CHANGE MANAGEMENT
What is CHANGE MANAGEMENT?
Correlation between change management effectiveness and meeting project objectives

Percent of respondents that met or exceeded project objectives

<table>
<thead>
<tr>
<th>Overall effectiveness of change management program</th>
<th>Poor (n = 244)</th>
<th>Fair (n = 653)</th>
<th>Good (n = 834)</th>
<th>Excellent (n = 165)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent</td>
<td>16%</td>
<td>46%</td>
<td>77%</td>
<td>96%</td>
</tr>
</tbody>
</table>
Kazuo INAMORI

KYOCERA

"フィリピンブルー
さよならJAL"

日本出身の
サラリーマン

www.facebook.com/JapanSalaryman
1. JAL’s international passenger traffic fell 12.4% in 2008;
2. By the beginning of 2009 the international revenues had fallen 46.1% year over year. This led to a fiscal year (April 2008-March 2009) loss of ¥66 billion.
3. JAL forecasted a loss of ¥59 billion for the upcoming 2010 fiscal year due to On June 21, 2009, amidst rising fuel costs and falling global travel,
4. The DBJ loan was conditional upon JAL’s agreement to cut costs.
5. Cyclical and competitive business, often with few barriers to entry, thin margins, high fixed costs of operations, volatile cost of jet fuel, contentious relationships with labor, significant capital leases, and high leverage ratios. At difficult moments, some airlines gambled for survival, selling assets at a discount or making new investments with an uncertain payoff in the hope of avoiding bankruptcy.
5. Australian insurance company discontinued its offer of guaranteeing JAL.

6. The company struggled to convince its customers, partners, and employees that it could service its debts. The new administration viewed JAL’s cost-cutting plans as insufficient.

7. If JAL’s assets were auctioned off in liquidation, the long list of creditor would be affected, and a sizable pension fund obligation. The largest creditors were the DBJ, with ¥276 billion exposure, Mizuho Financial Group, at ¥77 billion, Mitsubishi UFJ Financial Group, at ¥73 billion, and Sumitomo Mitsui Financial Group, at ¥43 billion.
ปัญหา

• ผู้บริหาร และพนักงาน แบ่งพรรคแบ่งพวกอย่างชัดเจน
• ขาดข้อมูลที่สะท้อนผลประกอบการที่เป็นปัจจุบัน
• ความรับผิดชอบไม่ชัดเจน
• ความไม่ใส่ใจอย่างจริงจังของผู้บริหารที่จะพลิกฟื้นองค์กร
• องค์กรอุ้ยอ้าย
• ข้าราชการเก่า ER รับเงินก้อน มาเป็นผู้บริหาร JAL ในอัตราเงินเดือนที่สูง
JAL การจัดการ

- ขายเครื่องบิน
- ลดพนักงาน 15,000 คน
- วัดผลการดำเนินงานรายหน่วยงาน
- ลดต้นทุน ติดป้ายราคาสิ่งของทุกชนิด
- โครงการอบรมผู้นำ “ผู้นำที่ดีเป็นเช่นใด”
  - ผู้บริหารระดับสูงสุด 50 คน
    - สัปดาห์ละ 4 ครั้ง รวม 17 ครั้ง รวมประมาณ 6 ครั้ง
  - ผู้บริหารระดับรองลงมาอีก 200 คน
  - หน้าที่ของผู้บริหาร คือ สร้างความสุขกาย สุขใจให้พนักงาน
- หัวกระป๋องเบียร์ แจก ดื่ม คุย กับพนักงาน เพื่อเข้าใจความรู้สึกพนักงาน
- Fast Execution
JAL ผลลัพธ์

• 1 ปี ผลประกอบการดีขึ้น สูงกว่าที่คาดหวัง
• มีกำไร สามารถกลับเข้าไปเป็นบริษัทในตลาดหลักทรัพย์ได้ใน 3 ปี
• เป็นสายการบินที่ตรงเวลาที่สุดอันดับหนึ่งของโลก
• ใช้เป็นกรณีศึกษาใน Business School ทั่วโลกใช้ในการสอน
Mr. Inamori

• อายุ 78 ปีตอนรับงาน JAL
• ไม่รับเงินเดือน
• เป็น CEO ของบริษัท Kyocera ตั้งแต่อายุ 27 ปี
• ไม่ซื้อ JAL ไม่ใช่บริการ JAL
• รับงาน JAL เพราะ
  ─ เพื่อเศรษฐกิจญี่ปุ่น
  ─ เพื่อพนักงานที่ยังเหลืออยู่ 30,000 คน
  ─ เพื่อผู้โดยสาร
“Where are we going? What are we here for?”

