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ICMR Center for Management Research

Improving Performance through Change Management

*This case was written by **Aarathy M** and **Madhubala B**, under the direction of **Sridevi C**, ICMR Center for Management Research (ICMR). It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.*

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CASELET 1

The new CEO of Symphony Technologies (Symphony), Anish Vaidya (Vaidya), found himself confronted with the most challenging phase of his 26-year-old career in the industry. The liberalization of the Indian economy and the resultant increase in competition from foreign companies had hit the company's sales and revenue badly. The early 1990s saw Symphony's profits plummeting to an all-time low since its establishment about three decades earlier.

Established in 1956, Symphony began as a manufacturer of a variety of electrical appliances, and gradually spread its operations into various other industries such as consumer products, power generation, automobiles and insurance. Within four decades, it grew to become a global company serving customers across the world.

In his first meeting as CEO of the company, Vaidya invited employees from the middle and top management level to pool in their ideas to identify and address the problems faced by the organization. The meeting brought to the forefront the following areas of concern:

- The bureaucratic and hierarchical structure of the organization was stifling the creativity of its employees as a result of which, they were no longer motivated to come up with ideas pertaining to new products or improvements in the existing organizational practices.
- Competition from multinational companies was eating into Symphony's market share as the technology of these companies was far better than that of Symphony.
- Symphony's very survival was at stake as most of its subsidiaries were facing serious financial crises and increasing losses.
- The productivity of these subsidiaries was disproportionate to the number of employees they had.
- The inability of Symphony's generic products to effectively penetrate the highly competitive market eventually resulted in blocking the capital.
- Most important of all, Symphony failed to adapt to the changes in the external environment. Because of this, it not only lost market leadership in various sectors, but also failed to maintain a decent market share in the industry.

Realizing that continuous change and adaptation were lacking in the organization, Vaidya, in consultation with his team members introduced the following measures to pull Symphony out of a probable debacle:

- Areas with new and substantial market potential were explored and strategies to implement them were developed.
- Vaidya endeavored to change the bureaucratic style of management in the organization to enable easier and faster decision making. This resulted in the formation of a lean and effective organizational structure and helped enhance employee participation, and thereby improve employee productivity.
- All the subsidiaries and business units that were making losses were shut down so that the company could compete only in those areas in which it had proved and tested competence. This helped it tap the capital that was being invested in units that were not productive.
- Vaidya also took the difficult decision of cutting down on excess staff, to cut down on operational costs. Excess but efficient staff were retrained and deployed suitably.
- Employees at Symphony were asked to undergo training programs at regular intervals to remain updated with the latest developments in the external environment, so that they could adapt to technological changes and remain competitive.

Initially, there was stiff resistance in the company to the tough measures taken by the new CEO. However, Vaidya was able to gradually persuade the employees to accept the changes and within a short period of time, a sea change was noticed in the organizational processes. These revolutionary changes brought about a dramatic rise in Symphony's profits, and soon, Vaidya's bold decisions made Symphony a market leader in various fields of business.

QUESTIONS FOR DISCUSSION:

1. Taking the example of Symphony Technologies, describe the importance of change management in organizations.
2. Briefly outline the role played by the management and employees in bringing about a planned change in Symphony Technologies.

CASELET 2

Global Real Estates (Global), a Mumbai-based real estate company, had several franchises across the country. The company facilitated buying and selling of plots in all those localities where its franchises were operating. The company had been established in 1920, and it had more than 60 franchises spread across the country by the year 2003.

Some franchises were single office establishments while some were multiple office establishments. Global provided all its franchises with technical support, business assistance and advertising, and offered training to their sales personnel. Global initiated a change program to improve its support and the productivity and profitability of its franchises.

As a part of the change program, the head of each office had to submit to the corporate office, a detailed report of operations in his office. Also, individual employees, especially salespeople in each office, were given an 'opinion survey questionnaire' by Global. The questionnaire sought to know the employees' opinions regarding the organization's work environment. Each employee had to fill it and submit it directly to the HR department at the corporate office either in person or by mail.

The executives of Global's operations department and HR department analyzed the data collected from managers and salespeople of all the offices and produced reports pertaining to organization-wide performance. After the senior management of Global reviewed the reports, the changes suggested by them were incorporated in the reports. The final reports were then given as feedback to the head of the unit in case of small organizations, and to the management team in case of large organizations. The managers shared the data with their salespeople and both worked together to identify the problem areas in sales personnel's performance and to come up with measures to improve their performance. The managers encouraged the salespeople to participate actively in the discussions. The salespeople were also required to develop action plans to address the problem areas, and the managers intervened only when the salespeople found the problem too complex to resolve on their own. The reports also helped the franchises recognize their strengths and weaknesses so that they could act on them.

The opinion surveys collected data on various management practices (rules and regulations, creating conducive work environment and motivating employees). The responses obtained were presented in the form of colored graphs which enabled easy comparison of the productivity and performance of the franchises. The graphs helped identify the best performing franchise so that it could be made the benchmark for all other franchises to match their performance against.

