**CHAPTER FOUR**

**4. TYPES OF CHANGE**

Managers continually face choices about how best respond to the forces for change. There are several types of change that managers can adopt to help their organizations achieve desired future states. In general, types of change fall into two broad categories: evolutionary change and revolutionary change.

**4.1 EVOLUTIONARY AND REVOLUTIONARY CHANGE**

**4.1.1 Evolutionary Change**

Evolutionary change is gradual, incremental, and narrowly focused. Evolutionary change is not dramatic or sudden but, rather, is a constant attempt to improve, adapt, and adjust strategy and structure incrementally to accommodate to changes taking place in the environment. Such improvements might entail utilizing technology in a better way or reorganizing the work process. Total quality management and organizational development are among the known evolutionary changes.

**Total quality management**

Total quality management (TQM) or kaizen is a management technique that focuses on finding the ways to continuously make incremental improvements to work procedures that drive down cost and drive up quality of organization’s products or services.

TQM focuses on improving the quality of an organization’s products and stresses that all of an organization’s value-chain activities should be directed toward this goal. Value-chain is the coordinated series or sequence of functional activities necessary to transform inputs such as new product concepts, raw materials, component parts, or professional skills into the finished goods or services customers’ value and want to buy. Each functional activity along the chain adds value to the product when it lowers costs or gives the product differentiated qualities.

TQM requires the cooperation of managers in every function of an organization, and across functions, if it is to be succeeded. The following steps are necessary for mangers to implement a successful TQM program.

* Build organizational commitment to quality.
* Focus on customers: TQM see customers as the starting point. It requires:
1. To identify what customers want from the good or service that the company provides;
2. To identify what the company actually provides to customers;
3. To identify the gap that exists between what customers want and what they actually get (the quality gap); and
4. To formulate a plan for closing the quality gap.
* Find ways to measure quality: TQM requires the development of a measuring system that managers can use to evaluate quality.
* Set goals and create incentives: once a measure has been devised, mangers’ next step is to set a challenging quality goal and to create incentives for reaching that goal. Such as reducing consumers’ complaints by 50%, six-sigma, and so on. Regarding incentives- give bonus and promotional opportunities for contributions and goal attainment.
* Solicit input from employees: create an environment in which employees will not be afraid to report problems or recommend improvements. Quality circle is the one among the mechanism. Quality circles –group of employees who meet regularly to discuss ways to increase quality-are often created to achieve this goal.
* Identify defects and trace them to their sources: identify defects in the work process, trace those defects back to their source, find out why occurred, and make corrections so that they do not occur again.
* Design for ease of production: designing product that have fewer parts or finding ways to simplify providing a service should be linked to fewer defects or customer complaints. Because the more steps required assembling a product or providing a service, the more opportunities there are for making a mistake.
* Break down barriers between functions: successful implementation of TQM requires substantial cooperation between the different value-chain functions.

**4.1.2 Revolutionary Change**

Revolutionary change is a rapid, dramatic, and broadly focused change. it involves a bold attempt to quickly find new ways to be effective. Organizations faced with dramatic, unexpected changes in the environment (for eample, a new technological breakthrough) or with an impending disaster resulting from mismanagement, an organization might need to act quickly and decisively.

Revolutionary change is a radical shift in ways of doing things, new goals, and new structure for the organization.

Reengineering, restructuring, and quantum innovation are the three important instruments for revolutionary change.

**4.2 BUSINESS PROCESS REENGINEERING**

Business process reengineering (BPR) is the **fundamental rethinking** and **radical redesign** of **business process** to achieve **dramatic improvements** in critical, contemporary measures of performance, such as cost, quality, service, and speed.

There are four key words in this definition. These are:

* **Fundamental Rethinking**: ask basic questions about the company and how they operate. Like:
* Why do we do what we do?
* Why do we do it the way we do it?

Make people to look at the tacit rules and assumptions that underlie the way they conduct their business. Often the rules turn to be obsolete, erroneous, or inappropriate.

* **Radical redesign**: reengineering is about throwing the already existing system away and starting with a clean slate and redesign how you do your work. Thus, reengineering is about business reinvention not business improvement or modification.
* **Dramatic improvement**: it is about achieving **quantum** performance growth. Reengineering is **not** **making marginal** improvements to the business.
* **Business process**: process is the core of the reengineering. Process is an organized group of related activities that together create value to customers. It is about how work is done.

**Why Reengineer?**

The three Cs – customers, competition, and change- have created a new world for business, and it is becoming increasingly apparent that organizations designed to operate in one environment cannot be fixed to work well in another. These three forces, separately and in combination, are driving today’s companies deeper and deeper into territory that most of their executives and managers find frightening unfamiliar.

