

IMPACT OF CHANGE MANAGEMENT OVER PERSONEL BEHAVIOUR AND CULTURE IN CONSTRUCTION PROJECTS

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Abstract:

Like the popular cliché goes “change is inevitable”. This casual but rather undisputable truth is the innate nature of the world we live in. People are irrational, the future is uncertain and everyday predictions and projections are continually being defied. This is truly a period of rapid change, where dynamic changes of productivity, technology, brand, image and reputation are common place.

However, this change process has to be managed by someone. The management of change is the sole responsibility of the strategic leader (manager). Therefore, managers need to identify and understand the nature of the change, point out areas affected by the change (part or whole of the organisation) and propose steps to make that change happen effectively in the organisation. Effecting change requires a good understanding of organisational structures, cultures, and leadership – the cycle of change management.

Due to the adverse effect of the global ‘credit crunch’ on the housing market sector, Large House Builder (LHB) Plc a large UK national house builder has decided to regain a strategic position in the social housing sector. Consequently, it has decided to acquire Small Firm Company (SFC) Ltd a small regional housing builder who specialises in social housing. In order to integrate this companies successfully, an analysis of their structures and cultures was done. The analysis suggested that LHB Plc is a diversified organisation with a multidivisional structure at the corporate level and a functional project matrix structure at its project level. It has an Analyser-oriented strategy and operates a hierarchy culture with formal procedures governing the activities

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of all employees. Whereas, SFC Ltd was found to be an Entrepreneurial organisation having a project based structure at the corporate level and a project matrix structure at the project level with a prospector-oriented strategy, operating a clan culture. The integration of the two companies was quite interesting because they differ in so many ways. Their integration was done and most of LHB Plc structure and culture remained the same whereas SFC Ltd when through some serious changes with respect to their structure, culture and leadership. The once family culture has suddenly changed to formal one, new structures of accountability put in place, new bosses and hence unfamiliar lines of authority.

These changes have to be managed, especially the people issues. In order for the management of LHB plc to cause a successful change in their company, they have to have to be committed to the change process. These also require the adoption of an appropriate change management strategy. Based on Kotter's eight step model for managing change in an organisation, a change management plan was prepared for LHB Plc to ensure a smooth transition. The plan suggests first LHB should **establish a sense of urgency** by looking into its competitive position and communicate the crisis in the situation. Then, **form a guiding coalition** comprising of top managers and change agents who will **develop a vision and a strategy, communicate that vision and empower others to act on it**. After the vision has been communicated LHB should **set short term goals** which will serve impetus for employees during the change process. LHB should then **consolidate change** by causing further changes in the structures, promoting, functional managers, and creating new department. Lastly, LHB should **anchor change success** by first showing the improvements caused by the change and then document the change process for future managers to understand and personify the change.

To achieve a sustainable competitive advantage in its market, LHB is further encouraged to be a learning organisation.

PART I

1.1 Introduction

In the business world, today where mergers, bankruptcies and mass redundancies are the order of the day, companies are forced to re-strategies and re-organise their structures and processes (Doppler and Lauterburg, 2001).

In dealing with changes in the external environment, managers need to have extensive and deep understanding of strategy, structure, systems, people, style and culture (Burnes, 1996) and how

these can function either as barriers or enablers to an effective change process. These, are summarised in four organisational features; structures, cultures, organisational learning, and managerial behaviour (Dawson, 1994; Pettigrew and Whipp, 1993; Wilson, 1992, quoted in Burnes, 1996). This is supported by Lu (2009a and 2009b) who shows that change management revolves around; **Relationship Capital** (Leadership/Managerial behaviour), **Structure Capital** (Organisational Structure), **Human Capital** (Culture, Team structure & dynamics) and **Knowledge Capital** (Learning Organisations).