The section of the questionnaire which contained questions pertaining to managerial practices was designed to test the managerial practices of franchises for effectiveness and consisted of three areas – organizational climate, service orientation and fundamental attitudes. Questions on 'organizational climate' tried to evaluate the perceptions of employees about the work environment and the style of management. These questions sought to learn whether employees perceived their peers and superiors as cooperative or not, and also to find out whether the employees felt a sense of pride in working for their organization. Questions on 'service orientation' aimed to understand the extent to which employees at each office were committed to customer service. Questions on 'fundamental attitudes' tried to identify pessimism in employees and help them overcome it.

Research and analysis at Global indicated that there existed a strong relationship between the attitudes of employees and the performance of the franchise. The research also identified the other behaviors, managerial policies and practices that were directly related to organizational performance. This enabled Global to help its franchises improve the performance of their employees. The management from the corporate office visited each franchise and explained to employees how the changes in market conditions made old beliefs and attitudes obsolete and irrelevant, and they emphasized the need for employees to adopt new beliefs and attitudes. External consultants were hired to help bring about this change in the employees.

The feedback offered by Global proved a valuable source of development for the managers of the franchises. The managers of these franchises could now concentrate on developing and implementing business plans and enhance the profitability of their franchises.

QUESTIONS FOR DISCUSSION:

1. Global initiated a change program to improve its services, and the profitability of its franchises. Is it similar to any of the standard OD interventions used by change agents? Substantiate your answer. One of the objectives of the change program was to obtain a positive change in employee behavior. Explain how such a change can be achieved.

2. What are the advantages of the change program that Global adopted? The change program used by Global was aimed at achieving improvement in employee behavior. In what ways are employees required to cooperate with the change agent in the implementation of such change programs?

CASELET 3

Bank of Hyderabad (BOH) was a small bank established in Hyderabad in 1990. The bank slowly established its branches throughout Andhra Pradesh and became the most trusted bank in the private sector. The hard work and management expertise of the founder and CEO of the company, Satyanarayana Murthy (Murthy), was the main reason for BOH's success. BOH grew rapidly and soon spread its branches across India. BOH also entered into the non-banking financial services sector. Murthy wanted BOH to be a one-stop shop for all financial products and services. With the help of its committed staff, BOH performed well in the area of non-banking financial services also, and earned profits. But Murthy wanted BOH to be a leading financial services provider in India, and not just one of the profitable organizations.

Therefore, Murthy analyzed the strengths and weaknesses of the company. He noted that BOH was neither a low-cost player nor had it differentiated itself from the other players in terms of customer service. He immediately identified two leading banks in the industry to serve as benchmarks for BOH to follow. While one bank raised funds at the lowest cost, the other understood customers' needs and developed customized solutions for them. Murthy directed his managers to strive to outperform these leading banks. Managers were rewarded based on their efforts to improve the performance of the bank.

Another fact identified by Murthy was that BOH did not offer convenience to customers. In the existing system, if a client had three different requirements from BOH, he had to approach the relevant departments separately. The process was time-consuming, and there was a danger that the client would take a portion of that business elsewhere. To tackle this problem, Murthy, set up three departments – Corporate Clients Group (CCG), Individual Clients Group (ICG) and Non-Performing Assets Group (NPAG). Employees in these groups helped the client to get his job done without having to make several visits to different departments.

The employees in NPAG complained that they always dealt with lower-end clients and that this affected their ability to compete with their colleagues in the other departments for performance ratings. As the chances of recovering bad debts were always less, the revenue of NPAG was always lower than that of other departments. The bonus for BOH employees was based on the performance of individual profit center/department rather than the entire organization. This affected the appraisal ratings and career growth prospects of employees in NPAG.

While the employees were still struggling with internal problems, Murthy took a major decision. He decided to merge BOH with a small financial services provider, Akhira Finances (Akhira). Murthy faced stiff resistance to his decision from his employees who feared that the merger would result in job losses. But Murthy was confident that the merger would benefit BOH and went ahead with it.

BOH had a much larger workforce than Akhira. There was also a vast difference in salaries, profiles and designations of the employees of the two banks. Akhira paid uniform salaries to employees in similar positions while BOH paid salaries to employees based on their individual performance and performance of their department. BOH concentrated on urban marketing whereas Akhira was a rural-oriented organization. Murthy had a tough time implementing the merger of the two unequal organizations. However, with support from the HR department and an external consultancy, A22 HR solutions, Murthy completed the merger successfully.

QUESTIONS FOR DISCUSSION:

1. What were the various changes initiated by Murthy? Was he right in his decisions and actions in each of these change initiatives? Substantiate your answer.
2. Were the apprehensions of BOH's employees during the merger justified? What steps can be taken by the management at BOH to overcome employee resistance to change?