1. **Customers**: customers have become much more sophisticated and demanding; much more knowledgeable about their own needs; and are exerting ever greater pressure on their suppliers.
2. **Competition**: now, the competition is strong and many different in kind.
3. **Change**: whether in geopolitical realities, technology, or customer preferences, the pace of change is extremely fast, that is, what was unthinkable yesterday is routine today.

Comparison of BPR and TQM

|  |  |  |
| --- | --- | --- |
| **Aspects** | **TQM** | **BPR** |
| Level of change  | Incremental | Dramatic and Radical  |
| Starting points | Exiting process  | Clean slate |
| Frequency of change | Continuous  | One-time |
| Time required | Long | Short  |
| Risk | Moderate | High  |
| Participation | Bottom-up | Top-down |
| Typical scope | Narrow, within functions | Broad, cross functional  |

**Who need BPR?**

The experience shows that there are three kinds of companies/organizations that have to undertake reengineering.

**First**: companies that find themselves in deep trouble. E.g. costs are higher than business sales and competitors; customers are dissatisfied about the product/services the company offer and openly rail against it, etc. these companies have no choice, no time.

**Second**: organizations that are not yet in trouble, but whose management has the foresight to see trouble coming. Even though they are in healthy financial condition –attractive profitability level-, but management see that new competitors entering the market, changing, customers characteristics changing regularly, change in economic development, the technological development, etc.

**Third**: organizations in peak condition. They have no discernible difficulty, either now or in the horizon, but their management is ambitious and aggressive. They need reengineering as an opportunity to further their lead over their competition, to keep their position.

**What is not reengineering**:

The following are some of the misconceptions about the nature of reengineering.

* **Reengineering is not downsizing**: downsizing means getting rid of people and jobs to improve short term financial results. Reengineering is about rethinking work from the ground up in order to eliminate work that is not necessary and to find better ways of doing work. Reengineering eliminates unnecessary work, not jobs or people. Reengineering may or may not affect the number of people employed.
* **Reengineering is not restructuring**: reengineering is centered on how work is done. While restructuring focuses on how an organization is structured around an organizational chart or business unit.
* **Reengineering is not automation**: reengineering focus is the customer not automation or computerization. Automation is a reengineering tool to help you provide value to customers. So, first reengineer, and then automate.
* **Reengineering is not outsourcing**: the purpose of outsourcing is driven by the theory that groups outside the organization can perform some operations more efficiently. However, reengineering makes no such assumption. It simply determines what work needs to be done and finds the best way to accomplish it.

**4.2.1 Stages to Reengineering**

There are numerous methodologies being proposed, but all share common elements. Typically the reengineering project takes the form of several discrete phases. However, the following four stages are the most common ones.

**Phase One: Preparation For Change/Planning Stages/**

Reengineering in this phase requires the following:

* **Assessing the preconditions for change**: fundamental changes in an organization typically requires the following conditions:
* There must be real pain, either current or anticipated;
* Senior leader must articulate the pain in a way that does not blame the staff for the problems;
* Senior leadership must be actively involved, not just lend verbal support.
* **Leadership** **commitment**: the process of reengineering, the most important issue that comes first is the issues of leadership. As reengineering follows top-down change, leadership is required right from the beginning. Strong, committed, executive leadership is the absolute since essential condition for reengineering.
* **Identifying the business process**: identifying business process is one of the difficult tasks in reengineering effort.
* The first step and perspectives the leader and organization pursue when identifying the business processes is to start from the **mission** of the organization that determines its very existence.
* And then we must start from the **outcome** and **think of the process backward**.
* Once processes are identified the next step is choosing the processes to be reengineered. Since organization cannot reengineer all of its process all together at a time. The following are the major criterion of choosing this process:
* **Dysfunctional**-**processes**: that are broken and in the deepest trouble;
* **Important** **processes**: that are the greatest impact on the company’s customer and highest link to its mission; and
* **Feasibility**: are most susceptible to successful redesign at the moment.
* **Forming organizational structure:** the key roles to be filled during redesign project include:
1. **Design team:** the design team redesigns the way work is done. It takes the current (as-is) process, analyzes it, and comes up with a fundamentally new design.
2. **Team leader or facilitator:** is the leader of the designing team.
3. **Subject matter experts (czar):** they are not on the design team, but they are familiar with the process being redesigned and provide specific skill and expertise not available on the team. Subject matter experts are invited to work with the team for a period of time.
4. **Steering team:** it is made up of senior people who have major responsibilities for leading the organization. This team doesn’t do the redesign work; rather it **oversees all redesign effort**.
5. **Process owner:** is the person with the responsibility and authority to manage the newly designed process. The process owner is a coach and advocate for the process, overseeing and measuring its performance over time and helping to redesign it as needed.
* Preparing TOR (terms of reference): the leader with his core staff should have over all plan and direction of reengineering. Reengineering teams with their process owners should prepare TOR that guides their operation. It shall cover all the study, the redesign process and up to implementation stages.

