



Ministry of Education and Science of Ukraine
Sumy State University
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of Finance, Economics and Management

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CHANGE MANAGEMENT

Lecture notes

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CHANGE MANAGEMENT

Lecture notes
for students of the specialty 073 “*Management*”
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Topic 1. Business Process: Key Terms and Classification

1.1. Business Process Definition

1.2. Business Process Structure and Classification

1.3. Organization of Enterprise Structure, Based on Business Process Management

1.1. Business Process Definition

Over the last 20 years, the scientists have paid close attention to the study of business processes, process approach to management, especially in the context of reengineering. The greatest success in this matter was achieved by the following scientists: M. Hammer, James A. Champy, M. Robson, Ph. Ullah, T. H. Davenport, P. Strassmann, H. James Harrington, J. E. Short, Kai A. Simon, J. Teng and others.

Studying foreign experience in using fundamentally new progressively managing systems in the various business fields, we draw attention to the fact that in the late 80-s and early 90-s, those systems have experienced major reorganization changes. The process-based management of enterprises has become the basis for such changes. The survey conducted by IDS Scheer and PAC (Pierre Audoin Consultants) last year in such countries as Germany, Austria and Switzerland has shown that about 80 % of respondents use the concept of process-based management. At the same time, most people note that a successful transition to such a management system requires the support of top management.

System of business-process management of enterprises became popular due to its flexibility and focus mainly on meeting the customer needs. The main task for enterprises during the transition to the process-based management is a full and comprehensive description and regulation of business processes as well as definition of their optimal condition and interaction. At the same time, in many cases the enterprises must be completely restructured and must develop new business processes, namely, they need reengineering.

Such giants of industry as Ford, General Motors, Duke Power and Deere & Company have experienced business-process reengineering in the past. According to Anderson B., business process is a chain of logically connected repeated actions, as a result of which the resources of enterprises are applied to transform an object (physically or virtually) in order to achieve some measuring results or products to satisfy needs of internal or external consumers.

J. Harrington considered business process as “a logical, consequent, interdependent set of tasks, which use resources of a supplier, create value and give result to the customer”.

M. Robson pointed out that business process is a flow of work that transforms from one workers to another, concerning the great processes – from one subdivision to another. The following logical question is: “What boundaries do business processes have according to this definition?”

J. Martin defines business process as a flow of values in the form of variety of finished linked actions, which in combination create some ready-made products, that has a use value for customers.

V. G. Eliferov and V. V. Repin provide a more relevant definition of changes in the process approach. According to them, business process is “a stable, purposeful combination of interdependent types of activities, which in case of a suitable technology, transforms inputs into outputs that are values for consumer”.

1.2. Business Process Structure and Classification

An important aspect of this definition is the absence of constraints, as certain constraints must be created for any business process that has initial and final results. Many scholars view business process input as a product that needs to be processed and converted into output. Output is a tangible object or service that is the result of the execution of a process and external towards the process customers. Each business process has its own resources. Therefore, business process resources are those elements that are used for the process execution, but are not its input. Nevertheless, the flows of the

creation of business process value can divide into material and informational ones. Material flows are the above-mentioned input, output, and the resource of the process; informational flows are plans and goals, information about the process, information from consumer of the process, management decisions of the process host, and process reports.

The scientists have different approaches to business processes classification. Therefore, the researchers from the USA Plymouth University have developed the hierarchy of business processes that has five levels. Here, the processes are divided into three main groups: “production”, “management”, and “support”. As the result of the Norwegian Project TOPP according to comparative benchmarking, the more applied approach to classification was offered. In this research, all business processes were divided into primary and supportive (auxiliary). Some of the supportive processes, afterwards, were put into the separate class – development processes. Three groups of the processes are defined as follows:

Primary processes – main processes of the enterprise that create value.

Supportive processes – do not create the additional value, but are needed to support the main ones.

Development processes – processes that allow the creation of the value chain in the main and auxiliary processes at a new level of indices (parameters).

