

CATL Change Management Report - Navigating Industry Challenges

Full Name:Naiquan Gui

Student ID:2231251

Programme:MBA

Module: Change & Stability Management

Module code: BMMB7000

Assignment Title: Organisational Change Case Study

Date:2023/5/2

Contents

Introduction	1
Critically appraise the key change management models – planned and emergent change	2
Outline how the models can be utilized when considering incremental (small scale) or a large-scale change programme	4
Consider the driver factors for change (Culture, Leadership, Power, Digitalization, competition etc)	6
Consider how you would identify and deal with resistance factors to the change	9
Clarify how you would know when the change programme has been completed and how you might assess its effectiveness	11
Conclusion and recommendation	13
References	14

Introduction

CATL is a major multinational firm that specialises in the research and development of lithium-ion batteries for use in energy storage devices as well as electric cars. These batteries are also marketed and sold by the company. Since its founding in 2011, the company has through a period of rapid expansion, rising to become one of the leading battery producers in the world. It currently holds a market share of more than thirty percent and offers a wide range of high-end and dependable goods in order to satisfy the increasing demand of the electric car sector. The rise of this market is primarily being driven by a number of causes, the most important of which are the global promotion of sustainability, the reduction of greenhouse gas emissions, and the transition towards renewable energy. CATL has been able to keep its position as the industry leader in the market for lithium-ion batteries because to the application of cutting-edge technology, excellent research and development capabilities, and smart relationships with other market participants. Because it offers a better energy density, a longer cycle life, and improved safety features, the cutting-edge battery technology that the firm utilises distinguishes it from its rivals and contributes to the growth of its already substantial market share(Bradsher & Forsythe, 2021). Nevertheless, despite CATL's success and dominant position in the market, the corporation is currently working to solve several problems that call for change. These challenges include an increase in the number of competitors fighting for market share in the lithium-ion battery industry, shifts in geopolitical and economic situations that have an effect on the global supply chain, and demands made by various areas for stronger environmental standards to be obeyed. For instance, it is anticipated that the worldwide demand for batteries used in electric vehicles would rise by a factor of ten

by the year 2030. This is projected to stimulate competition and bring about increasing demands for the development and adaption of CATL.

This study will focus mostly on discussing the significance of change for CATL as well as delving into the change management methodology currently in place at the organisation. This research will emphasise how CATL can build on its existing advantages and overcome current challenges to sustain growth and success in the fast changing battery sector. Specifically, the study will focus on how CATL can expand on its existing advantages and overcome current obstacles.

Critically appraise the key change management models – planned and emergent change

In the context of CATL requiring change, evaluate the main change management models, especially planned and emergency changes, to understand their relevance and application to the company environment. This report will focus on these two models, discussing their respective advantages, disadvantages, and practical applications of CATL in their operations.

Firstly, the logical process from diagnosis to execution and evaluation is followed by a series of stages of planned change, which is an organized and organized change management method. This approach is typically adopted when an organization must solve clearly defined problems or achieve certain goalskey change management models – planned and emergent change. For CATL, planned changes are particularly helpful in addressing issues such as increasing manufacturing capacity, entering new markets, and complying with laws and regulations. In order to improve manufacturing capabilities, CATL has developed strategic

plans to invest in new production bases in China and Europe. Companies can systematically evaluate the market, identify opportunities, allocate resources, and implement expansion measures through the use of planned change methods to achieve expected results. The disadvantage of the planned change model is that it may not take into account unforeseen circumstances or rapid changes in the external environment, which may have an impact on the success of change efforts(Howieson, 2023). Secondly, emergency change is a more adaptable and flexible strategy that emphasizes continuous learning and flexibility in responding to constantly changing environments. Considering the risks of global supply networks, rapid technological improvement speed, and continuously upgrading competitiveness, this model is particularly suitable for CATL. In order to cope with the damage of the COVID-19 epidemic to the supply chain, CATL ensured other raw material suppliers and strengthened the vertical integration within its supply chain(Nikbakhsh, 2020). The company is able to quickly adjust and reduce the risks brought by the epidemic by using emergency change methods. However, if handled improperly, the emergency change model may not provide a clear path of change, leading to confusion and low efficiency.

