

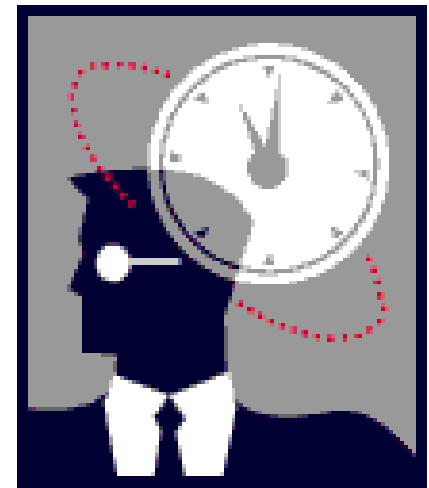
MBA Change modules 2021

**5: Responsible Change
Management
Corporate Restructuring
Mergers & Acquisitions**

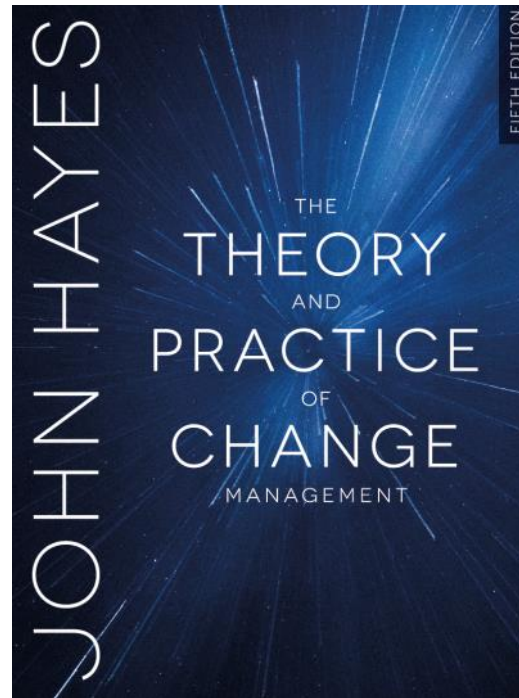
mike.davies



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David



Dr Roisin Mullins



Chapter 11

Responsible change management: an ethical approach



Responsible management

Responsible behaviour involves
“doing the right thing” to
“others”.

Irresponsible behaviour at Mid Staffs
hospitals



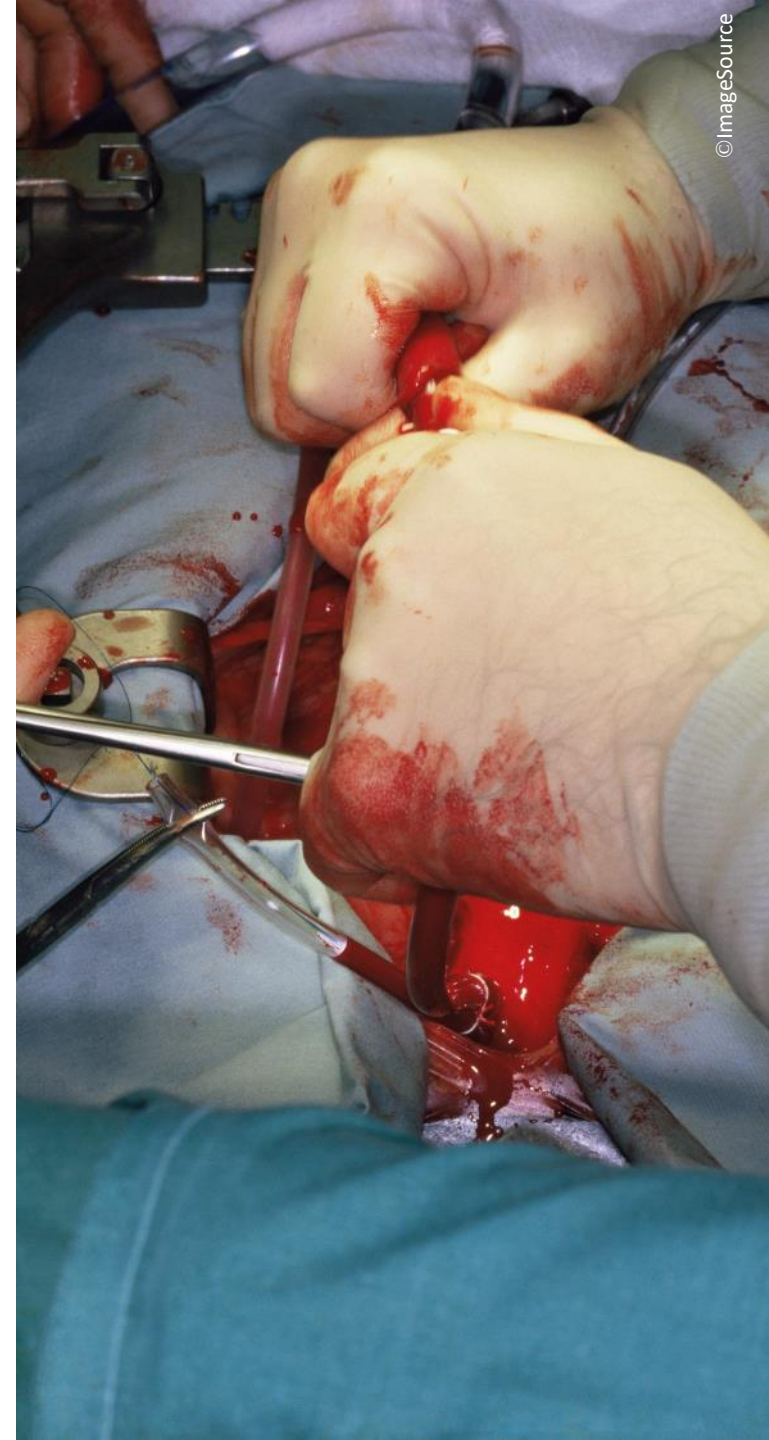
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The Mid Staffordshire hospitals

The board set out to save £10 million (8% of turnover).

- Cut 150 jobs
- Restructured to improve efficiencies
- Reduced beds by 18%
- Plus a range of other cost cutting measures

Alarm bells began to ring when a watchdog noticed that death rates were much higher than at comparable hospitals.



An inquiry found problems at every step along the emergency care pathway

- Assessment of new patients
- Delays
- Doctors diverted from treating seriously ill patients
- Under-trained nurses turned equipment off
- Medication, pain relief and wound dressings
- Patients left unattended for long periods



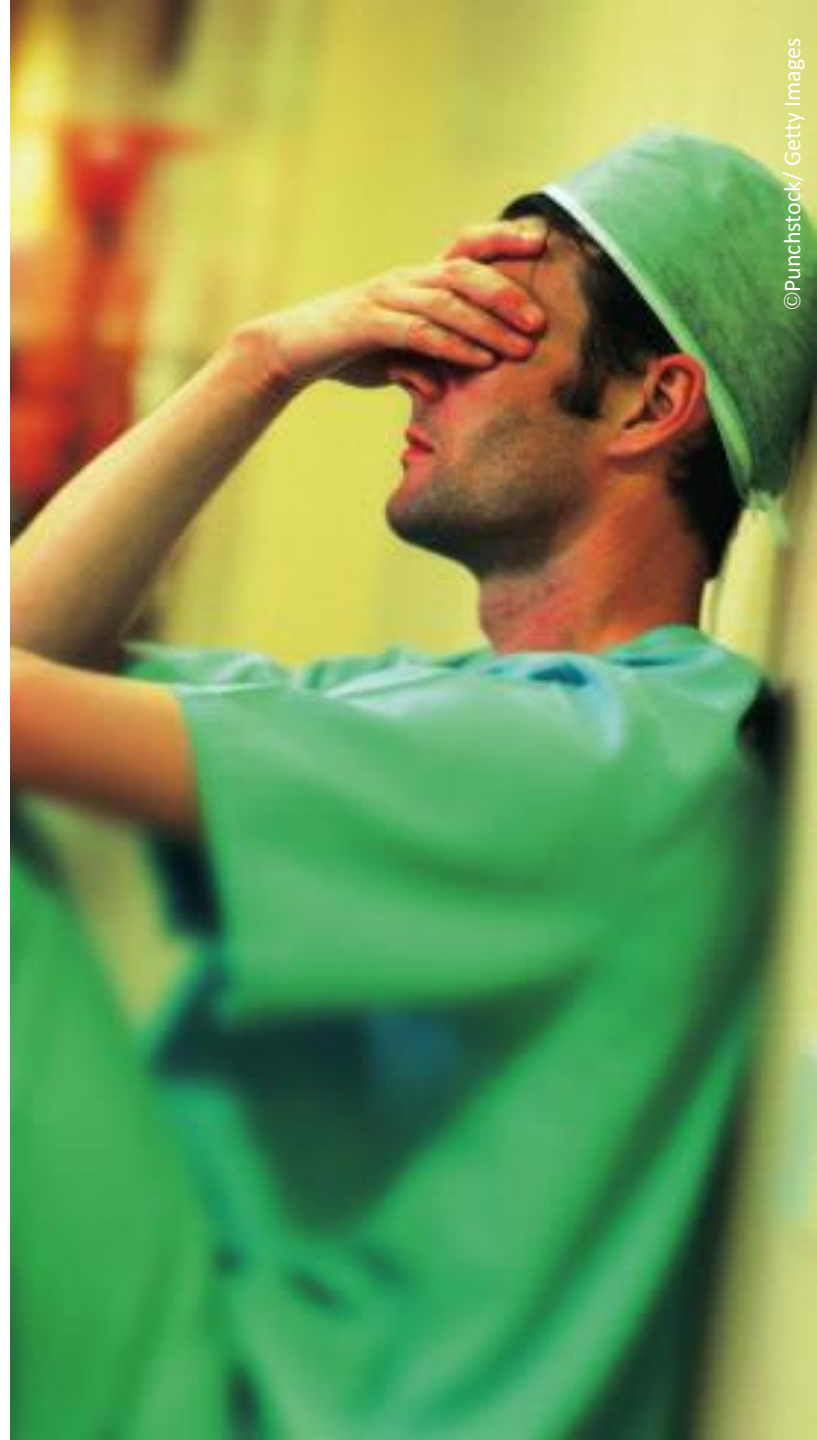
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Doing harm while managing change

The board was so focused on achieving its own objective that it failed to protect the interests of other stakeholders: patients, their families and staff.