The TOR should explicitly specify:

* The objective of the reengineering project,
* Methodology of reengineering, and
* Have concrete action plan indicating what to do, when, how and by whom.

**Phase Two: Understanding the Current Business Process (As-Is)**

Once the process has been identified and selected in phase one, the next step understands, **not** **analyzing**, these process. The goal of understanding the existing business process is to get a high level view of the existing process in order to produce superior business process from a clean sheet of paper.

In this stage, the reengineering team should be able to:

* To understand the customers’ need with the processes output.
* Show where the process begins and ends,
* Describe the specific inputs and outcomes of the process.
* Map the current process-gives a picture of how work flows through the organization. It is very helpful in viewing the existing process. Produces an accurate picture of the process and its current performance i.e. baseline of the current performance. Shows how the “end-to-end” process actually works.

Map the current process helps to identify steps, costs, and cycle time; look for bottlenecks and identify current assumptions.

* Show sub-process (if there is): when a process is too large or complex to compute, sub-process is needed. Each sub-process converts inputs into outputs (if it is the last, it has an outcome), and has its own process owner. Each core and support process may or may not have sub process.

**Phase Three: Redesigning the Business Process**

The key issues of the third stage are:

* **Establish the desired outcomes**: there are several steps involved to start at the end with the desired outcomes. These are:
* Identify the key customers and/or stakeholders: the design team begins by brainstorming a list of external and internal customers/stakeholders.
* Choose a way of learning about customers/stakeholders’ needs and expectations.
* Interview or survey customers/stakeholders to determine desired outcomes.
* Compare and analyzed data from customers/stakeholders, synthesizing desired outcomes. Compare the customers/stakeholders requirement with the current performance or benchmarked performance.
* Decide whether you are ready to move on to the next design step.

Now it’s time to focus more specifically on the future. You need to take the desired outcomes you have identified and translate them into concrete goals. And these goals need to be so high that they force the design team to become innovative, to get out of the box. Such goals are called “starched objectives.”

* **Setting stretched objectives**: stretch objectives reach far beyond what process currently produces. Stretched objectives are another name for performance measures. They are usually (but not necessarily) stated in quantitative terms and should always be stated in a concrete way that is easily measured.

Stretched objective should be related to the customers’ problems because its purpose is to solve the problems of the customers in the process. As a guideline, stretched objectives should require performance improvements of 50 percent or more.

Here are the sub-steps involved in creating stretched objectives:

1. Review customers/stakeholders needs and expectation.
2. Identify the needs and expectations that form the foundations of stretch objectives.
3. Brainstorm possible stretched objectives: they can come from

= benchmarking the same processes performed by leading organizations.

= customer and stakeholders requests and preferences.

= the organization’s its own best performance of the process.

1. Decide whether you are ready to move on to the next design step
* **Breaking old assumptions**
* **Design from clean sheet**: note that the task of redesigning does not have specific formal or mechanical procedures. The purpose of designing the new process from a clean sheet is to help the team come up with ideas that lead to a dramatically improved process. It’s difficult if not impossible to make a fundamental change if we start with our current process firmly fixed in our minds and ask ourselves how to improve it. Generating alternative ideas from designing team, benchmarking, and generating wacko ideas are some of the mechanisms to develop breakthrough ideas.

**Phase Four: Successful Implementation and Building Process Centered Organization**

 At this stage, implementing the new process design and installing new form of organization i.e. the business system diamond will be realized. The business system diamond shows the features of new form of reengineered organization. It illustrates that reengineering is making systematic organizational change (a paradigm shift). It is not a fragmented change. In reengineered organization the four aspects shown on the figure are interrelating.

 Business process

 Job and structure values and belief

 Management and measurement systems

Figure 4.1: the business system diamond

All four points on the business system diamond have to fit together. If they are not together the new form of reengineered organization does not exist. Note that one of a common reengineering failure is make process redesign without doing anything on the management system such as development system, payment structure, people’s values and beliefs etc.

Effective implementation of the newly redesigned process requires the following:

* Prepare implementation plan: it should be developed that spells out the work that needs to be done with time frames, milestones, training, workforce issues, decision points, resource allocation, etc.
* Pilot testing: it is an effective tool that allows the organization to
* Evaluate the soundness of the proposed process in actual practice
* Identify and correct trouble spot or problems with the new process
* Refine performance measures and generate support for full scale implementation from employees, outside stakeholders, public, etc.
* Adjust goals and develop improvement plan
* Implement and monitor the progress