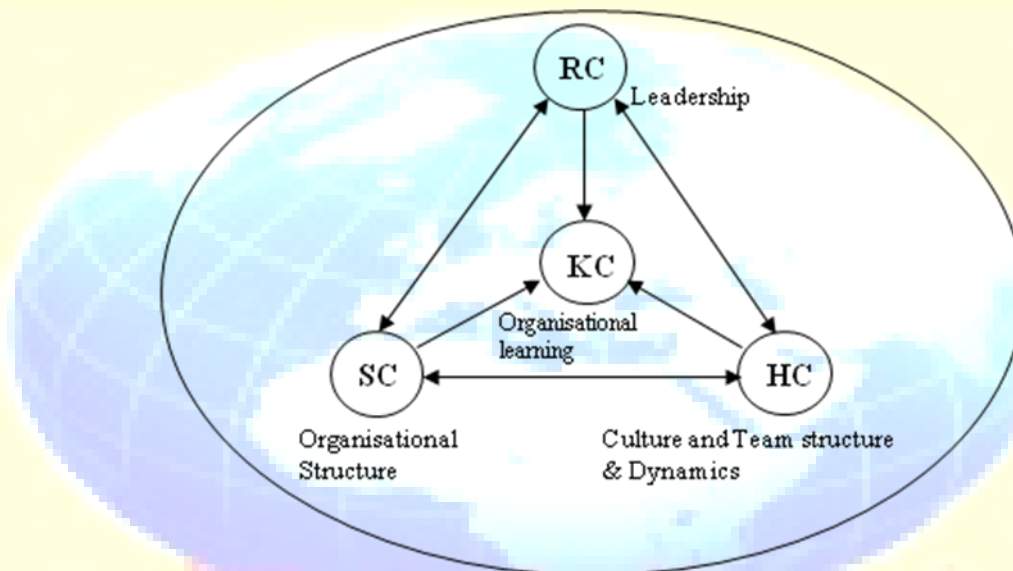


Figure 1.1: Change management (Source: Lu 2009a and 2009b)

The adverse effect of the global 'credit crunch' which started in June 2007, has changed the climate for property development in the UK (GLA Economics, 2008). Hence, housing developers are faced with tough decisions to make in order to secure competitive advantage in the market which is slowly but surely coming out of the recession.

This report is divided into two parts. Part I will discuss the integration of two companies; Large House Builder plc and Small Firm Ltd by analysing their different organisational structures, strategies and cultures, while Part II, draws out a change management plan for the next two years of integration.

1.2 Company profiles

Large House Builder Plc (LHB): Large House Builder Plc is one of the richest construction companies in the UK in terms of its financial base, raw technical skills, manpower, machinery

and equipment. It has wide reach with its regional offices spread throughout the UK and head office located in London.

Small Firm Company Ltd (SFC): Small Firm Company Ltd is a family owned housing development company in the South East of England. It started operation 10 years ago and is now among the fastest growing firms in the South East. It specialises social housing.

Throughout this document, LHB Plc and SFC Ltd shall be used to denote Large House Builder Plc and Small Firm Company Ltd respectively.

Before going into detail about the company structures and cultures of Large House Builder plc and Small Firm Ltd, it is necessary to get a brief overview of the different aspects of organisational structures and cultures in advance.

1.3 Generic Business Strategies

Achieving competitive advantage requires deliberate creation of a unique and valuable strategic position in the market, i.e. choosing different sets of activities to deliver a unique mix of value for the consumers (Mintzberg et al., 2003). Miles and Snow (2003) describe four types of strategies of organisation:

- **Prospectors** are highly innovative organisations who continuously seek to exploit new technologies and market opportunities. However, because of this, they are not efficient.
- **Defenders** are organisations who narrow their focus to improving the efficiency of their existing operations. Opposite of prospectors.
- **Analysers** are those organisations that combine both efficiency and innovation. They are midway between 'prospectors' and 'defenders'.
- **Reactors** are organisations who do not have a meaningful strategy but react in a last minute response to environmental changes.

1.4 Organisational structures

Burnes (1996) states that an appropriate organisation structure is an important lever for achieving change as it plays a crucial role in defining how people relate to each other. Mintzberg (1983, p.2) defined organisational structure simply as "the sum total of the ways in which its labour is divided into distinct tasks and then its coordination is achieved among these tasks". Johnson et al., (2008) states that organisations can either have a; **Functional, Multidivisional, Matrix,**

Transnational, or Project based structures. These are discussed more elaborately in Appendix 3.

1.4.1 The basic parts of the organisation

According to Mintzberg et al. (2003), there are six basic parts of an organisation. They are:

- **Operating Core:** bottom line workers
- **Strategic Apex:** top management control
- **Middle Line:** middle managers
- **Techno structure:** technical staff
- **Support Staff:** services employees
- **Ideology:** traditions and beliefs

These are discussed more elaborately in Appendix 2

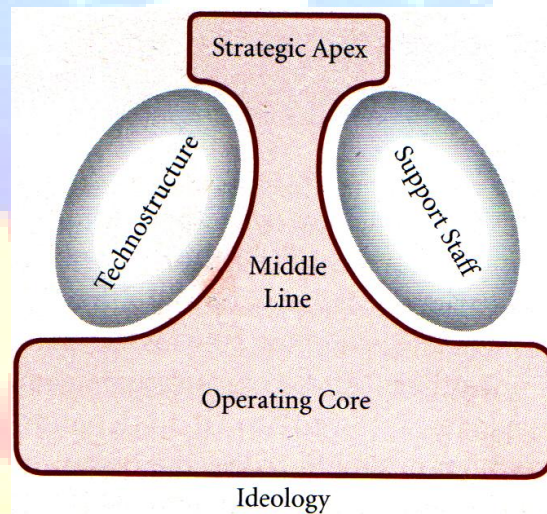


Figure 1.2: The basic parts of Organisation (Mintzberg et al. (2003))

1.4.2 The basic co-ordination mechanisms

According to Mintzberg et al. (2003), the structure of an organisation is a summary of how its labour is divided into distinct tasks and the coordination achieved among these tasks to accomplish the overall organisational objective. Mintzberg et al. (1998 and 2003) explained six basic coordinating mechanisms in an organisation:

- **Mutual Adjustment:** this takes place at the operating core. Coordination is achieved by the simple process of informal communication.
- **Direct Supervision:** coordination is achieved where one person (manager) give instructions to the operators.
- **Standardization of Work:** coordination is achieved by virtue of set standards that predetermine what is to be done and how it's to be done.
- **Standardization of Outputs:** this is specification not of what is to be done but of its result.
- **Standardization of Skills:** Coordination is achieved by the standardization of how employees must act as they perform their various duties. Therefore, everyone knows exactly what to expect from the other.
- **Standardization of Norms:** here, coordination is achieved by virtue of a shared company culture.