Targets and performance management overwhelmed quality and compassion.

After a lengthy public inquiry the Trust was dissolved, the hospital was renamed and it was taken over by a newly constituted Trust.



The the essence of responsible behaviour is doing the **right thing** towards **others**

1. Who are these “others”?
2. What does “doing the right thing” mean?
3. What factors determine whether people will do the right thing?
4. How can responsible (ethical) behaviour be promoted in organizations?



Which “others”?

There are competing views about which “others” are important.

The shareholder only perspective

The duty of the manager is to make profits for the shareholders.



The extended stakeholder perspective

Managers are responsible to a much wider range of “others”.



The ethical approach The interests of all stakeholders have intrinsic value and should be taken into account .



The instrumental approach

Only attend to those who can affect important outcomes.

The shareholder only perspective

Managers are employees of the owners of the business and their only responsibility is to satisfy the interests of the shareholders and make as much money (profit) as possible.

When managers are acting as agents for the owners (rather than acting in their capacity as private individuals) they do not have the right to use the owners' assets to benefit others—unless doing so will secure some net benefit for the owners.



The ethical approach

Those who subscribe to the ethical approach argue that moral commitments should provide the basis for managing stakeholder relationships rather than the desire to use stakeholders to promote managerial interests.

Which “others”?



Which “others”?

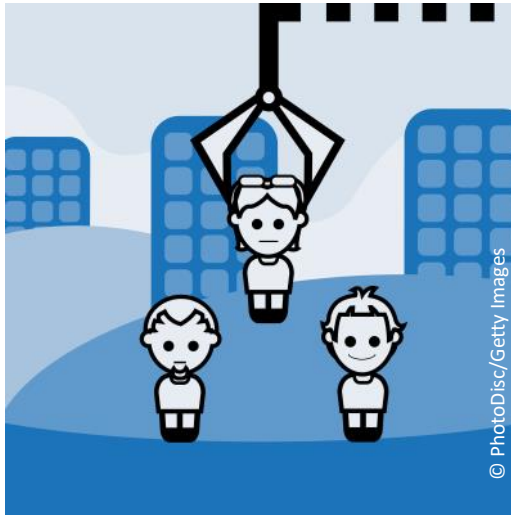
While pressures from investors might make it difficult for managers to address the concerns of all stakeholders, adopting an ethical approach can make business sense.

- **Committed employees** can help build reputational capital when they convey the merits of the company to customers, friends and neighbours.
- **Satisfied customers** can promote a positive image of the company.
- **Activist groups** are more likely to endorse organizations that promote safe working practices, pollution prevention, philanthropy and equal employment opportunities.
- **The media** is more likely to feature positive stories about organizations that are seen to be behaving in a socially responsible way.
- **Joint venture partners** will be more inclined to collaborate with companies that are viewed as good corporate citizens.



Which “others”?

The **instrumental approach**



Change managers will only attend to those who can affect the success of the change.

Managers are not motivated by a concern for the welfare of all others.



Reconciling competing stakeholder demands

Criteria for prioritizing competing demands include:

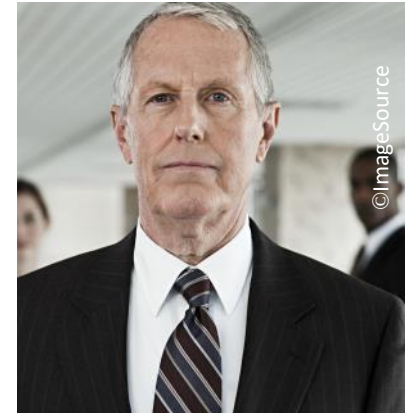
- **Power** a stakeholder has to affect outcomes



© Royalty-Free/Corbis

- **Urgency** of their claim (based on consequences of delay)

- **Legitimacy** of their demand



© ImageSource



© ImageSource

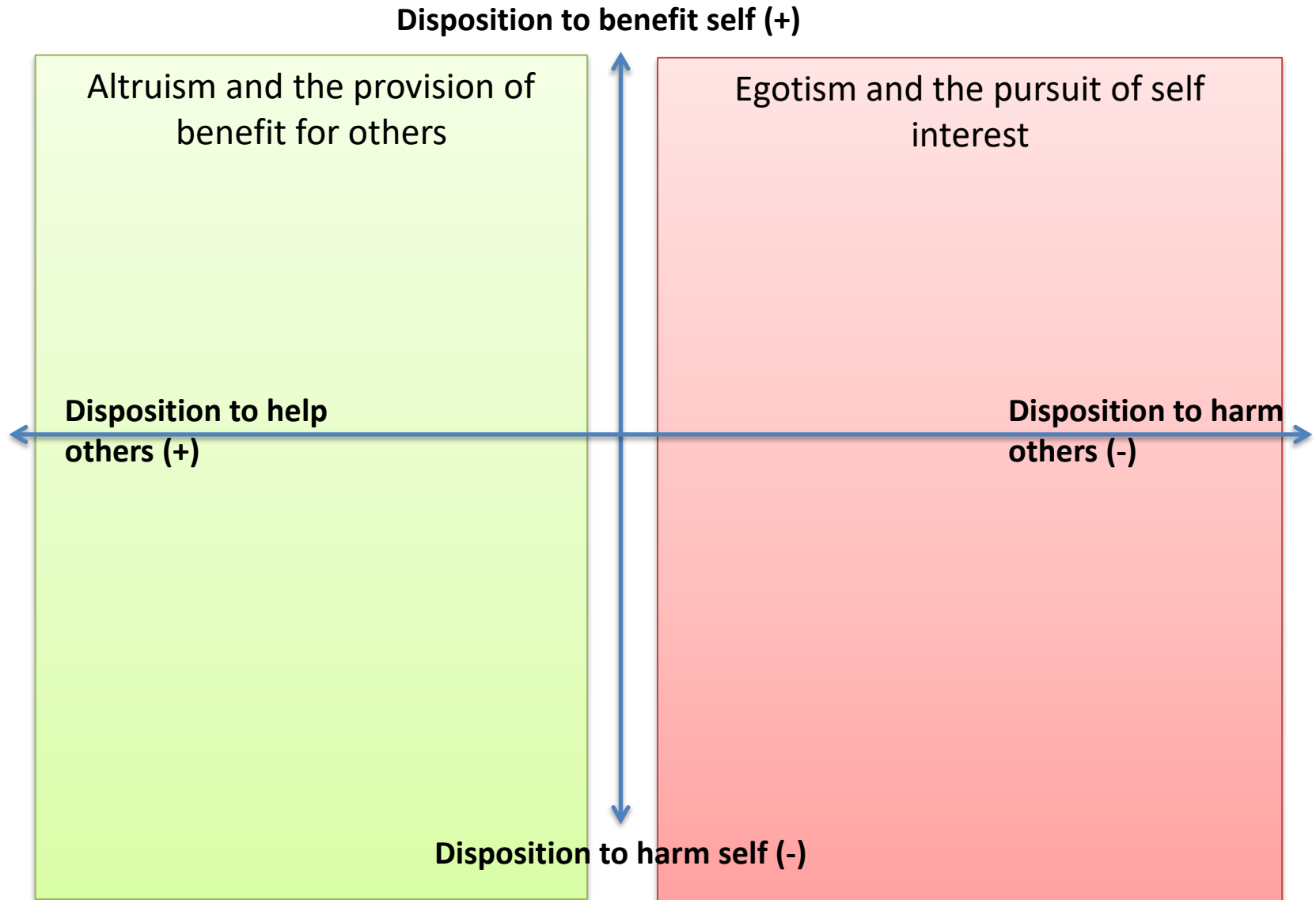
Doing the right thing

What is responsible behaviour?

Do good and do no harm



Doing the right thing



Source: Republished with permission of the Academy of Management, from *The Academy of Management Executive*, 'Promoting Altruism as a Corporate Goal', Rabindra N. Kanungo and Jay A. Conger, 34(4), 1993, page 692; permission conveyed through Copyright Clearance Centre, Inc.

