile with rapid communication channels and decision-making processes, without, however, throwing out essential intellectual capital with the downsizing bathwater.

Move from Task and Function, to Value Stream. In the lean enterprise, highly specialized companies using state of the art knowledge and technology in their core activity, form *value streams* where each player adds a unique piece of value throughout the production chain. 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, are abandoning arm's length subcontracting - except for commodities - and have implemented a number of fundamental changes in the way they manage their supplier base. Strong collaborative ties with selected suppliers are established, 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, 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 Flatt 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 for reflection-in-practice, organizational learning and knowledge sharing in operative work?

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, 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, where new products, services and processes that correspond to needs customers are willing to pay for are created, has to become a major task for every organizational member.

A final word of caution: Organizational Change is not a "one-shot" undertaking! It simultaneously involves the whole organization embracing the entire array of organizational domains be it strategy, structure, people or processes. Equally important, it never stops. Organizational 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".

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

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