Leading the Change: Context of a Manufacturing Company

J.Wasaba[1]

Abstract

Concept of change leadership revolves around a quoted public porcelain tableware company in Sri Lanka, which is having a 34-year history in making quality tableware products to the export market. Company was set up with the assistance of a Japanese company and influence of the government of Sri Lanka and had a rich, and deep routed culture embedded into the village. Despite the quality of product and global recognition, the company was malfunctioning: export share dropped, cost of manufacturing shot up, export prices dwindled, dynamism and initiatives of people eroded. Company went through various ownership and management changes, and was in financial crisis in a number of occasions. Lack of business focus and non-sensible investment decisions by the top management were pointed out as reasons for the downfall by employees of the company. This case was reviewed in the context of transformational leadership, change management and management innovation point of view along with practical aspects experienced by the CEO who brought change leadership to the organization. In doing so, review of related theory and literature was carried out to substantiate the change initiatives. It was found, transformational leadership which envision and embrace change will always have positive impact whilst change procedure, without an effective leadership is nonexistent. The necessity and the urgency required in a process and belief in team work are ingredients of transformation. Once the transformation is progressing, sustainability or retention of the systems, procedures and behaviors are the challenges in execution of the transformation faces by the leader who has to take control.

Keywords: Change, Leadership, Management, Organizational Transformation, Innovation

Introduction

Company is world renowned for achieving a remarkable whiteness in porcelain dinnerware products for more than a decade. It is identical with a culture in production of upscale dining. However, the Company's export share was dropping continuously over the past few years due to outdated and uncompetitive production practises and competition from the region; Company's technology is over 25 years of age, and is highly labour intense. The major cost drivers being energy, labour, raw materials and overheads. Major competition for porcelain tableware is coming from Bangladesh, China, Indonesia, Thailand, India, Middle East and Eastern Europe where those countries compete with high capital and low labour intensity operations. Manufacturing of porcelain tableware is traditionally complicated with 24/7 continuous operations, due to their kiln (firing) architecture, together with parallel product combinations of hundreds of shapes and designs being produced at a time. Designs are hand crafted, and dependent on skilful labour who are unionised and politically motivated. On the other hand, management was reluctant on radical work place change due to unrests. As such naturally, Company's operational and financial performances were always below average as workers always interfere with management decisions.

Purpose of the Study

Purpose of the study is to find out a background to the problem and find theoretical and practical ways to improve the performance of the Company through

[1] *Doctoral Student, University of Kelaniya, Sri Lanka, wasabaj@gmail.com*

transformational leadership, change and organizational innovation. If the Company continues in this manner it would have faced serious going concern issues in the future. Suggestions and empirical evidence thus far supported by the leadership and senior leadership to improve the performance of the Company was appreciated. However, a systematic approach along with streamlined communication throughout the organization regarding the purpose of change, and change initiatives in today's dynamic work environment would have been appreciated.

Methodology

This paper follows an actual case scenario, a living example in today’s challenging labour intensive manufacturing environment in Sri Lanka. Whilst trying to identify the causes of issues which are hindering growth prospects, author wishes to bring about a theoretical explanation to come out from the issues for the betterment of the Company. Thoughts of the new leadership, who is brought in for the purpose of identifying causes and finding solutions to the underperforming company to perform better, is highlighted.
The industry specific issue, which has been gone through the CEO of a manufacturing organization is highlighted whilst concepts and arguments are empirically supported. In view of that, a literature review is carried out to find out suitable solutions, to suggest the present management, and protagonist to identify the different management situations and map out the pathway to solve the company’s issues. Finally, conclusions are drawn leaving many assumptions and change management procedures and technics wide open for arguments.

Literature Review

Literature review is carried out on three theoretical bases namely; (1) transformational leadership, (2) Change management, and (3) Innovation from the business process reengineering point of view. Organizations that have over-adapted are likely to resist change (Frank, Gertz, and Porter, 1996). Sustaining profitable growth is most puzzling and compelling problems for leaders and managers (Drucker P, 1996). Companies are struggling to keep the pace at least over GDP and Inflation. As Hampton (1993) explained, the means of internal growth is the firm’s ability to increase sales and expand its own operations. Also, greatest barriers to profitable growth are inside the company as Kurt Lewin explained. A leader through his or her vision creates the road map for a corporation (Burns, 1978). Business acumen, sound technical background, etc. are some often-cited attributes of a modern-day corporate visionary (Gupta, 2011).
In witnessing the effects of globalization and technology advances (Zott, 2011), no longer companies will have the luxury of expecting day-to-day operations to fall into a structured and predictable pattern, or stay in the same status quo. As such the new normal in today’s business is continuous change. (Jönsson & Schölin 2016). Schumpeter (1934) described innovation as the driving force for development and abandoning old patterns. Profitable growth is a narrow and moving target, which is hard to find (Eastman, 2012), and sustaining consistent growth is even hard. Profitable and growing business in any industry will always change (Gupta, 2011). The fact that few companies manage to grow profitably over time indicates how difficult to keep up to the change (Jönsson & Schölin, 2016). This means finding the emerging value proposition, not just refining today's, but through a grand plan.
Certain Companies are very conservative on use of new technology. However, as Zott (2011) highlights, the use of new technology is the order of the day. Organizations cannot be structured and departmentalized though the employees are very competent with machines, processes, systems and products. In such a context, turn around operations from a bureaucratic, inflexible and rigid organization to an agile and dynamic state is challenging (Magretta, 2002).
There are two broad areas in this context naming leadership for change i.e. transformational leadership and change management. As Gupta (2011) highlights,