The parable of the Good Samaritan provides examples of altruistic and egotistical behaviours

“A man was going down from Jerusalem to Jericho, and he fell among [thieves](#), who stripped him and beat him and departed, leaving him half dead. Now by chance a [priest](#) was going down that road, and when he saw him he passed by on the other side. So likewise a [Levite](#), when he came to the place and saw him, passed by on the other side. But a [Samaritan](#), as he journeyed, came to where he was, and when he saw him, he had compassion. He went to him and bound up his wounds, pouring on oil and wine. Then he set him on his own animal and brought him to an inn and took care of him. And the next day he took out two silver coins and gave them to the [innkeeper](#), saying, ‘Take care of him, and whatever more you spend, I will repay you when I come back.’” (Luke 10: 30-35)

Doing the right thing

Disposition to benefit self (+)



Philip Green purchased BHS and then systematically extracted hundreds of millions of pounds leaving the company and its pension fund so weakened that both eventually collapsed

- 11,000 employees lost their jobs
- 20,000 current and future pensioners faced hardship (reduced after an out-of-court settlement)
- Companies in the BHS supply chain lost out

Disposition to harm others (+)



Thieves

Hedonistic egotism

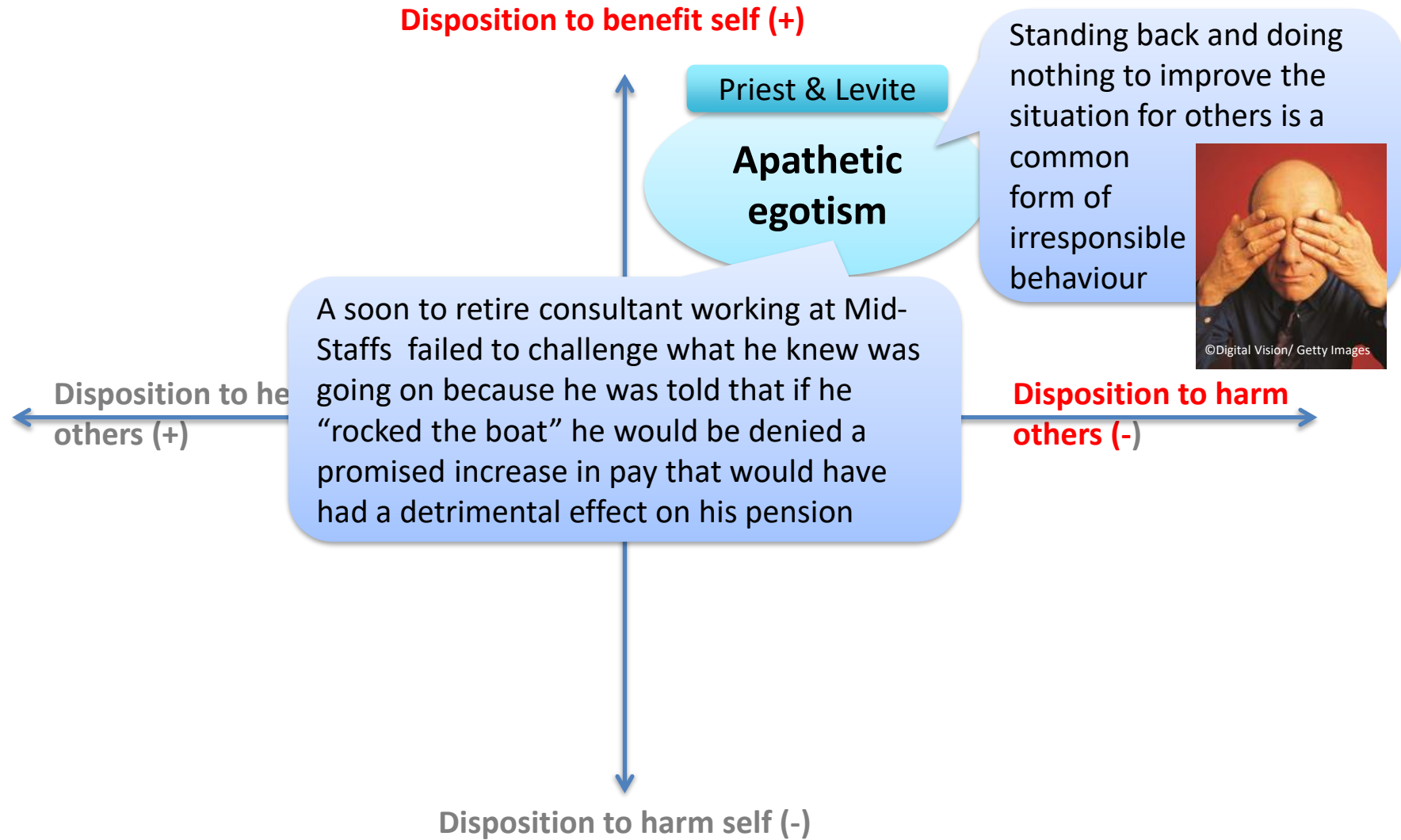
Disposition to harm self (-)

When VW fitted cheat devices to its vehicles to falsify emissions data it had harmful consequences for many stakeholders, including

- the public
- environmental groups
- vehicle owners
- car dealers
- shareholders
- employees

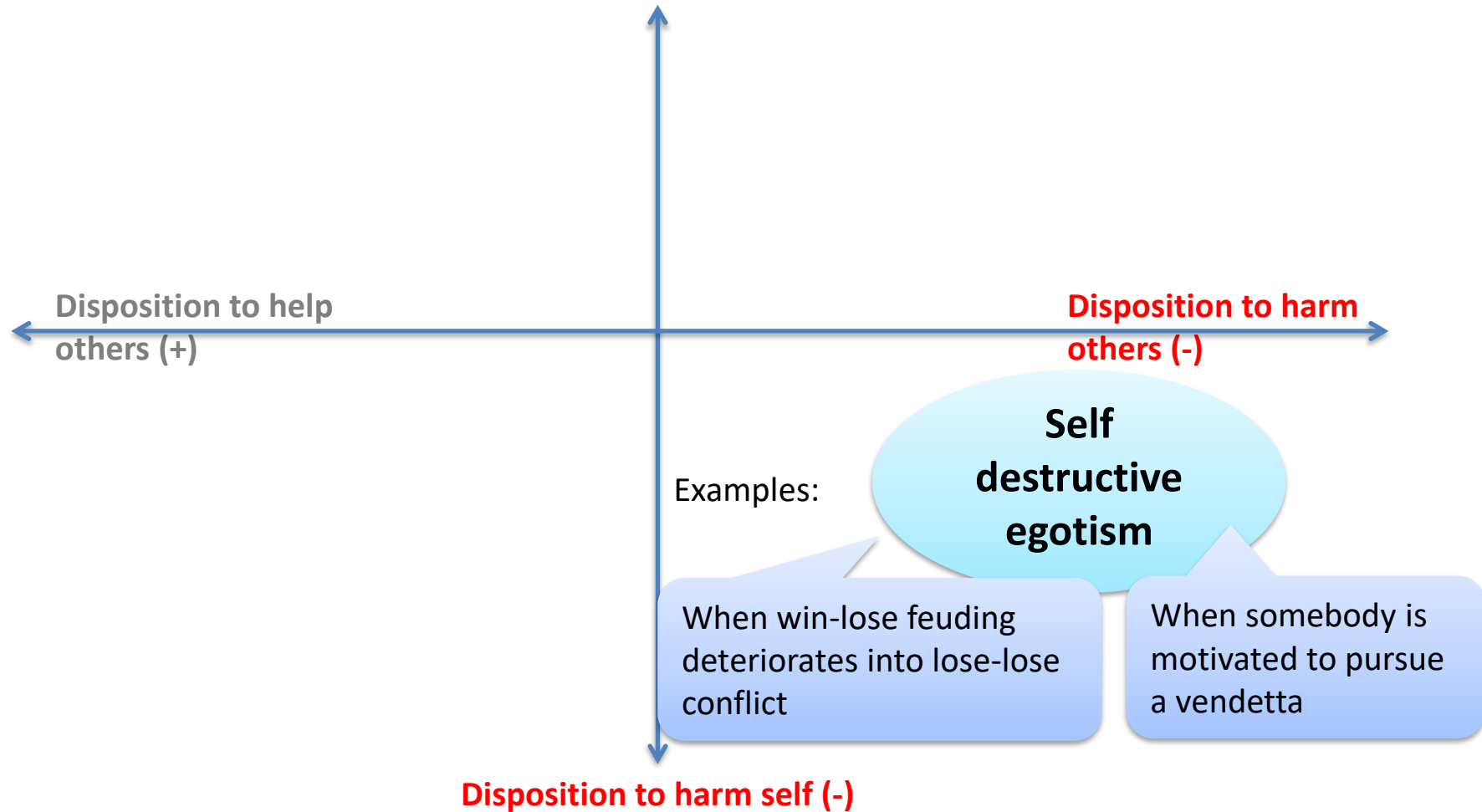
Disposition to harm self (-)