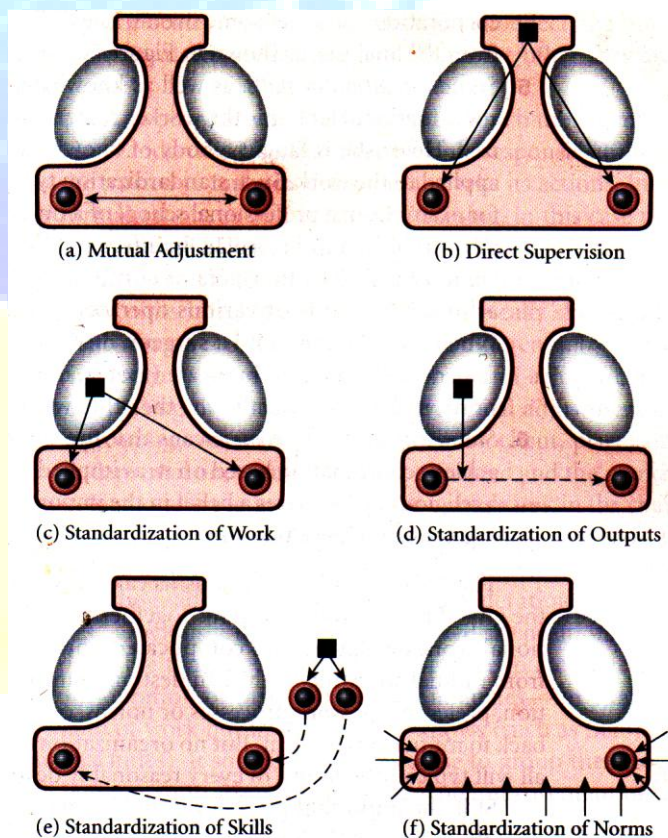
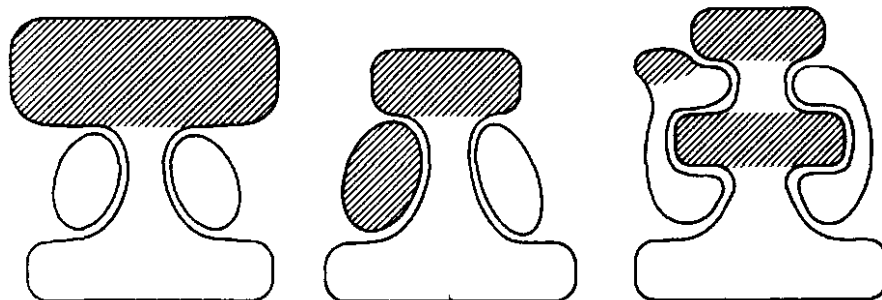


Figure 1.3: Basic Co-ordinating Mechanisms; (Mintzberg et al., 2003)

1.4.3 Types of organisational decentralisation

“Decentralisation refers to the diffusion of decision making power” (Mintzberg et al., 2003). Where one part of an organisation holds all the power for decision making or shared among several individuals in the organisation, is referred to as centralized or decentralized respectively (Mintzberg, 1983). Power sharing is relative to organisational structure. According to Mintzberg (1993) there are six types of organisational decentralisation.

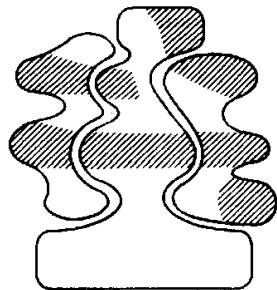
- **Vertical and horizontal decentralisation:** where all the power rests at the strategic apex
- **Limited horizontal decentralization (selective):** power sharing between techno structure and strategic apex.
- **Limited vertical decentralization:** middle managers given power to make decisions concerning line units.
- **Vertical and horizontal decentralization:** here, most of the power rest at the operating core.
- **Selective vertical horizontal decentralization:** power to over different decision is dispersed to various parts in the organisation.
- **Pure decentralization:** power is shared more or less equally by all members of the organisation.