companies need strong leadership to change the current state to a desired state, while export competitiveness, flexible manufacturing, agile organization and regional cost competitiveness to achieve sustaining and strengthening the product and brand promise. The change management techniques have to be deployed by the leader in a systematic way to bring the desired change.

Transformational leadership is all about creating positive change (Jönsson and Schölin, 2016) and motivation, morale and performance of the followers. Thereby, bringing innovation and creativity, significant change in the life of people and organizations are needed. Cadres came down with freezing recruitments (Lorange and Nelson, 1987) and use of new technology, change in systems, procedures, and training and development.

Transformational leadership is a process in which leaders and followers help each other to advance to a higher level of morale and motivation (McGuire & Hutchings, 2007). Further, Yuki (1994) draws some tips for transformational leadership, as developing a challenging and attractive vision together with employees, tying the vision to a strategy, specify and translate it into actions, expressing confidence, decisiveness, commitment and optimism about the vision's implementation, and realizing it through small planned steps. Generally, organizational change directly affects all departments and employees (Eastman, 2012). Therefore, effectiveness of change management can have a strong positive or negative impact on employee morale. Stages of leading the change is all about determining the need for change, establish a sense of urgency, prepare and plan for change, implement the change, communicate the change vision, empower employees, generate short-term wins, sustain and anchoring the change.

Transformational leadership will impact cohesive leadership and team performance through development of a shared vision within the team. (Zander, 1994). This possibly develop team communication (Kitchen and Daly, 2002) and conflict management skills, and promote team cohesion. Cohesion is defined by Shaw (1976) as the degree to which members of a team are motivated to remain in the team, to achieve and celebrate results. Effective leaders produce one thing in common, by definition their followers produce good results (Zander, 1994). Burns (1978) argue transformational leadership is the process of developing the people, who, in turn, develop their organizations by accomplishing the determined goals and objectives. In other words, transformational leadership results in making ordinary people produce extraordinary performance. Employees at all levels are empowered to improve outputs by coming together with new and flexible work structures to solve problems, improve processes and satisfy customers (Stanleigh, 2008). As such, total involvement starts with active leadership and utilizes the talents of all employees. Strong leadership is necessary to overcome resistance to change, to form clear quality-oriented goals, and to formulate means by which these goals might be achieved (Eastman, 2012).

Organizational change management should begin with a systematic diagnosis of the current situation in order to determine both the need for change and the capability to change. As Eastman (2012) points out, despite having many types of organizational changes, the critical aspect is the company's ability to win the employees on the change. People are resistant to change as they generally feel that as uncomfortable (Stanleigh, 2008). As such, change management processes should include companywide brainstorming, rigorous negotiations, discussions and communications between leadership, management and employees (Kitchen and Daly, 2002) in order to have a deep understanding about the journey.

One of the cornerstone models for understanding organizational change was developed by Kurt Lewin in 1940. His model is described using the analogy of changing the shape of a block of ice and is known as Unfreeze, Change and Refreeze. As Lewin (1940) explains, motivation for change must happen before any change come in to action and need to prepare the organization to accept that change, which involves breaking down the existing status quo. As Lewin explains, this forces organizations to re-examine its core, and effectively “creating a controlled crisis” in the organization.

As Kitchen & Daly (2002) explain, after the uncertainty is created in the unfreeze stage, people begin to look for new ways to support the new direction. People take time to embrace the new direction and participate proactively in the change. In order to accept the change, people need to understand how it will benefit them. (Eastman, 2012). However, everyone does not fall in line just because the change is necessary and will benefit the company. Reconciliation of different interests and managing politics will also be part of change management. Therefore, employees, like it or not become de facto, politicians (Butcher and Clarke, 2017), in an organization. In other words, game playing, sabotaging, negative, win-lose, non-corporative behavior, are very common attributes in a changing business environment. (Butcher and Clarke, 2017). These diverse range of change activities are included ultimately to achieve customer satisfaction improvement, sales and revenue growth, cost reduction, process innovation, technology implementation, new market entry, through satisfied workforce (Jørgensen et al., 2009).