Doing the right thing



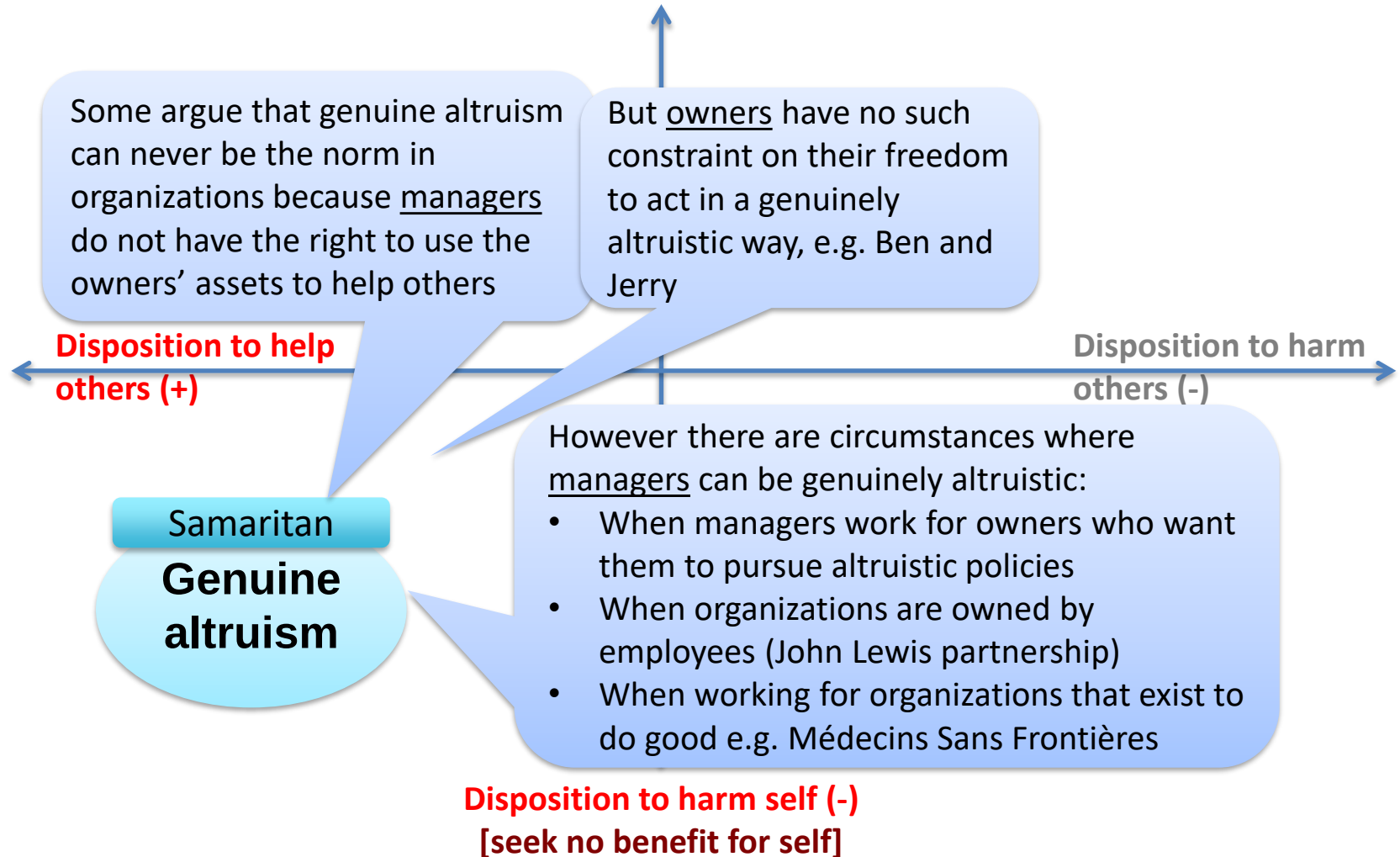
Doing the right thing

Disposition to benefit self (+)



Doing the right thing

Disposition to benefit self (+)



Doing the right thing

Disposition to benefit self (+)

Motivated by a code of reciprocity

Innkeeper
Mutual
altruism

Research indicates that the primary motivation for organizations to engage in CSR activities is the anticipation that this will lead to some benefit for the organization.

Disposition to help others (+)

In order to repair damage to its reputation following the proposal to sink the Brent Spar and accusations it was despoiling the Ogoni peoples' homeland in Nigeria, Shell worked hard to integrate commerce and good citizenship.



©Peter Thompson/Greenpeace

Disposition to harm self (-)

Doing the right thing

Intentions, actions and circumstances

The manager's motivational intent (self interest or benefit for others) is not the only factor that defines whether or not an act is morally good

A morally good act has three parts:

- the intention
- the act itself
- the situation



Summary

While many agree that responsible behaviour involves doing the right thing towards others there is little consensus about who these “others” are and what “doing the right thing” involves.

Which others?

- The economic or shareholder perspective
- Ethics based perspective
- Instrumental perspective

What does doing the right thing mean?

The relevance of intentions, actions and circumstances.





Tesco

- <https://youtu.be/zX5FWoZQB1U>



Restructuring

We trained hard. But it seemed that every time we were beginning to form into teams, we would be reorganised. I was to learn later in life that we tend to meet any new situation by reorganising.

And what a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralisation.

Gaius Petronius, Arbiter, *The Satyricon*, 1 A.D.

Activity

Identify an organisation
in the news currently
undergoing corporate
restructuring

What are the reasons
for this?



Why restructure an organisation?

<https://youtu.be/mLMDdNLC6ug>

<https://youtu.be/aNZQiXsN48s>

<https://youtu.be/Rfov2IA6tEM>



Restructuring

https://youtu.be/y9k-7VcW6ic?list=PLQz3e7J9NhzcCuthOhNe_gBFiiKF66oET

How many times?

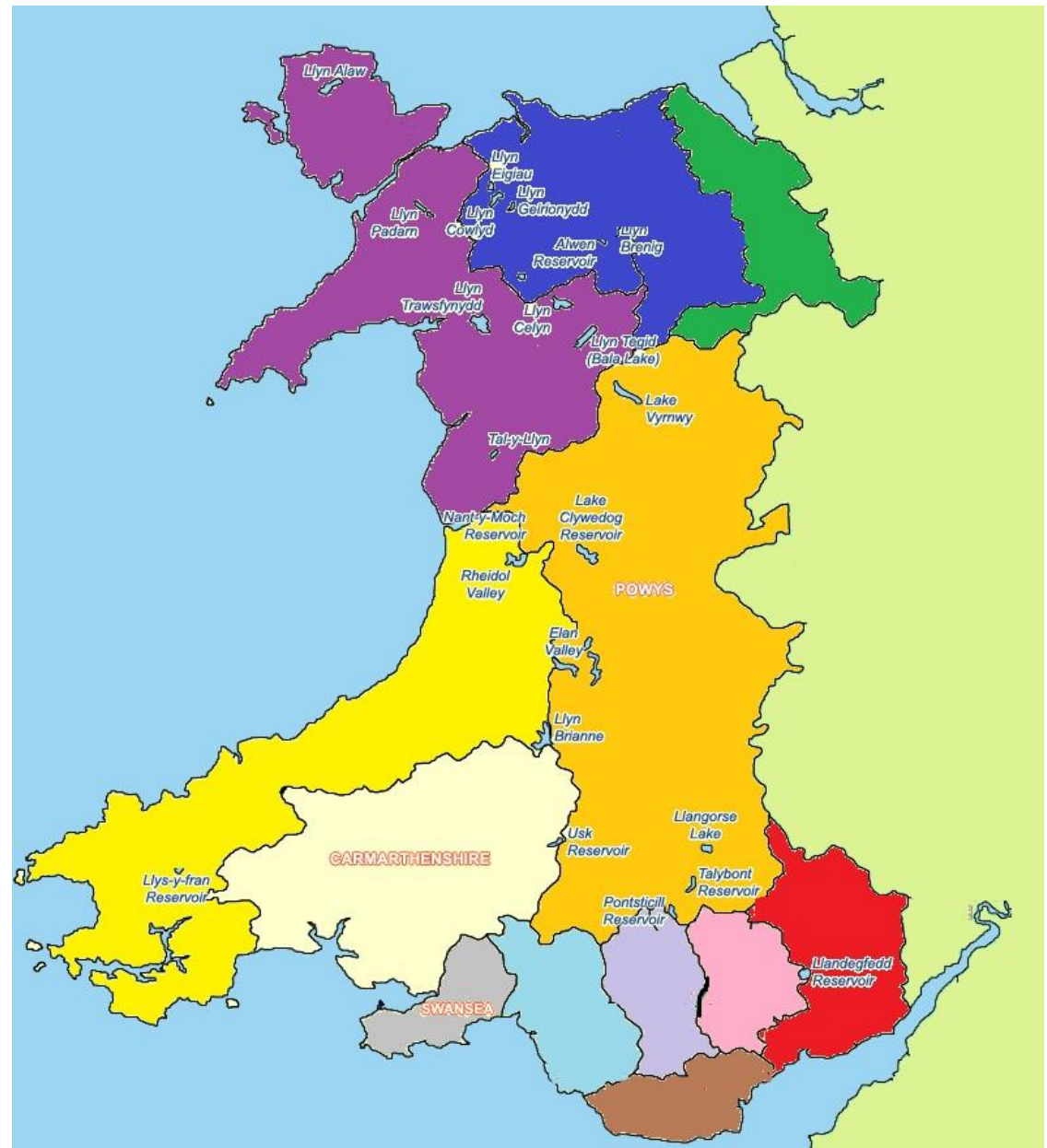
England?



22 Welsh Councils



post Williams
report 2014
(10-11.....
Probably
but when?)





Should we be discussing restructuring as a theme for change at all?

Or be examining the reasons behind the change instead?

Is it the solution to organisational issues?

It impacts on many people's lives, so often

What are the dynamics involved?

What can go wrong?

What does a 'good' process of restructuring look like?

Or....

Should it be the last option to be considered by management rather than the first?

Does it really address the organisational issues it seeks to resolve?

Are there any other tools available?

Peter Senge's Systemic Model

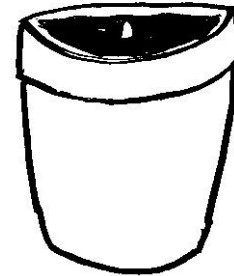
PRINCIPLES:

Start small.

Grow steadily.

Don't plan the whole thing.

Expect challenges – it will not go smoothly!



GUIDELINES:

- Use pilot groups – ideas, innovations in infrastructure, theories methods and tools.
- Stick to the basic rules – start small, grow steadily, be clear about intentions, declare your approach – but don't plan the whole thing.
- Expect challenges – it will not go smoothly! Challenges require understanding and counterintuitive strategies. *Peter Senge et al, Dance of Change, 1999)*

Stacey and Shaw – Complex Change, the Leader's Role?