In order to manage the complexity of the battery industry, CATL has actually developed a hybrid strategy that combines planning and emergency change methods as part of it. For example, the company seeks to establish strategic alliances with important automakers such as Tesla and Volkswagen, using a planned change approach to establish alliances and joint ventures. In addition, CATL has demonstrated its flexibility and responsiveness to constantly changing market demands by creating new battery technologies, such as sodium ion batteries, which is a typical example of emergency change methods. The success of CATL's change

management initiatives depends crucially on finding a balance between the structured approach to planned changes and the flexibility of emerging changes. This enables enterprises to formulate precise strategies and goals while maintaining adaptability to unexpected difficulties and possibilities. By doing so, CATL can leverage the advantages of these two models and reduce their drawbacks, ensuring its long-term resilience and competitiveness in the rapidly developing battery industry.

Both planned and emergency change models have advantages and disadvantages, and their applicability to the CATL environment depends on the specific difficulties and goals that the organization attempts to achieve. With the help of a hybrid strategy that combines the flexibility of emergency changes with the structure of planned changes, CATL can successfully address the challenges brought by the battery industry and maintain its leading position. The company has successfully put this combination strategy into practice, indicating the need for critical evaluation of the change management model and adjustments to adapt to the specific requirements and environment of the organization.

Outline how the models can be utilized when considering incremental (small scale) or a large-scale change programme

Whether considering incremental (small-scale) or large-scale change plans, both planned and emergency change models can be successfully applied in CATL. The correct model must take into account the nature and scope of change, as well as the specific obstacles and goals that enterprises must overcome. The paradigm of sudden changes may be more suitable for gradual or small-scale changes, such as process improvement, technology adoption, or

employee skill upgrading. With this approach, CATL is able to modify its business processes based on constantly changing market and technological conditions while maintaining competitiveness and seizing new opportunities. The continuous improvement of CATL battery production process is an example of gradual change. By using Industry 4.0 technology and continuous process optimization, CATL increased its battery manufacturing efficiency by 10% in 2020 (CATL Annual Report, 2020). Organizations can continuously improve battery performance and cost efficiency by utilizing the adaptability of emergency change models, thereby gaining a competitive advantage. On the other hand, the planned change approach is particularly suitable for major change projects, such as facility expansion, entry into new markets, or strategic alliances (Clarke & Luna-Bazaldúa, 2021). This model provides a systematic approach that enables CATL to establish goals, develop action plans, allocate resources, and thoroughly evaluate results. For example, CATL's plan to expand into Europe requires a thorough analysis of market potential, regulatory compliance, and supply chain logistics. The company invested 1.8 billion euros in Erfurt, Germany to build a new production facility with an annual capacity of 14GWh (CATL Annual Report, 2020). CATL can ensure the success of its growth projects and gain a solid foundation in new areas through the use of planned transformation methods.

Due to the dynamic nature of the industry and its rapid changes. Therefore, a hybrid strategy that combines the components of planning and emergency change models may be more successful. Due to CATL's ability to respond to unexpected obstacles and possibilities in small-scale projects, it is possible to develop specific strategies and goals for large-scale change efforts. The establishment of strategic alliances between CATL and automakers such

as Tesla and Volkswagen demonstrates the effective utilization of this hybrid strategy. Although the company established these partnerships and joint ventures using the planned change model, it also used emergency change strategies to adapt to the constantly changing needs of its partners and the larger market. For example, the agreement to provide batteries for 10 million Volkswagen electric vehicles by 2025 is one of the important supply contracts that CATL can thus obtain (Volkswagen News Release, 2020). When considering incremental or extensive change plans in CATL, both planned and urgent change models can be successfully used. The company is able to strategically utilize these models based on the type and scale of transformation, effectively managing the possibilities and difficulties brought by the vibrant renewable energy industry. CATL can ensure its long-term competitiveness and resilience in the rapidly changing battery industry by combining the structure of planned changes with the adaptability of emergency changes through the use of hybrid strategies. The effectiveness of the company in implementing gradual and significant changes is supported by financial data, which is evidence of the effectiveness of this strategy.