“We keep reinventing the wheel!”

“Who’s charge of this stuff?”

“They won’t give up the power!”

“We have the right way!”

“They’re acting like a cullet”

“I have no idea what these people are doing”

“True Believers and Non-Believers”

“they don’t understand us!”

“We have no help!”

“We don’t know what we’re doing!”

“This stuff Isn’t relevant!”

“We’re not walking the talk!”

“This stuff Isn’t working”

“The Challenges of Initiating”

“The Challenges of Redesigning and Rethinking”

“The Challenges of Sustaining”

“Not Enough Time”

“No Help (Coaching and Support)”

“No Relevant”

“Walking the Talk”

“Fear and Anxiety”

“Assessment and Measurement”

“Strategy and Purpose”

“Growth Processes of Profound Change”

“(Am I safe? Am I adequate? Can I trust others? Can I trust myself?)”

“This Stuff Is______.”

“They’re not acting like a cullet.”

“We don’t have time for this stuff!”

“We have no help!”

“We don’t know what we’re doing!”

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“Assessment and Measurement”

“Strategy and Purpose”
Change Management
50mg
Plan Before Use
Eight steps to transforming your organization

1. Establishing a Sense of Urgency
   - Examining market and competitive realities
   - Identifying and discussing crises, potential crises, or major opportunities

2. Forming a Powerful Guiding Coalition
   - Assembling a group with enough power to lead the change effort
   - Encouraging the group to work together as a team

3. Creating a Vision
   - Creating a vision to help direct the change effort
   - Developing strategies for achieving that vision

4. Communicating the Vision
   - Using every vehicle possible to communicate the new vision and strategies
   - Teaching new behaviors by the example of the guiding coalition
5 Empowering Others to Act on the Vision
- Getting rid of obstacles to change
- Changing Systems or structures that seriously undermine the vision
- Encouraging risk taking and nontraditional ideas, activities, and actions

6 Planning for and Creating Short-Term Wins
- Planning for visible performance improvements
- Creating those improvements
- Recognizing risk taking and nontraditional ideas, activities, and actions

7 Consolidating Improvements and Producing Still More Change
- Using increased credibility to change systems, structures, and policies that don’t fit the vision
- Hiring, promoting, and developing employees who can implement the vision
- Reinvigorating the process with new projects, themes, and change agents

8 Institutionalizing New Approaches
- Articulating the connections between the new behaviors and corporate success
- Developing the means to ensure leadership development and succession
Common errors

• Allowing too much complacency
• Failing to create a sufficiently powerful guiding coalition
• Underestimating the power of vision
• Undercommunicating the vision by a factor of 10 (or 100 or even 1,000)
• Permitting obstacles to block the new vision
• Failing to create short-term wins
• Declaring victory too soon
• Neglecting to anchor changes firmly in the corporate culture

Consequences

• New strategies aren’t implemented well
• Acquisitions don’t achieve expected synergies
• Reengineering takes too long and costs too much
• Downsizing doesn’t get costs under control
• Quality programs don’t deliver hoped-for results
KBank Cases

1. Reengineering
2. Credit Transformation
3. Core Banking Replacement
4. Disruptive Innovation & Regulations
Change Management
### Public Sector Strategy Map – Example Only - Intermediate

#### Social Impact

**Corps members (produce impact by effecting gains in student achievement)**
- CM effectiveness measure
- # of entering CMs (and children served)
- Results of periodic or one-time studies
- % CMs complete commitment

**Alumni (produce impact by effecting social change)**
- % satisfaction
- Engagement index

#### Constituent Perspective

**Grow size, caliber, and diversity of applicant pool**
- Number of “top quality” applicants

**Select high quality applicants to join corps**
- Corps quality metrics
- First-review accuracy percentage

**Increase effectiveness of training institutes**
- CM % satisfaction with training
- CM ratings of faculty

**Increase effectiveness of regional support network**
- CM % satisfaction with support network
- Clustering metric

#### Internal Operations

**Key Levers**

**Build a diverse, talented team**
- # pipeline prospects apply
- % high performers retained
- Diversity % of staff
- Staff % satisfaction

**Ensure effective management throughout the organization**
- % of key annual goals met
- % managers receive training

**Enhance technology capabilities**
- Staff % satisfaction with technology
- % new projects up on-time

**Conduct smart experiments**
- # of strategic experiments conducted

**Build capacity of our national board**
- % of strategic experiments conducted
- # of new sites

**Prepare for expansion**
- $ raised from or through national board members

#### Financial Perspectives

**Grow and diversify revenue base**
- Total ongoing revenue
- # of HNW individual donors
- # regions with public funding

**Ensure viable fiscal position through good financial management and controlling growth in costs**
- $ above/below budget
- Cost per CM
- Operating reserve size

#### Learning and Growth Perspectives

**Build a Sustainable Financial Base**

**Build a Thriving and Diverse Organization**

Source: Balanced Scorecard Asia Pacific Summit 2003, Australia
Public Sector: A Different Approach

To achieve our vision, how must our people learn, communicate, and work together?