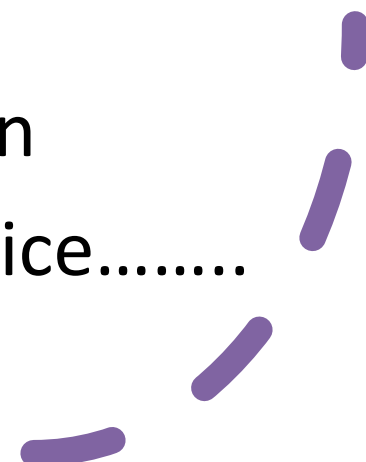
To decide what business the organisation is in and stretch people's thinking on how to get there.

To ensure that there is a high level of connectivity between different parts of the organisation.

To focus peoples' attention on important differences: between current and desired performance, between style of working, between past and present results.



Reasons for Restructuring

- Downsizing or rightsizing
 - Rationalisation or cost-cutting
 - Efficiency or effectiveness
 - Decentralisation or centralisation
 - Flatten the hierarchy
 - Change in strategy
 - Merger or acquisition
 - New product or service.....
- 

- 
- Cultural change
 - Internal market
realignment
 - Change of senior manager
 - Crisis – internal or external
- 

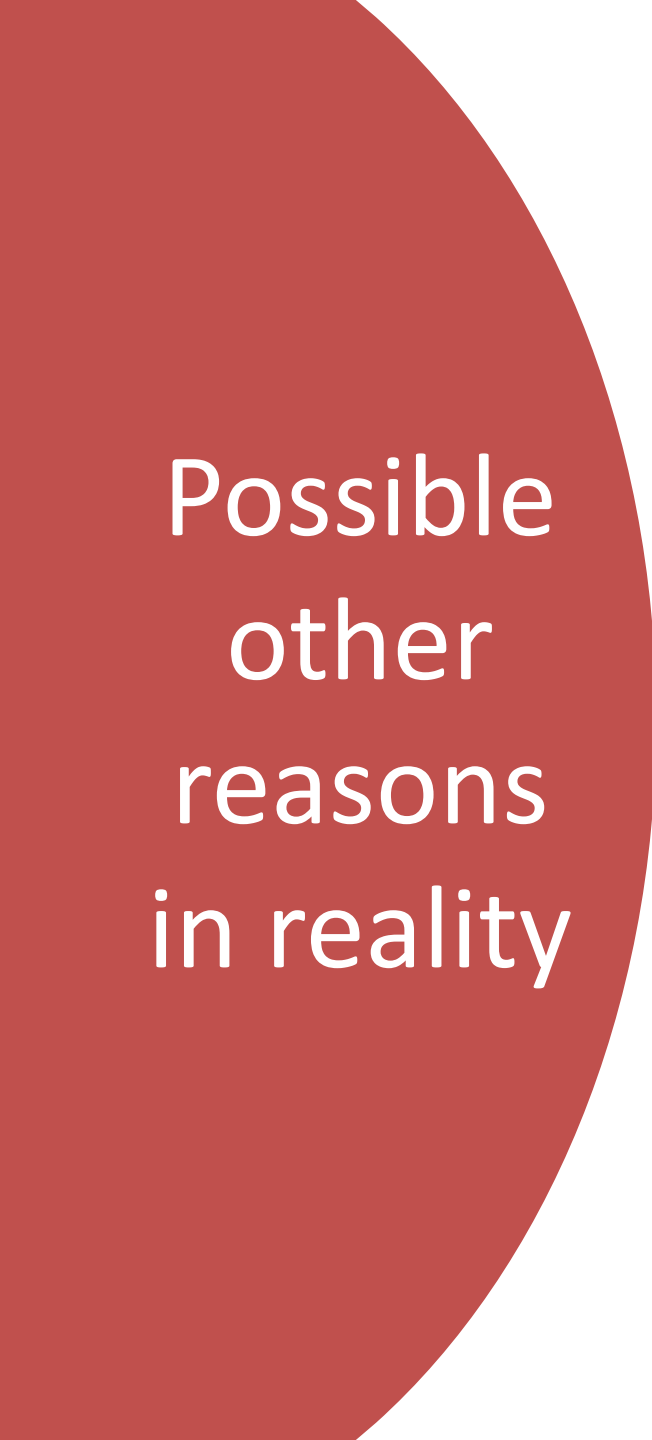


Restructuring
should only
take place.....

- Due to a change in strategy
- Clear rationale
- Occur in conjunction with other changes such as process change and culture change

Cameron & Green (2015)





Possible
other
reasons
in reality

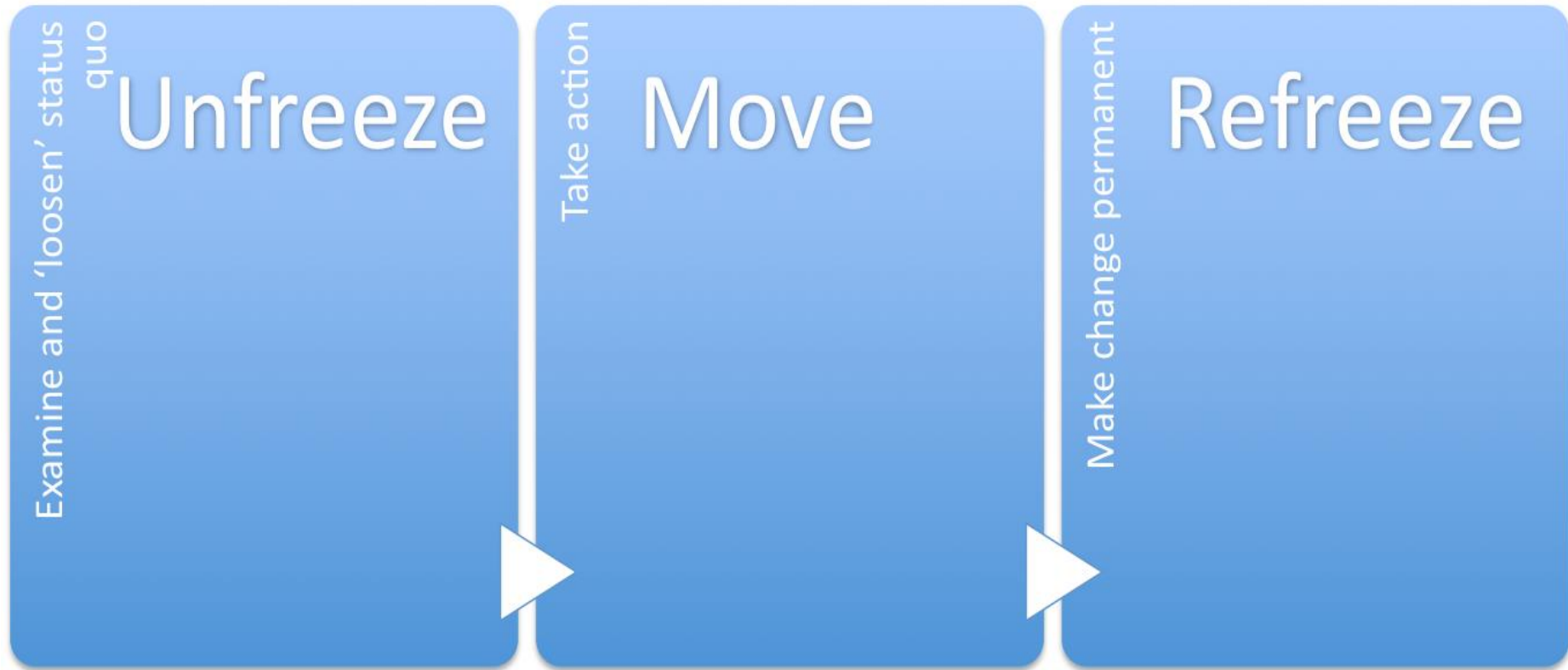
- New boss
 - Process/product failure
 - An argument
 - Dissatisfied customer
 - Underperforming person/department
- 

The Machine Metaphor

- One line manager per employee.
- Division of labour into specific roles.
- Each individuals should have key objectives.
- Team is simply the sum of the individual's efforts.
- Managers should monitor, control, report, maintain and discipline their people.
- Those running the organisation, such as senior management, can change it at will.
- Change can be designed, planned – and will work if well executed and controlled.
- There will be resistance and this needs to be managed – changes need to be driven through the organisation.



Lewin's Three Step Model



LEWIN'S 3 STEP MODEL – Lewin (1951)



Practical books
for profitable business

Kogan Page

© Esther Cameron and Mike Green (2009).

This resource is part of a range offered free to academics using *Making Sense of Change Management* as part of their course. For more academic resources, please visit www.koganpage.com/resources.

Kotter's Eight Step Model



Kotter, HBR, March-April 1995

Beckhard and Harris' Change Formula



For change to happen, the forces for change must outweigh the perceived costs of change (effort, discomfort, exposure, difficulty, risk).

$$C = ABD > X$$

C = change.

A = level of dissatisfaction with status quo.

B = desirability of proposed change or end state.

D = Practicality of the change (minimum risk and disruption).

X = cost of changing.

Beckhard and Harris (1987)



Why Change?