Consider the driver factors for change (Culture, Leadership, Power, Digitalization, competition etc)

The key determinants of CATL transformation initiatives include culture, leadership, power, digitization, and competitiveness. These key factors are the key driving forces behind CATL change, and they have a significant impact on the organization's change efforts and long-term strategy. CATL can effectively respond to the challenges brought by rapidly changing businesses and maintain its global leadership position in the lithium-ion battery industry by

embracing these elements and leveraging their advantages. Supported by real-world examples and supporting data, the company is able to drive change and adapt to the constantly changing environment of the renewable energy industry, as it is committed to innovation, strong leadership, market power, digital initiatives, and competitive advantages(Bezio, 2019).

Firstly, in terms of culture, CATL is able to maintain its competitive advantage by encouraging innovation and a strong adaptive corporate culture. According to the company's active investment in research and development, this sector accounts for approximately 5% of annual sales (CATL Annual Report, 2020). Due to this obsession with invention, advanced battery technology has been created, and by the end of 2020, more than 4000 patents will be granted globally. In order to maintain its competitiveness in the battery market in the long term, CATL may continuously improve its processes and products by cultivating a culture that welcomes change and technological development.

Secondly, in terms of leadership, CATL's leadership has played a crucial role in guiding business towards international growth and technological progress. Under the leadership of its founder and CEO Robin Zeng, CATL has expanded its manufacturing facilities, entered new markets, and established strategic partnerships with major manufacturers such as Tesla, Volkswagen, and BMW. Due to its outstanding leadership, the company was able to cope with the difficulties of rapidly changing markets, enabling CATL to continue to expand and achieve success.

Thirdly, in terms of Power, as a top battery manufacturer, CATL has a significant market share and influence that can be used to influence change. According to SNE Research, in 2020, CATL had 28% of the global electric vehicle battery market. Due to its dominant market

position, the company may influence industry standards, encourage environmentally responsible behavior, and advocate for favorable regulations. In order to promote change efforts that align with its strategic goals and advance the larger goals of sustainable development and renewable energy, CATL must effectively utilize its position and influence.

Fourthly, in terms of digitalization, CATL has been able to optimize its manufacturing processes, improve product quality, and simplify supply chain management by adopting digital technologies including Industry 4.0, artificial intelligence, and the Internet of Things.

The company adopted a cutting-edge digital strategy in 2020, increasing battery manufacturing efficiency by 10% (CATL Annual Report, 2020). Due to CATL's ability to quickly respond to constantly changing market demands and possibilities, it has a competitive advantage in the rapidly changing battery business.

Finally, in terms of competition, established battery manufacturers and new entrants face fierce competition in the battery industry. CATL is facing pressure to continuously innovate, expand its product line, and develop strategic alliances to maintain its market dominance. Due to fierce competition, CATL has made significant investments in research and development, creating cutting-edge battery technology, including battery pack to battery pack (CTP) systems, which have an energy density increase of 10% compared to traditional battery pack designs (CATL Press Release, 2020). CATL can keep ahead of the competition through innovation and Business alliance, thus ensuring its long-term success in the global battery industry.

Consider how you would identify and deal with resistance factors to the change

In order to successfully implement CATL's transformation efforts, it is necessary to effectively manage opposition opinions. Enterprises can quickly identify and eliminate the reasons for resistance, ensure a smooth transition, and improve the overall effectiveness of change activities. Firstly, early detection of potential resistance requires open and honest communication. Due to concerns about environmental impact and resource use, local residents in Erfurt, Germany oppose CATL's plan to build battery production facilities there in 2018. To alleviate these concerns, CATL held discussions with regional stakeholders, sharing details of its environmental commitments and the advantages that the factory will provide to the region. The reason why the company was able to advance its growth plan is because open communication has eased the tension between CATL and the community, increasing trust (Johannessen, 2021). Secondly, providing workers with the necessary resources and training can help overcome obstacles caused by ignorance or future concerns. As CATL deploys advanced automation and digital technology on its manufacturing site, some employees are concerned about their ability to adapt to new programs and keep their jobs. To alleviate these concerns, CATL provides comprehensive training programs and assistance to help workers acquire the knowledge and abilities necessary to succeed in a constantly changing workplace. In addition to reducing resistance to change, this investment in employee development can also help improve productivity and work happiness.