To satisfy our customers, financial donors and mission, what business processes must we excel at?

To achieve our vision/mission, what are the critical few outcomes we must focus on?

The Vision/Mission, rather than the financial / shareholder objectives, drives the organisation’s strategy.
Electric Utility, Inc. – Strategy Map

**Financial**
- Maximize return on assets
- Manage operation costs
- Profitable growth

**Customer**
- Residential, Commercial, Industrial
  - Innovative solutions
  - Reliable energy supply
  - Socially responsible energy sources
  - Supplier Stability
  - Competitive price

**Internal**
- Business Growth
  - Capitalize on deregulation opportunities
  - Optimize trading opportunities
  - Develop innovative service offerings
  - Use alliances & joint-ventures
  - Cross-group R&D
- Continued Public Support
  - Proactively build & manage relationships
  - Ensure reliable service
  - Communication and education programs
- Customer Service Excellence
  - Seamless cross-group delivery of services
  - Understand drivers of customer value
  - Effective customer service processes

**Learning & Growth**
- Ensure Market-driven skill development
- Industry Leading Employee satisfaction
- World Class Leadership effectiveness

Source: Balanced Scorecard Asia Pacific Summit 2003, Australia
# Electric Utility, Inc. – Measures, Targets, & Initiatives

## Objectives

<table>
<thead>
<tr>
<th>Financial</th>
<th>Customer</th>
<th>Business Growth</th>
<th>Continued Public Support</th>
<th>Internal</th>
<th>Optimize Core Business</th>
<th>Learning &amp; Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Maximize returns</td>
<td>• Industry leading customer loyalty</td>
<td>• Capitalize on deregulation opportunities</td>
<td>• Proactively manage relationships</td>
<td>• Seamless cross-group delivery</td>
<td>• Optimize asset utilization</td>
<td>• Ensure Market-driven skill</td>
</tr>
<tr>
<td>• Profitable growth</td>
<td></td>
<td>• Optimize trading opportunities</td>
<td>• Ensure reliable service</td>
<td>• Understand customer drivers</td>
<td>• Max return on resource allocation</td>
<td>• Industry leading employee satisfaction</td>
</tr>
<tr>
<td>• Leverage asset base</td>
<td></td>
<td>• Develop innovative services</td>
<td>• Communicate/educate customers</td>
<td></td>
<td>• Continued cost management</td>
<td>• World Class Leadership effectiveness</td>
</tr>
<tr>
<td>• Manage operating costs</td>
<td></td>
<td>• Use alliances and joint ventures</td>
<td></td>
<td></td>
<td>• Enterprise-wide risk management</td>
<td></td>
</tr>
</tbody>
</table>

## Measures (D=Drivers)

<table>
<thead>
<tr>
<th>Measures</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCE</td>
<td>14%</td>
<td>14.5%</td>
<td>15%</td>
</tr>
<tr>
<td>Revenue growth</td>
<td>6%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Asset utilization rate</td>
<td>80%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>Operating costs / customer</td>
<td>$150</td>
<td>$140</td>
<td>$125</td>
</tr>
<tr>
<td>Customer Satisfaction Rating</td>
<td>80%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>% revenue from deregulated products/services</td>
<td>5%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>% trading revenue</td>
<td>10%</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Revenue from new services</td>
<td>$500M</td>
<td>$550M</td>
<td>$600M</td>
</tr>
<tr>
<td>% customers served through alliances and joint ventures</td>
<td>10%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>NPV product/service pipeline</td>
<td>$500M</td>
<td>$550M</td>
<td>$600M</td>
</tr>
<tr>
<td>% R&amp;D projects meeting protocol gates (D)</td>
<td>90%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>Customer/partner satisfaction (5 point scale)</td>
<td>4.0</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Reliability index</td>
<td>90/100</td>
<td>92/100</td>
<td>95/100</td>
</tr>
<tr>
<td>Communication/education coverage (%)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>% communication/education plans executed (D)</td>
<td>80%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>Promised delivery %</td>
<td>90%</td>
<td>95%</td>
<td>97%</td>
</tr>
<tr>
<td>New product uptake rate</td>
<td>20%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>On-time market research projects (D)</td>
<td>90%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>Customer satisfaction rating – C.S. Center (see above)</td>
<td>85%</td>
<td>89%</td>
<td>95%</td>
</tr>
<tr>
<td>Problem resolution cycle time – Customer Service Center (D)</td>
<td>6hr</td>
<td>4hr</td>
<td>3hr</td>
</tr>
<tr>
<td>% rated capacity attained</td>
<td>80%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>Employee productivity improvement</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>% cost reduction</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Cost of disruption vs. plan</td>
<td>+/-15%</td>
<td>+/-10%</td>
<td>+/-5%</td>
</tr>
<tr>
<td>Time to recovery (D)</td>
<td>8 hr</td>
<td>4 hr</td>
<td>2 hr</td>
</tr>
<tr>
<td>Strategic skill coverage ratio</td>
<td>65%</td>
<td>75%</td>
<td>85%</td>
</tr>
<tr>
<td>Hours in strategic skills training (D)</td>
<td>10</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Employee satisfaction rating (5 point scale)</td>
<td>3.0</td>
<td>4.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Leadership effectiveness rating (upward appraisal - 5 point scale)</td>
<td>4.0</td>
<td>4.5</td>
<td>4.5</td>
</tr>
</tbody>
</table>