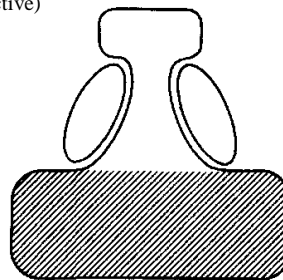
Type A:
Vertical and Horizontal
Centralization

Type B:
Limited Horizontal
Decentralization
(Selective)

Type C:
Limited Vertical
Decentralization
(Parallel)



Type D:
Selective Vertical and
Horizontal Decentralization



Type E:
Vertical and Horizontal
Decentralization

1.4.4 Project-based Structures

Lu (2009c) outlined three types of project-based structures. They are:

- **Functional structure:** this is the case where projects are structured around functional units such as; design, structural engineering, mechanical engineering, contract administration etc.
- **Matrix structure:** here, two chains of command exist (functional manager and project manager), thus, project team members report to both functional and project managers
- **Project structure:** project is led by a project manager with full authority.

1.4.5 The Organisational configurations

According to Mintzberg et al. (2003), organisational configurations are a direct result of pulls exerted on the organisation by each of its parts. They introduce seven resulting configurations namely: **Entrepreneurial, Machine, Professional, Diversified, Innovative (Adhocracy), Missionary and Political Organisations.** This is elaborated in detail in Appendix 3.

Table 1.1: Organizational Configurations (Mintzberg et al., 2003)

CONFIGURATIONS	PRIME COORDINATING MECHANISM	KEY PART OF ORGANISATION	TYPE OF DECENTRALIZATION
Entrepreneurial organisation	Direct supervision	Strategic Apex	Vertical and horizontal centralisation
Machine organisation	Standardization of work processes	Technostructures	Limited horizontal decentralization
Professional organisation	Standardization of skills	Operating core	Horizontal decentralization
Diversified organisation	Standardization of outputs	Middle line	Limited vertical decentralization
Innovative organisation	Mutual adjustment	Support staff	Selected decentralisation
Missionary organisation	Standardization of norms	Ideology	Decentralization
Political organisation	None	None	Varies

1.5 Organisational Cultures

Diagnosing the prevailing culture of an organisation can help inform the type of change needed as well as determining its readiness for the change (Johnson et al., 2008). This is supported by Clerke (1994, cited in Burnes 1996) affirming that the essence of sustainable change is to understand the culture of the organisation that is to be changed. Culture issues have to do with vision, mission, values, believes, myths etc. Cameron and Quinn (1999) identified four types of cultures that can be found in an organisation using their Competing Values Model; Clan, Hierarchy, Adhocracy and Market.

Table 1.2: Analysis of Company Structures and Cultures of LHB Plc and SFC Ltd

COMPANY	LARGE HOUSE BUILDER PLC (LHB)	SMALL FIRM COMPANY LTD (SFC)	DESIRED INTEGRATED COMPANY
Strategy	Analysar	Prospector	Analysar
Structure Of Organisation	Multidivisional	Project-based	Multidivisional
Organisational Configuration	Diversified	Entrepreneurial	Diversified
	<ul style="list-style-type: none"> Standardization of outputs Middleline Limited vertical decentralization 	<ul style="list-style-type: none"> Direct supervision Strategic Apex Vertical and horizontal centralisation 	
	Culture	Hierarchy	
Leadership	Authority	Team leader	Team Leader
Project-level Structures	Functional Matrix	Project matrix	Functional Matrix

1.6 Integration of Structure and Cultures

1.6.1 Business Strategy

The integration of companies with different business strategies will either result in one abandoning its strategy and adopting the other company's strategy or formulation of a new strategy. The new strategy could be *"to be the leading organisation in the social housing sector by the next 10 years"* The new LHB plc Company will have an Analyser-oriented business

strategy which will incorporate SFC's prospector orientation into a new Research and Development department where the company develops more efficient ways of working and improving the performance of social housing. The company will continue to watch the market closely for any new but profitable product.

1.6.2 Organisational Structures

A change like this that requires an integration of two companies with different structures requires reorganising and redesigning of structure. There is a need for appropriate accountability, reporting systems, information and authority, and resource allocation to be defined in order to sustain or improve performance against the organisations strategic objectives (Carnall, 2003). Since LHB plc has a multidivisional structure with regional branches and SFC Ltd is itself a regional company in the South East of England, the integration of both companies implies an additional regional branch to the structure of LHB plc. This suggest that the Managing Director and owner of SFC Ltd will; no longer assume ownership of his company, but will rather become a regional manager (General Manager: South East) and will join the line managers under the Director of Operations.

The now, LHB South East regional branch (former SFC LTD) will undergo restructuring this will include:

- The formation of project management department which will incorporate the units of project managers and project enquiries, construction, and project services.
- Changing of names of departments; Contracts/Quantity surveying to Procurement department and Architectural to Design department.
- the project based structure of SFC will cease to exist and functional heads given more authority than the project managers as is the case in the other regional branches

Also, a Research and Development department will be formed at the head office for the development of efficient working processes and improving performance in product. This will mean that LHB plc will still have a Diversified organisational configuration. See Figure 11

1.6.3 Culture

The culture of LHB plc will still remain the Hierarchy culture. However, regional managers are encouraged to foster greater openness and be less authoritarian in their leadership. Stronger relationships and a more open decision-making style will be the basis for dealing with conflicts, implying that regional managers will strive at becoming team leaders.