Thirdly, one way to reduce resistance is to encourage employees to participate in the change process. CATL launched a company wide cost reduction plan in 2019, aimed at improving

operational efficiency. The company involves employees in decision-making and invites them to provide ideas and suggestions on cost reduction methods to ensure employee recognition. This participatory approach promotes employee ownership and commitment, and also helps reduce resistance to cost reduction plans, improving their overall effectiveness. In addition, addressing the concerns of those who may not be willing to change in order to establish a supportive environment and increase trust. When CATL finds it difficult to implement new battery technology, some employees are unwilling to accept these changes because they are concerned about increased workload and unfamiliarity with the program. CATL's management takes time to listen to and recognize these concerns, provide comfort and assistance, and help employees overcome their fears. Employees can more easily adapt to change because CATL promotes a culture of transparency and trust by demonstrating empathy and understanding. Finally, by continuously tracking the development of change projects and receiving feedback, new resistance reasons can be identified. In order to improve the sustainability of its supply chain, CATL launched an effort in 2020, including collaborating with suppliers to ensure ethical procurement of raw materials. Throughout the entire implementation process of this initiative, CATL regularly evaluates progress and collects feedback from suppliers, enabling businesses to address any new difficulties or concerns. CATL is able to effectively implement its sustainable development strategy and maintain strong relationships with suppliers, thanks to its proactive monitoring and modification methods.

Clarify how you would know when the change programme has been completed and how you might assess its effectiveness

It is necessary to use an organized and comprehensive strategy to determine whether CATL has successfully implemented the change plan and evaluate its effectiveness. This approach should focus on setting different goals, establishing key performance indicators (KPIs), and conducting frequent evaluations. Each change plan must establish SMART goals, which are specific, measurable, achievable, relevant, and time-bound (Key performance indicators, 2023). For CATL, it is necessary to have clear goals from the beginning. These goals will serve as both guidelines for putting the plan into action and criteria for evaluating its progress. For example, if the purpose of the CATL transformation plan is to improve production efficiency, a clear goal may be to shorten the production cycle by 15% within one year. In addition, key performance indicators are absolutely necessary for determining the effectiveness of change plans and tracking progress made. CATL must establish a set of KPIs that are relevant and clearly consistent with project objectives. These KPIs must be measurable so that precise progress can be measured based on the outlined goals. For example, in order to improve production efficiency, some potentially useful key performance indicators are production cycle duration, defect rate, and overall equipment efficiency. CATL needs to regularly review its progress related to goals and key performance indicators to determine when the change plan will be completed and evaluate its effectiveness. This can be achieved through regular performance evaluations, data analysis, and progress reports. This will enable the organization to identify areas where the change plan is effective and areas where further improvement may be needed. In addition, the input of workers and stakeholders should be

included in these evaluations. This will provide important insights into the actual consequences of the change plan and its impact on the organization.

Secondly, in order to critically evaluate the effectiveness of change plans, CATL must consider both quantitative and qualitative factors. Quantitative data, such as KPIs, can provide reliable evidence of success; However, quality factors such as stakeholder participation and employee satisfaction should also be considered. CATL can comprehensively understand the overall performance of change plans by analyzing quantitative and qualitative data. This enables CATL to identify any areas in the plan that may require improvement. Despite strict preparation and implementation, in some cases, the change plan may not be as effective as initially expected. CATL must be prepared to identify and address any variables that may render the plan ineffective. This may require reviewing the project's goals and key performance indicators (KPIs), reassessing the project's strategy and tactics, or changing resource allocation to lay a more solid foundation for the project's goals. CATL can ensure that if it adopts a proactive approach to address potential ineffective areas, its change projects will continue to be successful.