The general classification of business processes of the enterprise is presented in Table 1.1.

Later, the processes of management were also put into separate class. The management processes are the processes that monitor activity of the whole organization, meaning they have management influence on activities of the other processes.

In many cases, they are the processes of forming the enterprise strategy, planning and managing business.

Table 1.1 – General classification of business processes

Process types	Characteristics	Customers
1	2	3
Main	Purpose of the processes - creation of main products. Result – end product. Matter to the consumer	– external customers – end consumers – internal customers – other processes in the organization
Auxiliary	Purpose of the processes – ensuring the operation of main processes. Result – resources for main processes. Activity has nothing to do with main processes. The processes add value to the product	internal customers – other processes in the organization
Management processes	Purpose of the processes – management of all activities of the organization. Result – direct activity of the organization	– owners of the organization – consumers – personnel – suppliers, subcontractors – community

1.3. Organization of the Enterprise Structure, Based on Business Process Management

After termination of the USSR, the Ukrainian industry was affected by unfavorable external conditions, which led to the rupture of traditional economic ties, a decline in production, difficult-to-predict economic policy of the government, inflation, and market imbalance. Most Ukrainian industrial enterprises were forced to cope with crises that had appeared due to the above-mentioned factors. In their studies, most scientists paid their attention to the fact that the

crisis is a logical stage for enterprise development. It appears due to depletion of some business resources. In case the company does not have spare production resources, the crisis transfers to the critical stage. Key issues arise in case of crisis signals:

- 1) Where from and why the crisis may appear?
- 2) What innovations are to be introduced to cope with the crisis?

Most soviet enterprises were built record-high and chaotic, therefore, economic, demographic and social factors were not always considered. Those companies that appeared to be deprived of resources and markets were liquidated first. To manage enterprises in such conditions, a traditional functional system was used, until competitive products made in more favorable conditions appeared on the market. A range of such enterprises was narrow and specialized unlike the universal range of the Soviet enterprises. Therefore, in the context of changing principles and technologies, strengthening competitive positions in the market and developing an effective mechanism for enterprise development, the functional management system has become unsuitable for further use. According to the analysts' calculations, while using the functionally based management system, the time of interaction between the subdivisions is allocated as follows: 20 % - working time and 80% - transferring the results to the next performer.

Functional management generates many difficulties because such structures have a very limited understanding and are not interested in anything that does not concern them directly. Another negative factor considered was a destroying competition between the functional subdivisions of the companies, sometimes coming to the fore, despite of the struggle against the external competitors. Activity of domestic industrial enterprises worn out over a long period of traditional management system that led to the systematic failures in all vital work processes. The failures appeared because of inflexibility, rejection, inattention to customers, direct focus on the performance of work, but not on the results; lack of innovations; permanent bureaucratic obstacles, and inconsistency of interacting subdivisions.

A well-known scientist Sheer has described the functionally based organization of enterprise management (Fig. 1) as such that

does not stimulate the employees' interest in the result because, to his opinion, the evaluation system of their activities is not related to the overall performance of the enterprise. One should note that the main disadvantage of such an organization, he considered the distortion of information flows during their transmission (the law of information entropy). Distortion occurs due to the transmission of information in a natural way, that is, by human linguistic means.

According to many scientists, the best optimization option for industrial enterprise activity is an option when most subdivisions interact directly with the customers and execute the customers' orders, using the shortest technological chains. It can be done in case of systematization and structuring business processes and determining their "owners". The formation of the portfolio of such enterprise activities may be considered as the main task at the current stage of the enterprise reorganization. These activities support long-term stable operation with sustainable development of its potential.

The idea elements of the process-based approach to management first appeared in the works of Henri Fayol. This French practitioner and scientist is called a "father" of the management theory. In his works he singled out and described six functions of the enterprise as technical, commercial and financial activities, security, accounting (audit, bookkeeping, and statistics), and management.