Strategic Review

- Gives a clear rationale which can be communicated
- Addresses internal/external environmental factors – key drivers identified
- Identify critical success factors
- Design options
- Risk assessment



Learning from best/previous practice

- Use the internal reservoir of knowledge
- Check back on previous projects and reflect on successes/failures
- Access expertise
- Achieve a balance between what's worked elsewhere and what will work for you

Project planning
&
implementation

- Leadership – task and people needs
 - Future direction and strategy
 - Communication
 - Implementation
 - Supporting mechanisms
- 



Monitoring and review

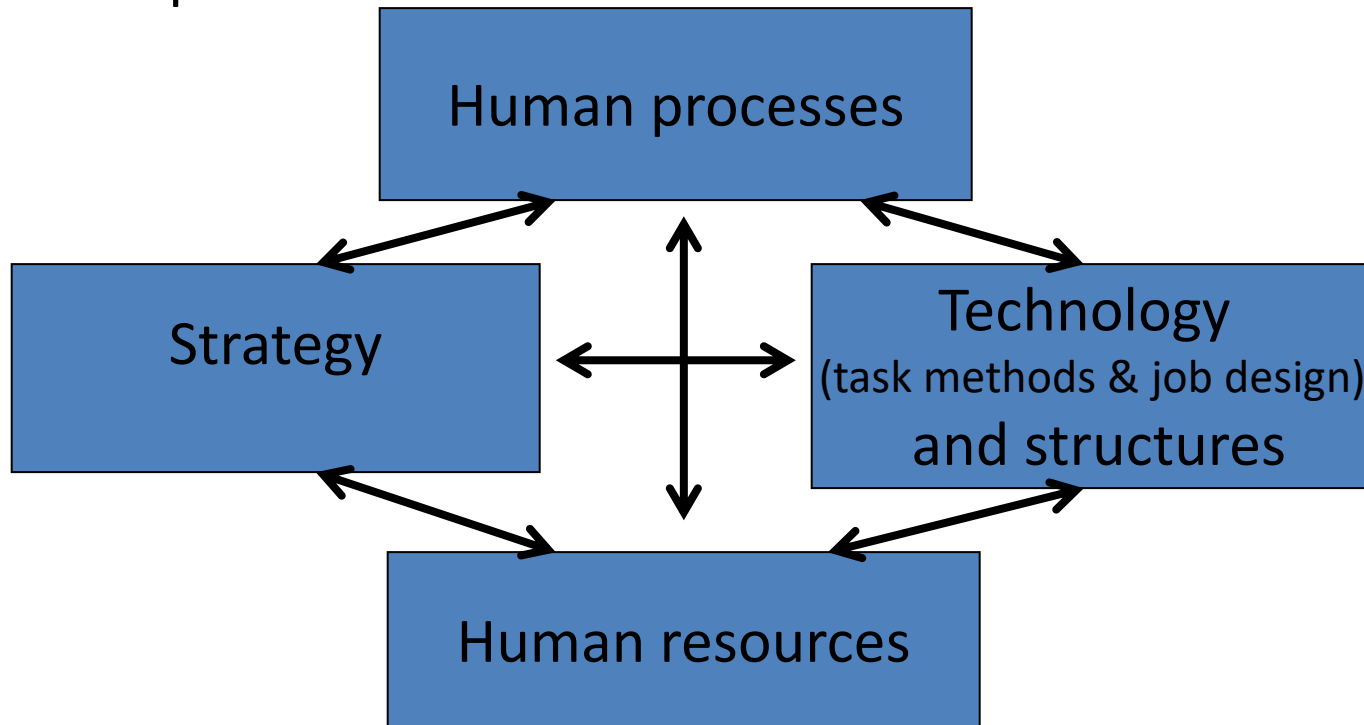
- Robotic implementation (machine approach)?
 - Monitoring and feedback loops needed
 - Expect resistance
 - Factor in from the start
- 



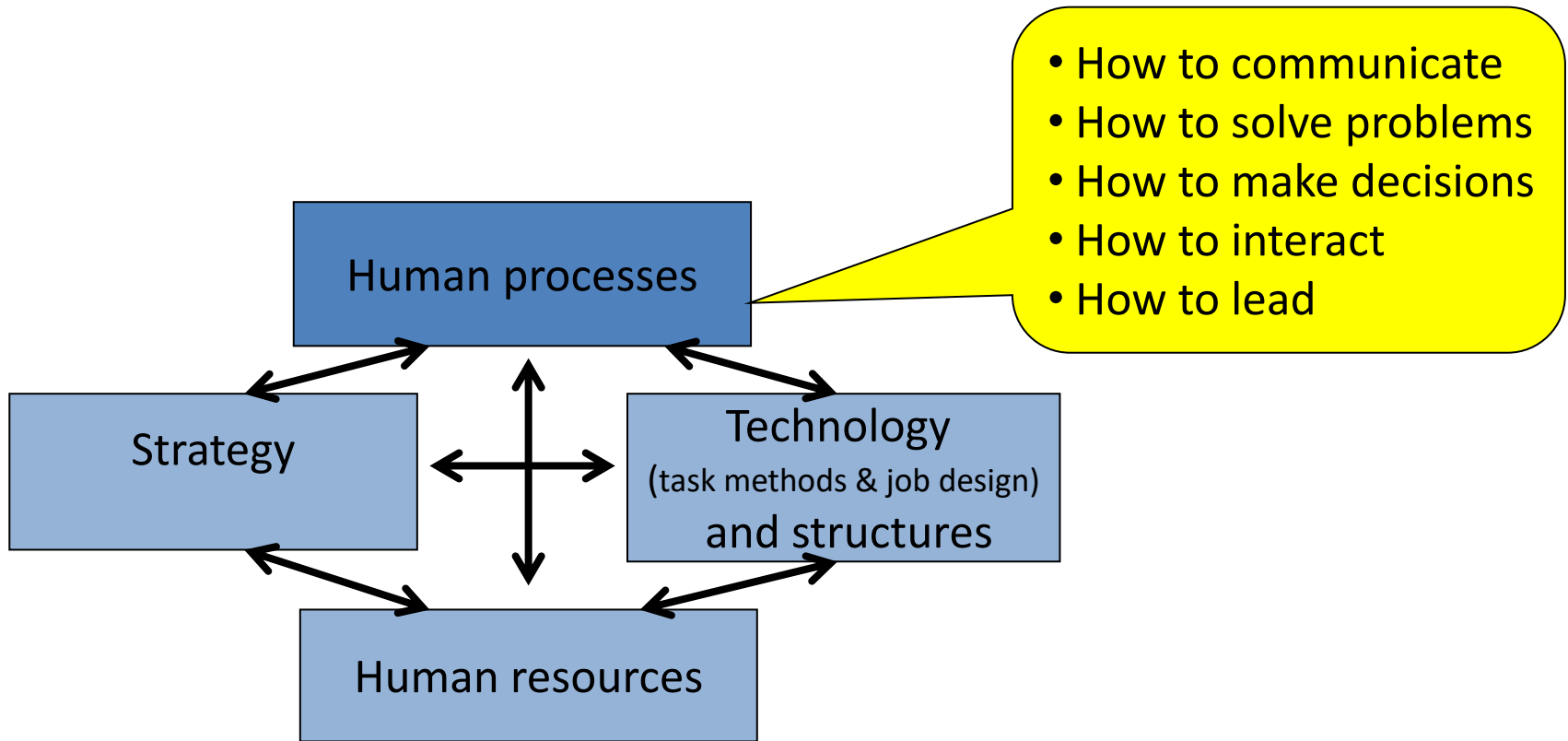
A typology of interventions based on focal issues

- Human process issues
- Techno-structural issues
- Strategic issues
- Human Resource issues

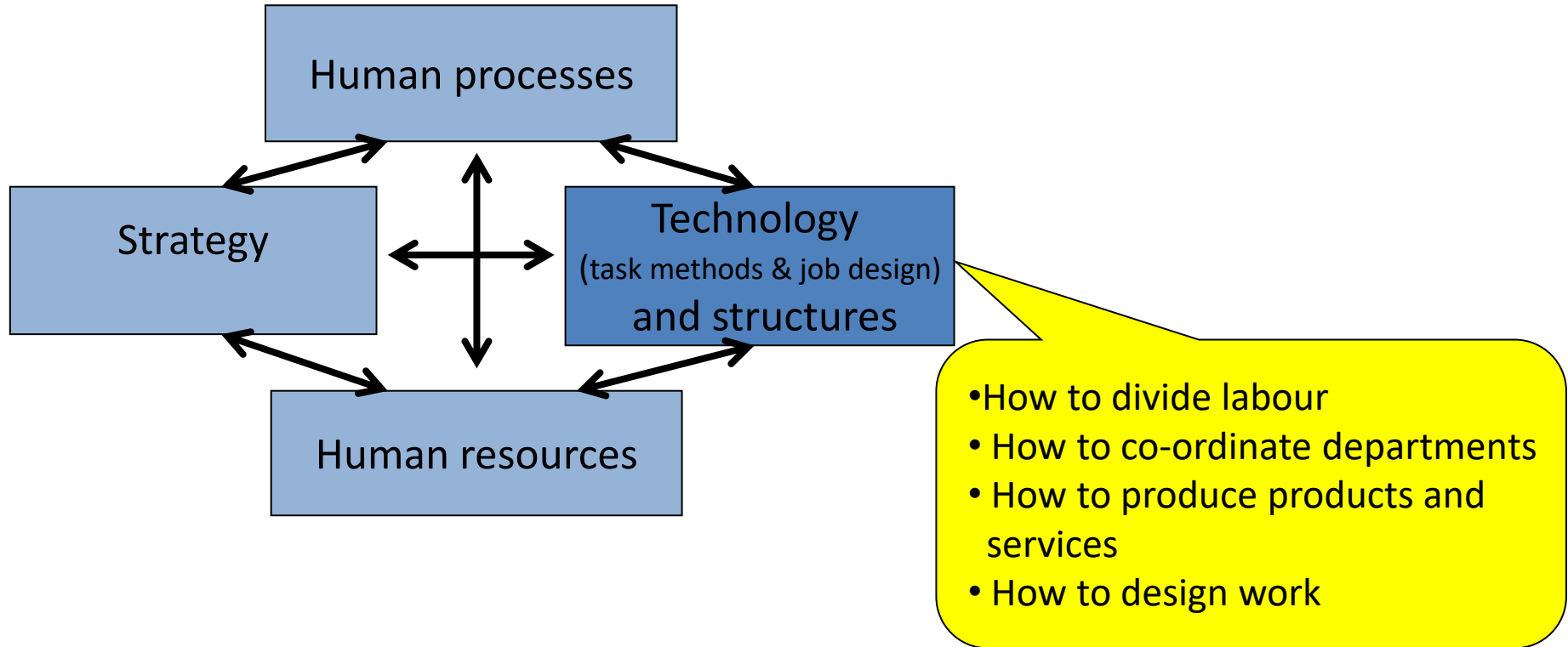
The systemic nature of organisations means that interventions targeted at one set of performance drivers may have consequences elsewhere.