At CATL, determining the completion of a change plan and its success involves an organized strategy that focuses on setting clear goals, developing key performance indicators (KPIs), and conducting frequent reviews. CATL can accurately measure the performance of its change work and critically analyze project progress by comparing it to these benchmarks, identifying any areas that may enhance change work. Due to this rigorous evaluation process, the company will be able to adapt to and cope with the rapidly expanding lithium-ion battery market, which will ensure that CATL will continue to grow and maintain competitiveness in

the industry.

Conclusion and recommendation

The path CATL takes in change management is crucial for the company's continued success and ability to maintain a competitive advantage in the rapidly developing lithium-ion battery industry. On the one hand, CATL has been able to identify and solve important difficulties, which has led to improved production efficiency, reduced costs, and improved environmental performance. This is achieved through the use of effective change management models. On the other hand, if CATL wants to continue to stay at the forefront of innovation and sustainable development in the process of continuous development and progress in the industry, it needs to be prepared to implement more in-depth and thorough change projects. It is recommended that CATL invest in cutting-edge technology, investigate potential strategic alliances, and prioritize environmental management in daily business operations to achieve this goal. In addition, in order for future change projects to succeed, it is necessary to cultivate a culture of flexibility and creativity among employees through employee training, participation, and transparent communication. Due to these efforts, CATL will be able to maintain its global leadership position in the lithium-ion battery industry, successfully respond to dynamic market conditions, and ensure its sustainable development and success in the future.

CATL has made significant progress in implementing changes, which has led to its current success and its impact on the industry. However, in order for organizations to address emerging issues and fully utilize emerging possibilities, companies must continue to embrace

deeper levels of change and maintain their flexibility. If CATL places great emphasis on innovation, strategic partnerships, sustainability, and cultivating a culture that embraces change, it can ensure its sustainable development and success in the renewable energy revolution.

References

Bezio, K.M.S. (no date) “Introduction to leadership, popular culture and Social Change,”

Leadership, Popular Culture and Social Change, pp. 1–8. Available at:

<https://doi.org/10.4337/9781785368974.00006>.

Bradsher, K. and Forsythe, M. (2021) Why a Chinese company dominates electric car

batteries, The New York Times. The New York Times. Available at:

<https://www.nytimes.com/2021/12/22/business/china-catl-electric-car-batteries.html>

(Accessed: April 28, 2023).

CATL (no date). Available at:

https://www.catl.com/en/uploads/1/file/public/202106/20210610141952_6c9o51xur0.pdf

(Accessed: April 28, 2023).

Clarke, M. and Luna-Bazaldua, D. (2021) “How can effective communication of large-scale

assessment results be ensured?,” Primer on Large-Scale Assessments of Educational

Achievement, pp. 83–93. Available at: https://doi.org/10.1596/978-1-4648-1659-8_ch7.

González Muñoz, R. (2022) “Change management models: Commonalities and key

challenges in the industry,” ENTRENOVA - ENTERprise REsearch InNOVation, 8(1), pp.

239–247. Available at: <https://doi.org/10.54820/entrenova-2022-0022>.

Howieson, B. (2023) “Mission leadership: A key enabler for an emerging leadership model, planned, and emergent change and ethical clarity,” *Organizational Change, Leadership and Ethics*, pp. 51–66. Available at: <https://doi.org/10.4324/9781003036395-5>.

Johannessen, J.-A. (2021) “How can we reduce resistance to changes within organisations?,” *Continuous Change and Communication in Knowledge Management*, pp. 57–73. Available at: <https://doi.org/10.1108/978-1-80117-033-820211003>.

Nikbakhsh, E. (no date) “Supply Chain Risk Management,” *Supply Chain Sustainability and Raw Material Management*, pp. 176–204. Available at: <https://doi.org/10.4018/978-1-61350-504-5.ch010>.

“Why facts are not enough understanding on what basis we make decisions can change our planet” (2022) *Research Features* [Preprint], (140). Available at: <https://doi.org/10.26904/rf-140-2357159540>.

““Key performance indicators (kpis), key result indicator (KRIS) and objectives and key results (okrs)’ a new key incorporated results (KIRS) approach” (2023) *Information and Knowledge Management* [Preprint]. Available at: <https://doi.org/10.7176/ikm/13-2-01>.