A process management approach gains more popularity and its main advantage is a direct orientation towards a customer of products or services. An impetus to implementation of the process approach was some exhaustion of competition opportunities due to reduction of industrial costs, implementation of new production technologies, and hence the need to reduce the costs of the product by reducing administrative costs.

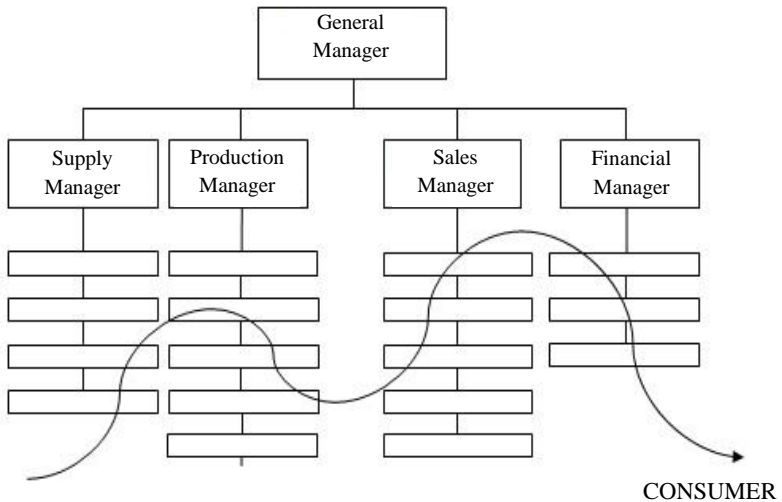


Figure 1.1 – Generalized functional structural diagram of the traditional organization of enterprise management

The process approach leads to a simplification of the multi-level hierarchical structures of the organization, which provides a greater customer orientation of the organization. Due to hierarchical levels of reduction in the organizational structure, the process approach allows us to simplify the information exchange between different subdivisions. The transition to a process approach reduces isolation between departments and officials. It allows you to see activities in the quality management system not statically, but in dynamics, when activity in the system is constantly improving based on appropriate measurements and analysis in order to focus management's attention on the interaction of departments and officials. It makes it possible to exclude "foreign fields", namely, areas of activity that fall outside the system of influence of quality management.

After reengineering and subsequent implementation of the process approach in management, all divisions of the enterprise should focus not only on performing the functions of the business

process, but also on ensuring the continuous operation of the relevant functions of the business process.

Control Questions

1. Which scientists worked at the business-process research questions?
2. Which countries were the first to introduce process-oriented business management?
3. What is the difference in the approaches to the definition of “business process” by different world scientists?
4. What parameters of effectiveness are used to evaluate business process?
5. Define primary business processes.
6. Define supportive business processes.
7. Define development of business processes.
8. Name characteristics of main business processes.
9. Name characteristics of supportive business processes.
10. What is the difference between traditional management system and process management system?

Topic 2. Essence of Business Process Reengineering

2.1. Goals and Tasks of Reengineering

2.2. Essence and Principles of Business Processes Reengineering

2.3. Classification of Business Processes Reengineering

2.1. Goals and Tasks of Reengineering

The use of reengineering is necessary due to the high dynamics of the modern business world. Meanwhile, in the perception of foreign management, reengineering is exactly the method that allows you to analyze the activities of enterprises in different ways, which helps to create an integral and transparent system of business processes, and most importantly, an effective one.

American scientists M. Hammer and J. Champ, the ideologists of reengineering, have given a fundamental definition of this concept in their work "Reengineering of a Corporation. Manifesto of the Business Revolution": "Reengineering is a fundamental rethinking and radical restructuring of the business process in order to radically improve the most important modern performance indicators (cost, quality, service and timeliness)." This definition bases on the concept (from scratch", which means a complete redesign of business technologies at the micro- and macro-levels.

Business process reengineering is preferable in three main cases, when:

1. The organization is close to collapse due to the inability to maintain competition, so it has no choice not to go broke
2. The organization is at risk and its forecasts are not very good
3. The organization has sufficient capabilities, but wants to improve constantly in order to find the best options for radical changes and development.