As was argued earlier, organisations sees managers as those that will champion the change process by being facilitators and coaches who, through their position as leaders, can bring together and motivate teams and groups to identify the need for, and achieve, change (Burnes 1996). However, Clerke (1994) states that the key to a successful organisational change is managers' own behaviour. If managers are to gain the commitment and participation of its employees in the change process, they must first be prepared to challenge their own assumptions, attitudes and mindsets so that they develop an understanding of the emotional and intellectual process involved (Buchanan and Boddy, 1992b; cited by Burnes, 1996).

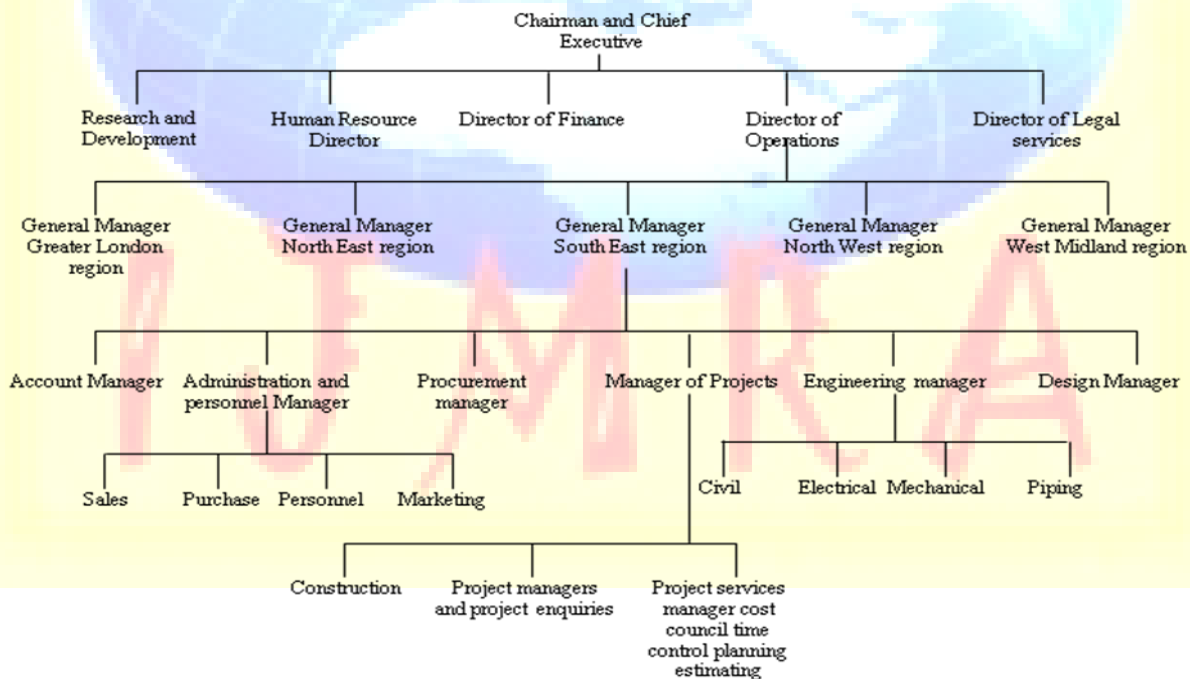


Figure 1.11: Structure of New Integrated Large House Builder Plc

PART II

1.7 Change Management Plan

As stated earlier, change management is an attempt to modify or transform organisations in order to maintain or improve their effectiveness (Hayes, 2002).

Mintzberg et al. (2003) states that there is no formula for transforming any organisation. Therefore, organisations have to diagnose the context of the change they are faced with and adopt an appropriate approach (Johnson et al., 2008). Burnes (1996) also argued that in order to cope with wide variety of types of change, there is a need for developing a corresponding variety of approaches to manage these changes that is, matching particular type of change to its appropriate change management plan.

1.7.1 Top-Down Commitment to Become the “Best Of the Best”

Inferring from the statement made by President and CEO of Delnor Hospital, Craig Livermore, organisational change, managers should not make the mistake of focusing first on finding the right change management model (Carter et al. 2005 p.46). Livermore observes that the best system or model in the world isn't going to do any good to an organisation unless they have a top-down commitment to making it work. He states “...the board of directors, CEO, and senior management team have to be firmly and passionately committed to becoming the ‘best of the best’...it's absolutely imperative that they recognise the need for major change and be the catalysts for making it happen” (Carter et al. 2005 p.46). Hence the management of LHB Plc have to set the tone and direction for the change that has taking place in the company.