Human process interventions

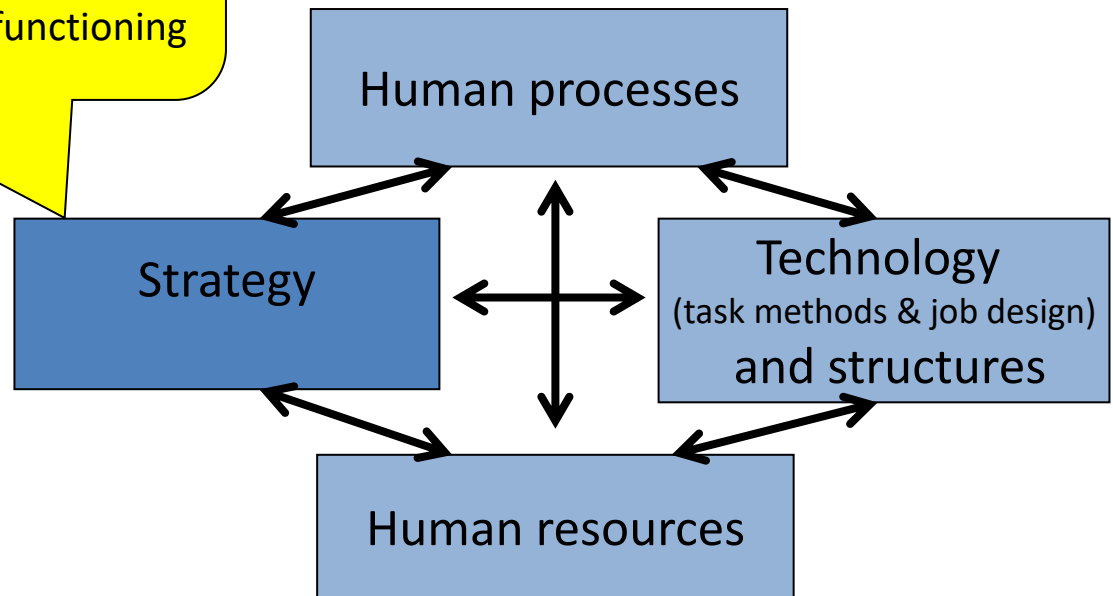


Techno-structural interventions

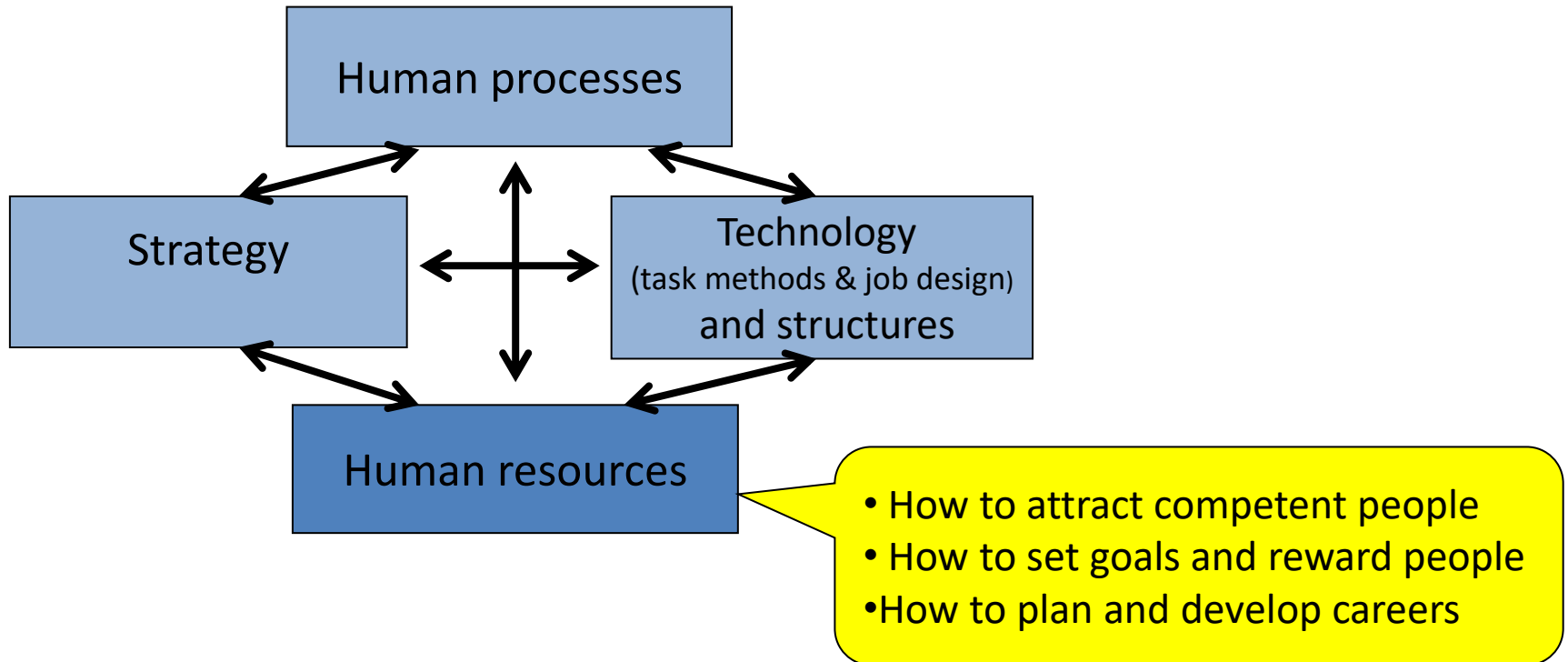


Strategic interventions

- Which products, services, markets.
- How to gain competitive advantage.
- How to relate to the environment.
- What values to guide organizational functioning



Human resource interventions



Restructuring
& Individual
Change:
Redundancy

Recession has caused
wave in both public
and private sectors

Public sector
cutbacks/ austerity



Conclusion to Restructuring

Ever present today

Process can be deeply unrewarding for the initiators and recipients

Task and people issues need careful consideration

Turbulence is inevitable and unavoidable

Must be managed as change must be led



Restructuring for strategic gain

- Mergers and acquisitions

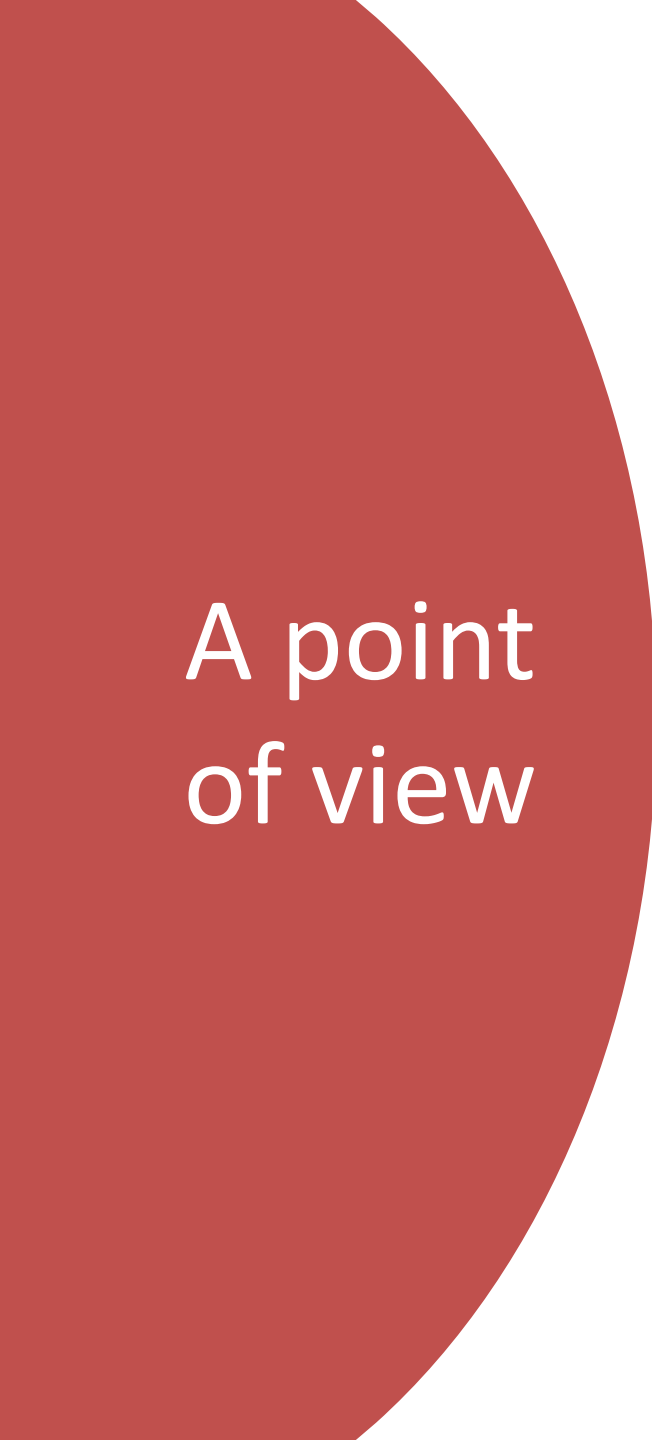
<https://youtu.be/j8D6TXxL13I>



Activity

Why do organisations engage in merger and acquisition activity?