From the standpoint of achieving the goal and identifying processes subordinate to changes, reengineering is the most attractive tool on the way to the rapid improvement of the main performance indicators of business entities, but its main drawback is very significant losses (monetary as well as resource). Therefore, there is

a huge risk that the company, when investing, may not achieve the desired result.

Reengineering of business processes studies the root cause of the phenomena, influences them and, as a result, creates systematically positive conditions for successful operation of the business in the whole. A prerequisite for successful reengineering is the creation of a business structure that has a single system of values and accounting.

Reengineering as an innovative tool solves the following tasks:

- It determines the optimal consequences of executive functions, which reduce the duration of the cycle of production and sale of products and services, as well as customer service, which leads to an increase in capital turnover, as well as to the growth of all economic indicators of the company

- It optimizes the use of resources in different business processes. As a result, costs are reduced to a minimum and the various activities are optimally combined

- It builds business processes aimed at quick adaptation to changes in the needs of end users, production technologies, the behavior of competitors in the market, and other dynamic characteristics of the external environment

- It determines rational models of interaction between partners and customers, resulting in an increase in profits and optimization of financial flows

- It synchronizes and coordinates the simultaneous execution of processes.

2.2. Essence and Principles of Business Processes Reengineering

The S-curve in Figure 2.1 demonstrates business process reengineering. The diagram shows two curves (marked with bold and dotted lines) representing alternative ways of the company development. At (coordinate) point 1, for good reasons (low performance, the threat of bankruptcy, etc.), an important management decision is made regarding "curative" actions. The first stage (t1t2) characterizes the faster growth of one option and less

rapid growth of the other, but at point 2 the situation changes dramatically, since in the segment t_2t_3 one curve continues to grow and the other stops.

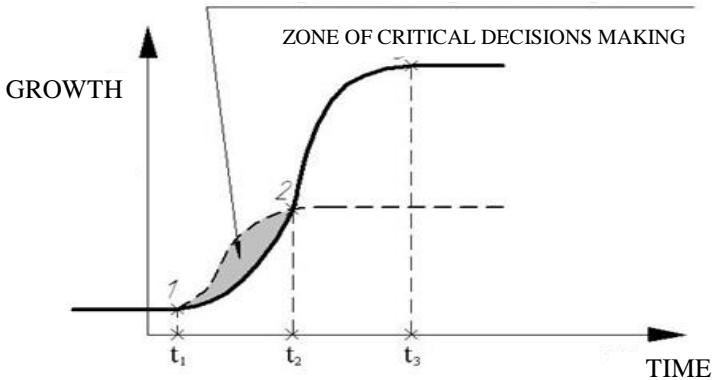


Figure 2.1 – Intersection of S-curves of two options of the company development

The growing curve shows the stage when a person decides to stop trying to improve the existing situation and proceeds to develop new methods. Scientists see this as superimposing a new growth curve on an old one. The diagram clearly shows a quick leap of development in conditions, when $t_1t_3 \rightarrow \min$. The leap itself in a short time interval characterizes the reengineering of a business product. The dotted line curve also has the right to exist, but only if it is necessary to increase more than 5–10 %.

In order to execute successfully the assigned tasks, the following principles of reengineering are distinguished:

- Horizontal compression of business processes
- Decentralization of responsibility (vertical compression of business processes)
- The logic of implementation of business processes
- Development of different options for business processes
- Rationalization of horizontal links
- Rationalization of management impact

- Preservation of the positive aspects of centralization of management
- Culture of problem solving
- Rationalization of communication "company-customer"
- Authorized manager
- Transition from functional units to process teams.