In a change procedure the succession planning for unplanned loss of key personnel (Rothwell, 2002) is inevitable. It entails a longer term and more extensive approach towards the training and replacement of key individuals (Wolfe, 1996; Rothwell, 2002). However, both theory and practice indicate that a healthy turnover in the management cadre is positive for the company (Mannion 2009).

Further, Business Process Re-engineering (BPR) is rethinking and radical redesign of business processes to achieve dramatic improvements in business performance, such as cost, quality, service, and speed. These cannot be minor fixes or continuous improvement projects but starting all over from scratch to meet the demand of today's markets with the power of today's technologies (Nasierowski, 1997). In this process, business will have to abandon the outdated rules, as how people and companies did things in the past does not matter in meeting the current and future challenges. It’s a whole new game (Stanleigh, 2008). Revenues and income can be stagnated even after painful layoffs and restructuring (Nasierowski, 1997). This includes, taking decisions about the appropriate work force size, skill requirement, plant capacity and locations, functions consolidation and possible shifts in production focus, which mainly changes either: the scope of a business undertaken or the manner in which the business is conducted by the enterprise (Lin, 2018).

Globalization and constant innovation of technology is resulted in a constantly evolving business environment. Easily accessible information has resulted in unprecedented scrutiny from stockholders and pressure on management. Areas of social media and mobile adaptability have revolutionized business and this in turn leads to an ever-increasing need for change. Adopting computer-based techniques for product design, engineering and production technology in the today’s context are essential part of the business excellence (Nasierowski, 1997). According to Magretta (2002) and Zott (2011), entrepreneurs in the dotcom era used to describe the way they were doing business, compare differences between their business and that of their competitors, or how their business would be profitable. Under environmental changes, criticality of achieving sustainable competitive advantage becomes more important by considering that the fast pace technological change is forcing firms to rotate strategy cycle faster and sooner (McGrath, 2013). The effect of business model on performance of entrepreneurial firms (Zott and Amit, 2007) position the business model between strategy and tactics to complement with technological innovation (Velu and Khanna, 2013). On the other hand, the intensity of technological change and the shifts in industry borders have all created new business opportunities.

Nasierowski, (1997) explains four central restructuring concepts. Further he argues that the businesses will have to abandon the outdated rules and therefore how people and companies conducted activities in the past does not matter in meeting the current and future challenges. As Appelbaum (1997) argues in survivor's syndrome, mixed bag of behaviors and emotions, lack of communication (Kitchen, Daly 2002) and inadequate preparation of employees for layoffs of some human resource professionals, cause survivors to view the entire process suspiciously and resulting uncertainty. An oversized staff is dysfunctional for the organization. Its by-products include organizational inefficiency, tolerance for incompetence, and cumbersome administrative procedures. (Lorange and Nelson, 1987). On the other hand, undersized staff is detrimental to efficiency. Overloading people with work on a continued basis builds unhealthy stress. Matching people and tasks are of major importance. Assigning simple tasks to overqualified people may negatively affect their motivation and performance (Hackman and Oldham, 1975). Assigning a task to someone who is not adequately qualified is also counterproductive.

Market strategy of an organization seeks superior performance in the market place, while the nonmarket strategy aims at shaping the competitive environment (Baron, 1997). Understanding the nature and timing of the changes adopted by business groups is important as they respond to markets (Ramaswamy, Purkayastha, 2017). Creating the best on-line experience for customers, bringing more commerce, which generates more revenue and more profit are of essential (Sharma, 1999). Strategy formulation with the most innovative strategy will be merely words on paper in the absence of an executable plan and resources. Misaligned operations will stall the best strategy miserably if a company's operating model does not support it (Wary, Waco, 2004).