1.8 Implementing the Right Model for Organisational Change

Literature provides a variety of change management approaches to managing change. One of the widely used and perhaps the most popular approach is the Lewin's Three Step Model. His Three Step Model explains follow a process of: **Unfreezing existing behaviour, Changing behaviour, and Refreezing new behaviour** (Cole, 2004). This recognises that before new behaviour can be completely and successfully adopted the old behaviour has to be completely discarded (Burnes, 1996). The unfreezing stage is aimed at getting people to accept the change and educating them on the need for the change. The change stage is mainly developing new behaviour, attitudes, values, and actions and helping the people to acquire ownership of the changes through

redesigning of organisational structures and processes and ultimately preventing a relapse into the old ways of doing things (Cole, 2004; Burnes, 1996). Cole (2004) argues that the role of a change agent at this stage cannot be overemphasized. This is the person who is responsible for helping the employees to accept new ideas and practices. The refreezing stage is aimed at consolidating and reinforcing the changed behaviour by the use of various support mechanisms (encouraging, promotion, participative management style, more consultation, etc.).

The three step model provides a general framework for understanding organisational change. However, it is relatively broad and, for this reason, writers have attempted to elaborate on it by developing further steps under the three stages (Burnes, 1996). For example, Kotter (1996,

Table 2.1: The Two Years Change Management Plan



STEPS		ACTIVITY	WEEKS	MONTHS
1	Establishing a sense of Urgency	Establish and communicate the negative effects of the global 'credit crunch' on the LHB plc and the decreasing trend of the company's market share. Establish the profitability of the social housing sector and communicate it as a 'gold mine'	12 weeks	1 st to 3 rd month
2	Forming a powerful guiding coalition	The guiding coalition should first constitute; the CEO and chairman, all Regional managers for the first 6 months then subsequently, any individuals with interest in facilitating the change process.	2 weeks	4 th month
3	Creating a vision and strategy	Creating a vision to help direct the change effort. For example – Becoming the Largest provider of social housing in the UK in the next 10 years Developing strategies for achieving that vision	10 weeks	The 4 th month initial draft then the 6 th month - sound vision
4	Communicating the change vision	Using every possible vehicle such as: leadership meetings, employee forums, company memos and emails, employee newsletters, management and departmental meetings to communicate the new vision and strategy The guiding coalition should 'walk the talk' as well as employees adopting the 'managing-up' technique	84 weeks	5 th – 24 th months
5	Empowering others to act on the vision	Getting rid of obstacles to change through: education and persuasion (training and development) on aspects of the social housing sector, participation and involvement, facilitation and support, negotiation and agreement, manipulation and cooption and direction and a reliance on explicit and implicit coercion. Create a Research and development department and select innovative people who will seek to inform the company on the market direction	84 weeks	5 th – 24 th months
6	Planning for and creating short term wins	Commitment to build 30,000 houses across the UK and Recognising and rewarding employees in the improvements	80 weeks	6 th – 23 rd months
7	Consolidating gains and producing more change	Using increased credibility to change systems, structures and policies that can 't fit the vision Hiring, promoting and developing employees who can implement the vision Reinvigorating the process with new projects, themes and change agents. The next goal will be 'Winning the award of 'Best sustainable developer of the year' from the Sustainable Procurement Task Force' in the next one year.	4 weeks	23 rd month
8	Anchoring new approaches in the culture	Articulating the connections between the new behaviour and corporate success by Developing the means for leadership development and succession	4 weeks	24 th month

1.8.1 Establishing a sense of Urgency

Unfreezing behaviour involves alerting organisational members to the need for change and motivating or cursing them to let go of the traditional ways of doing things (Hayes, 2002). However, this is not always easy. Most successful change efforts begin when some individuals or some groups start by gathering hard information on the company's competitive situation, market position, technological trends, and financial performance and then communicate this information broadly and dramatically, especially with respect to crises, potential crises, or great opportunities that are very timely (Kotter, 1995).

The top management of the now LHB integrated company should facilitate a frank discussion of, first: potentially unpleasant facts about the adverse effect of the global 'credit crunch' on the company, about new competition, shrinking margins, decreasing market share, flat earnings, a lack of revenue growth, and other relevant indices of a declining competitive position. Second: point out the obvious opportunity in the social housing market and communicate this as a gold mine. This is true because publications indicate that the social housing market was not affected by the global credit crunch and most especially that the UK government is now budgeting more on social housing development (GLA, 2008). Therefore, the company needs to move fast and dominate the market ahead of competitors, hence the decision to acquire SCF Ltd. See section 1.6 and 1.7. The former will inform everyone on the seriousness of the situation and the need to act fast and make change, while the latter will serve as a motivation for change. This will take about 1-3months to establish.

1.8.2 Forming a powerful guiding coalition

After establishing the need and urgency for change, the next step is to put together a group with enough power and credibility to initiate the required change program (Kotter, 1995). Inferring from Kotter (1997) Pfeifer et al. (2005, p.302), state that "a strong leadership coalition is indispensable". These people are the ones who will make the acquisition of SFC smooth. Even though this is without upheavals the guiding coalition will have create several new departments, renaming of departments, promoting and transferring and possibly dropping staffs. See section 1.8

Kotter (1995) recommends that for a successful transformation, the chairman or president or division general manager, plus another 5 – 50 people should come together to form the coalition

team. This consists of only three to five people during the first year of the renewal effort. He suggests that senior managers form the core of the group, but sometimes board members, stakeholders or a representative from a key customer could form part of the team.