A point
of view

- <https://youtu.be/sQ6xACl8hJk>



Growth

Quick way of growing

Avoids pain of internally generated growth

BUT

There are risks and challenges

-can management run a larger company?

Synergy

More successful together than apart

Growth in revenues/ new or better products

Cost reductions via economies of scale

Cheaper finance

Better governance

Better management? More profits?
Success?

Diversification

Growing business outside
the traditional
industry/sector

Develop a portfolio of
products

Examples?

Integration for economic gain

Horizontal integration

Acquire a competitor – why?

Public sector – cost savings / partnerships

Vertical integration:

Dependable supply

Lower costs

Improved competitive position

Pressure
to do a
deal, any
deal

Do something with
the \$ rather than
return it to investors

Apple Inc

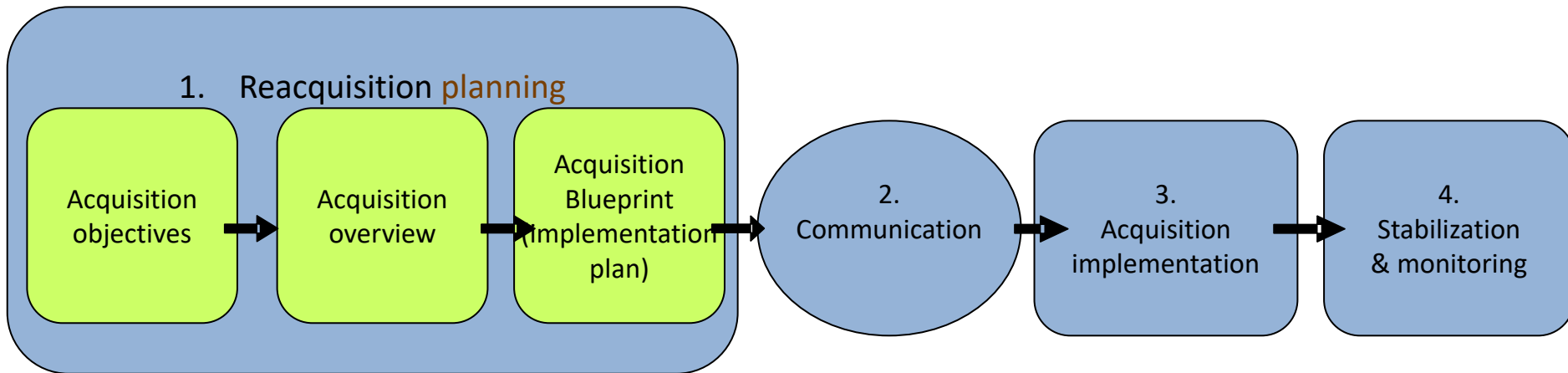
Types of combination

- Mergers, acquisitions,
- joint ventures, strategic alliances
- In terms of “relatedness” combinations can be:
 - Horizontal
 - Vertical
 - Concentric
 - Conglomerate

Acquisition success depends on

- strategic fit
- &
- organisation fit

The acquisition process



Based on Hubbard, N. (1999)

Acquisition objectives & strategic fit

Value creation can be based on:

- Financial synergies
- Market penetration
- Market entry
- Market protection
- Product extension
- Technical expertise
- Vertical expansion
- Access to resources
- Operational synergies
- Managerial expertise
- Economies of scale

Acquisitions can fail because the buy-team misjudge the added value or overestimate the extent to which potential added value will be captured. Value capture often depends on the quality of organization fit.



Assessing organisational fit

A number of factors often deflect attention away from organisation fit.

These include the:

- Range and complexity of the issues that have to be investigated,
- pressure to complete the due diligence review as quickly as possible,
- relative ease of assessing strategic rather than organization fit, and
- mindset of the buy-team.

Acquisition overview & degree of integration

Reason for acquisition	Degree of integration chosen			
	Financial controls	Change with controls	Functional integration	Total integration
	Financial synergies	LIKELY	POSSIBLE	UNLIKELY
	Market Entry	LIKELY	POSSIBLE	UNLIKELY
	Vertical integration	POSSIBLE	LIKELY	POSSIBLE
	Asset Potential	POSSIBLE	LIKELY	POSSIBLE
	Market penetration	POSSIBLE	POSSIBLE	LIKELY
	Economies of scale	UNLIKELY	UNLIKELY	POSSIBLE

Figure 22.1 Acquisition objective and required degree of integration

Adapted from Hubbard, N. (1999), *Acquisition: Strategy and Implementation*. p.59

Implementation

Post merger integration tasks

	Coordination	Control	Conflict resolution
Procedural	Design accounting systems and procedures	Design management control systems	Eliminate contradictory rules and procedures Rationalize systems
Physical	Facilitate sharing of resources	Measure and manage the productivity of resources	Allocate resources Redeploy assets
Managerial and Sociocultural	Establish integrator roles Introduce new organisation structures Develop a consistent corporate culture and frame of reference to guide decision making	Design compensation and reward systems Allocate authority and responsibility	Stabilise power sharing Eliminate incompatible frames of reference and conflicting priorities

Adapted from Shrivastava, P. (1986) Postmerger Integration, *Journal of Business Strategy*, 7, 1, p. 67.

Implementation & people synergies

- Pressure to deliver quick wins can promote “heavy handed” approaches to integrating the acquired organisation and can lead to resistance to the merger.
- Many of the anticipated benefits from acquisitions depend on employees’ commitment and their willingness to work together to deliver high performance.



Lessons from research

70-80% of acquisitions fail / create no wealth for the acquirer's owners (Selden & Colvin, 2003)

They destroy wealth

Overly focused on profits not the balance sheet

Problems in public sector also (HMRC)



Why?

- NAO – ‘leadership vacuum’ results between the decision makers and implementers

Rules for successful M&As (Cameron & Green, 2015)



Communicate
constantly



Get the
structure right



Tackle the
cultural issues



Keep customers
on board



Use a clear
overall process

Avoid the 7
Deadly Sins
of M&A
(Feldmann &
Spratt, 1999)

Obsessive list-making

Content-free communications

Creating a planning circus

Barnyard behaviour

Preaching vision and values

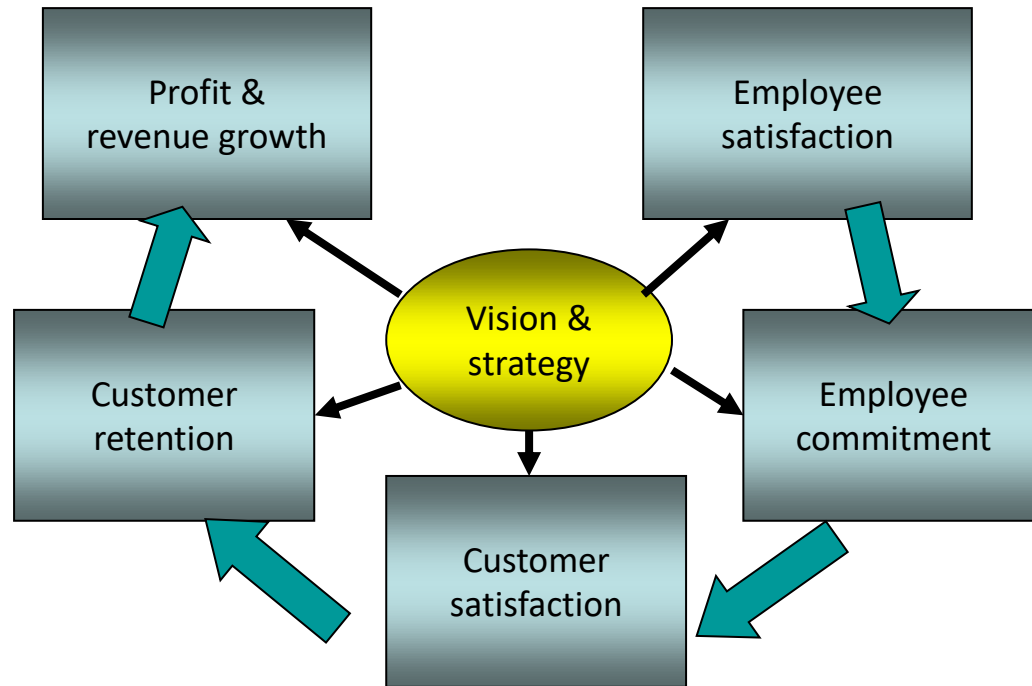
Putting turtles on fence posts

Rewarding the wrong behaviours

Managers should manage themselves....

Get	Get involved
Get	Get informed
Get	Get to know people
Deal	Deal with your feelings
Manage	Actively manage your career
Identify	Identify success criteria
Be	Be positive

Developing tools to help with monitoring the change plan



Translating the change strategy into a set of operational goals and related measures

Next week:

Presentations – no taught class