Autonomy and entrepreneurship are a trade-off between guidance and freedom. As Gelderen (2010) explained, they are essential for a leader to carry on with radical change. Peters and Waterman (1982), who developed the best business practices, identified eight attributes of corporate excellence and bias for action, productivity through people, stick to the knitting, lean staff, autonomy and entrepreneurship plays a significant role amongst them. Moreover, creativity may also mean employees using a range of their diversified skills, abilities, knowledge, views, and experience to generate new ideas for decisions making, problem solving, and completion of tasks in efficient ways. (Millissa, Cheung, Wong, 2011). Often consequent restructuring effort is to bring the firm back to the 'core' (Zhao 2009). Some benefit from becoming more focused (Hoskisson and Hitt, 1994), by eliminating non-value adding areas in the business process. Firm performance should improve by freeing-up capital to invest in the core competences, and by freeing time for managers to focus on a smaller, more understandable set of businesses (Hoskisson and Hitt, 1994). Evidence showed that, generally the specialized firms perform better than those diversified (Zhao, 2009), and stick to the knitting (Peters and Waterman, 1982). Furthermore, many business groups have been actively reducing their business scopes by divesting or spinning off the existing business units in their portfolio (Zhao, 2009).

Strategic thinking, core values, purpose, vision and empowerment were the key attributes of corporate excellence and continuous growth (Jönsson and Schölin, 2016). One of the significant features of firms revealed in this is their orientation towards results study (Nanayakkara, 1999). The relative importance was given by managers for bias for action. However, it reveals Sri Lankan firms are less oriented towards growth and development. (Nanayakkara, 1999; Fonseka, 2000). However, workplace training and related activities are often discussed as important factors for productivity, capacity, and competitiveness (Jönsson and Schölin 2016). Jørgensen (2009) argued that, learning from the history is very important as it encourages accessing historical data for managers in changing process.

Jönsson and Schölin (2016) argue that, in order to achieve superior performance, it is imperative to have the flexibility in operations. When changes are being embraced company started to make profits, brought a good investor friendly environment and a good feeling amongst all stake holders. Maintaining minimum stocks, disposing of redundant assets, flat department structure, sharing and empowered teams, simple and transparent management, and logical approach to problem solving are some of the key highlights.

Findings

Changes to the company were not easy to come by, with a culture of strikes and work stoppages for various issues due to the resistance to change. As Eastman (2012) argues, resistance can be in many forms. However, leadership was determined to create an investor friendly environment and turnaround complex manufacturing operation to a profit-making entity, thereby reap benefits to employees.

There were three tests followed by the Company before assigning a person to perform a task namely: (1) whether the new technology can be used instead (Zott et al., (2011), or (2) whether the remaining staff can be trained and developed to carry out such tasks (Rothwell, 2002) or (3) whether the change in systems and procedures can be applied instead (Stanleigh M, 2008) of the current established procedure. Companies did not lay off the excess carders all the time but it deploys freezing of recruitments, outsourcing of non-core activities and assign work force to core areas.

Change procedure may be rigorous and uncomfortable, however when people have embraced the new ways of working, the organization refreeze by way of a stable organization chart, consistent job descriptions, and KPIs. As Gupta (2011) explains, together, employees feel stable, confident and comfortable. In the change process, bringing discipline, improving working condition of employees, engagement of employees for the change process were key highlights. Organizing field trips by Companies for its employees is essential to understand and learn good manufacturing practices, irrespective of the relevance of the industry. In addition, experienced staff to create opportunities to disseminate their explicit and tacit knowledge of its products and processes are important.

It is important to measure the effectives of the change in terms of financial performances, market share improvement, global competitiveness, customer satisfaction, shareholder value, and employee satisfaction from different perspectives of different stakeholders such as employees, customers, suppliers, and shareholders. Stanleigh (2008), in his recent surveys identified that, 75 percent of CEOs do not yield the promised results in organizational change. Moreover, the change efforts fail to produce the expected and always produce unintended and unhelpful consequences. As such it is important to measure company performances as an outcome of the change.

Conclusion

The ability to manage and adapt to change is an essential ability required in the workplace today. However, major and rapid organizational change is a challenge because of the structure, culture, and routines of organizations; often reflects a resistance to change internally even with the external environment changes rapidly.

With the business environment experiencing rapid changes, organizations must learn to be comfortable with change, as change becomes way of living. When these developments occur, the organizations that adapt fast, create a competitive advantage, while the companies that refuse to change will suffer with losses and loss of market share.

Future Research Directions

From the change point of view, it is noteworthy to observe and measure how effectively the change can be frozen, in other words sustained, in a duration to which it is practically possible. The commitment from different stakeholders, especially from the leadership and employees, towards its sustainability is noteworthy to rate. After the fundamental changes are carried out, it is important to freeze the change and move on to next phase of technological advancements (Velu, Khanna, 2013) with required shareholders financial commitment. As such, it is noteworthy to study how the technological adaptation is feasible and sustained after a change procedure is completed.

Once the company outsource its non-core areas, whilst sticking to the knit (Zhao 2009), the situation has to be preserved into the future. As such, effectiveness of outsourcing after categorizing the firms' activities into core and non-core activities are worth studying.

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