## Targets

<table>
<thead>
<tr>
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<th>FY01</th>
<th>FY02</th>
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<td></td>
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</tr>
</tbody>
</table>

## Initiatives

- Telecom infrastructure development
- Trading risk assessment (work support)
- Research alliance program
- Preventative maintenance
- Community outreach program
- Cross-selling marketing program
- Service dispatch automation
- Call center software integration
- CIS upgrade
- ERP implementation
- Competency profiling
- Performance compensation link
- Leadership training program

Source: Balanced Scorecard Asia Pacific Summit 2003, Australia
The Regulatory Agency Strategy Map

Source: Balanced Scorecard Asia Pacific Summit 2003, Australia
**Regulatory Agency Measures**

**Value Benefit**
- Value for Budget Investment

**Customer**
- Safe, sensible policies & regulations
- Clear, timely & accurate communication
- Accurate & fair interpretation & regulation
- Agreement of customer groups through mediation & facilitation

**Internal**
- Accessible and non-adversarial
- Improved safe and clean environments
- Open & frequent communication to impacted customer groups & constituency
- Support economic re-investment & minimize disruption to business base
- Streamline regulatory approval & execution process

**Learning**
- Develop Highly Skilled Workforce
- Empower Employees to Deliver Customer Service
- Integrate Knowledge Management Infrastructure

**Strategic Objective(s)**
- Create value for budget investment
- Safe, sensible policies & regulations
- Clear, timely & accurate communication
- Accurate & fair interpretation & regulation
- Agreement of customer groups through mediation & facilitation

**Lag Measures**
- Satisfaction: Cost Ratio
- Customer satisfaction rating
- Customer Group Complaints
- # of companies investing in environmentally friendly concerns
- Pollutant level rating (sites)
  - Water
  - Air
  - Soil
- % groups reaching agreements
- % of projects meeting desired outcomes in less than 90 days
- Strategic Skill Coverage
- TBD

**Lead Measures**
- Community Awareness Survey
- % group participation discussion
- % of projects screened through prioritization process
- Strategic Skills Training Hours

*Source: Balanced Scorecard Asia Pacific Summit 2003, Australia*
Make changes happen

Thank you
- Error 1: Not Establishing a Great Enough Sense of Urgency
- Error 2: Not Creating a Powerful Enough Guiding Coalition
- Error 3: Lacking a Vision
- Error 4: Undercommunicating the Vision by a Factor of Ten
- Error 5: Not Removing Obstacles to the new Vision
- Error 6: Not Systematically Planning for, and Creating, Short-Term Wins
- Error 7: Declaring Victory Too Soon
- Error 8: Not Anchoring Changes in the Corporation Culture
Preface

Part I. The Change Problem and Its Solution
1. Transforming Organizations: Why Firms Fail
2. Successful Change and the Force That Drives It

Part II. The Eight-Stage Process
3. Establishing a Sense of Urgency
4. Creating the Guiding Coalition
5. Developing a Vision and Strategy
6. Communicating the Change Vision
7. Empowering Employees for Broad-Based Action
8. Generating Short-Term Wins
9. Consolidating Gains and Producing More Change
10. Anchoring New Approaches in the Culture

Part III. Implications for the Twenty-First Century
11. The Organization of the Future
12. Leadership and Lifelong Learning

About the Author