Hence, the coalition team for the first year of integration will be; the Chairman and CEO of LHB Plc, the Director of Operations, and all the regional managers including the former Managing Director of SFC Ltd and now General Manager LHB: South East Region. The former SFC Ltd Managing Director will be a key change agent in the guiding coalition because he has a lot of experience in the social housing sector and understand the power of collaborative working and team leadership. The guiding coalition should take at least 2 weeks to create. For the second and subsequent years, the leadership coalition should grow up to 20 - 50 people in order to lead to necessary change.

1.8.3 Empowering others to act on the vision:

To some degree, a guiding coalition empowers others to take action simply by successfully communicating the new vision, but in itself, it is insufficient to remove obstacles to the change process (Kotter, 1995). Burnes (1996) recommends that managers must recognise and be able to cope with resistance to change. Adam's (1987: cited in Carnall, 2003) classifies these blocks under five headings; perception blocks, emotional blocks, cultural blocks, environmental blocks and cognitive blocks. The strategy advocated by most writers is to identify blocks in the force field analysis. This helps to identify the pressures supporting old traditions and change obstacles as well as change drivers (Johnson et al., 2008).

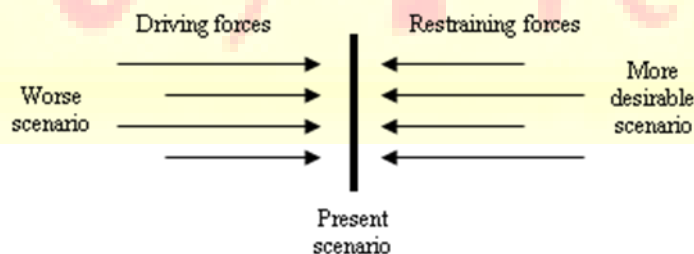


Figure 12: Force field analysis Source; Hayes(2002)

The coalition team of LHB Plc will have to work hard at encouraging other managers and employees to change their behaviour. Managers will have to remove blocks to change by;

simplifying complexities in the change, remove fear of taking risks and making mistakes, remove external threats, and give appropriate support. Kotter (1995) advised that if the blocker is a person, he or she should be treated fairly and in a way that is consistent with the new vision. Hayes (2002) proposes the use of Kotter and Schlesinger (1979) six methods for dealing with resistance:

- education and persuasion (training and development)
- participation and involvement
- facilitation and support
- negotiation and agreement
- manipulation and cooption and
- Direction and a reliance on explicit and implicit coercion.

1.8.4 Planning for and creating short term wins:

Complete change in company's culture and processes takes a long time, usually five to ten years (Kotter, 1995). In order to sustain the momentum, Kotter advises leaders of change to seek short-term wins and plan visible performance improvement that can be celebrated along the way. He states that most people will not go along with the stress of change unless they see compelling evidence within 12 to 24 months that the journey is producing results. Therefore, the guiding coalition of LHB Plc should actively look for ways to obtain clear performance improvements, establish yearly goals, achieve these objectives, and reward the people involved. Such an objective could be; to produce 30,000 houses to meet the growing demand of affordable housing.

1.8.5 Consolidating gains and producing more change:

Kotter (1995), advocates that while celebrating a short-term win is fine, declaring the war over is dangerous. He adds that premature celebration of victory kills momentum and opens the door for old traditions to suffice. Because changes take a long time to sink, LHB's achievement of its short-term goal of 30,000 social housing should not bring complacency but rather motivate leaders to tackle bigger problems and cause more changes like changing systems and structures that are not consistent to the transformation vision, promote employees or hire individuals who can give impetus to change, and set up reengineering projects. For example, former SFC Ltd employees who are having problems with the changes of increased accountability, line of

authority, and the formal nature of things can be transferred to other regional branches and provide training. That is, if the company can't afford to lose them.

1.8.6 Anchoring new approaches in the culture:

After consolidating gains and producing more changes, leaders need to ensure that the changes are anchored in company culture (Pfeifer et al., 2005). Change is complete when the new behaviour becomes the social norms, values, culture and pattern of doing things in the company (Kotter, 1995). The notion is that the organisation will move successfully from the state of the unconscious incompetent to that of the unconscious competent (see Figure 14), where the organisation has now mastered change that it no longer thinks about it (Carnall, 2005).

According to Kotter, two factors are vital in anchoring change in corporate culture. The first is a conscious step to show how the new approaches, behaviour, and attitudes have helped improve performance. And second, is to take sufficient time to gather knowledge of how the employees dealt with the change. This is to ensure that the next generation of top management understand and personify the new approach which will enable them to react more quickly and more flexibly to pressure to change in future situations (Pfeifer et al., 2005; cited by Kotter, 1995).

Finally, the guiding coalition and the senior management are advised to consolidate the change process through organisational learning. Hayes (2002) argues that achieving sustainable competitive advantage depends on the ability of the company to learn from their experience and use this learning to enhance their collective ability to act more effectively in the future (See Figure 13). Collective learning is one of the main preconditions for sustainable change that ensures the full implications of an organisation's view of its environment and can subsequently inform actions over the long-term and, in turn, the way in which future shifts in the environment are approached (Pettigrew and Whipp, 1993:18; cited by Burnes, 1996).

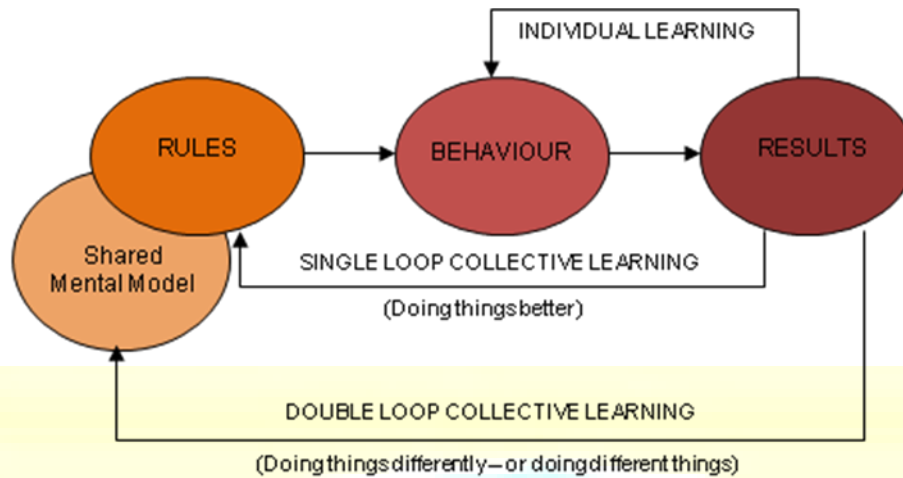


Figure 13: Individual and collective learning in organisations. Source: Hayes(2002), adapted from Swieringa Wierdsma (1992)

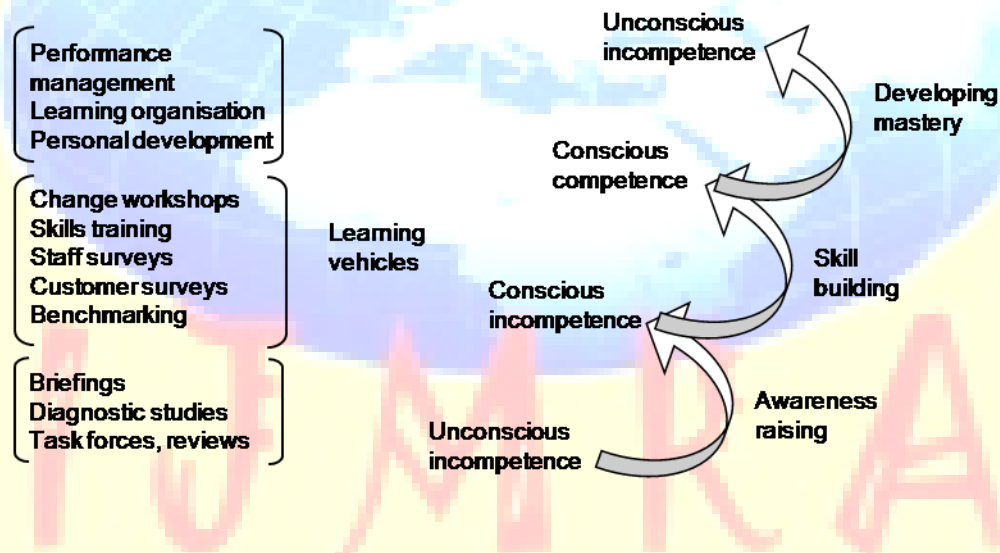


Figure 14: Competence development in change (Source: Carnall, 2003)

1.9 Conclusions

As change is inevitable in organisations, managers have to understand the structure and culture of their organisation in order to cause successful change. Large House Builder Plc and Small House Company Ltd have successfully integrated into one company and now have a common strategy, structure and culture. However change is not always a welcomed idea in organisations, hence, a need to manage the change from a top-down commitment via an appropriate change management strategy. A 2 change management plan has been prepared for Large House Builder

Plc to use to effective cause a smooth transition. This plan is based on Kotter's change management model which incorporates eight steps.: establishing a sense of urgency, forming a powerful, guiding coalition, creating a vision and strategy, communicating the change vision, empowering others to act on the vision, planning for and creating short term wins consolidating gains and producing more change, and anchoring new approaches in the culture. Lastly LHB is encouraged to properly anchor change by becoming a learning organisation.

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