It is also necessary to disclose the possibilities of reengineering:

1. At the macroeconomic level, the use of reengineering tools contributes to the growth of GDP (gross domestic product) at the expense of more efficient sectors of the economy, and contributes to the growth of employment and exports, while reducing the shares of less efficient sectors

2. At the meso-economic level – because of changes in the structure of demand and the system of expenditures – the regions, with the help of reengineering, can modernize unprofitable enterprises, as well as develop and introduce new profitable types of products

3. At the institutional level, reengineering makes it possible to improve the infrastructure as well as to change the composition and functions of internal (domestic) institutions, and affects the development and support of new institutions at all levels of the economy.

At the micro level, reengineering changes almost all aspects of the functioning of the enterprise, which are closely related to each other.

Figure 2.2 shows the stages of reengineering. At the stage of documenting and regulating a business process, it is very important to collect accurate and most truthful information about its activities. To do this, enterprises should have special provisions (clauses) on documenting business processes.

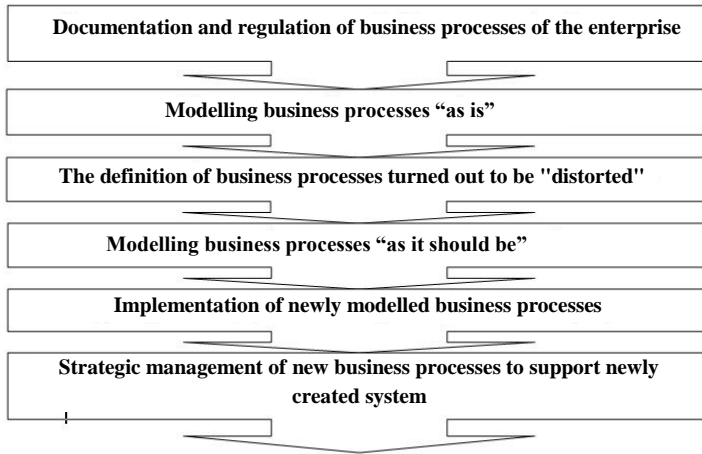


Figure 2.2 – Stages of business processes reengineering

The regulations must contain the following elements:

- Goal and field of application
- Terms and definitions
- Goals and objectives for documenting business processes
- Classification of business processes
- Business process indicators
- General requirements for business process model
- Recommendations for documenting business processes
- The form of documenting the results of the description of business processes
- Recommendations for organizing the audit of business processes.

2.3. Classification of Business Process Reengineering

We know that reengineering is based on a significant redesign of the business processes of an enterprise to achieve significant improvements in a short period. It should be mentioned that many managers are mistaken, considering the simple improvement processes bringing less significant effect to be reengineering. This is

where a misinterpretation of the instrument itself and a deviation from its basic principles arise. Until recently, understanding reengineering and the lack of an accurate classification created certain difficulties. The researcher L. M. Taranyuk, who described the classification features of business process reengineering, solved the problem.

Reengineering of an individual business, a group of business processes, and an entire enterprise can be represented in scale (by size). Meanwhile, reengineering can be carried out both at the expense of our own and borrowed funds. In connection with this division, a classification feature “provision” is introduced.

Reengineering activities can be carried out using both our own resources and external sources (as a rule, these are consulting firms). Accordingly, there is one more feature in this classification - “means of realization”. Therefore, according to the methods of implementation, the author divides reengineering into reengineering, performed by specialists of the enterprise, and reengineering, carried out by involved specialists.

At the macro level, as mentioned above, reengineering is also an effective tool. Therefore, in this aspect, the author of the classification divides reengineering into social, economic and political. Figure 2.3 demonstrates a diagram of the existing classification.

One more feature has been added to the existing classification – “according to the number of redesigned business processes”. According to this function, we subdivide reengineering into mono-process and multi-process.

Single process reengineering is reengineering when only one business process is redesigned with the basic principles in mind.

Multiple process reengineering is reengineering in which two or more business processes are modified according to the basic principles.

Number of business processes in the poly process reengineering can be unlimited and depends on their decomposition. In practice, when analyzing the activities of the enterprise, approximately 8-12 business processes can be singled out, while only one or all the

twelve business processes can be “distorted”. That is why there appears a need in implementation of single or multiple process reengineering.

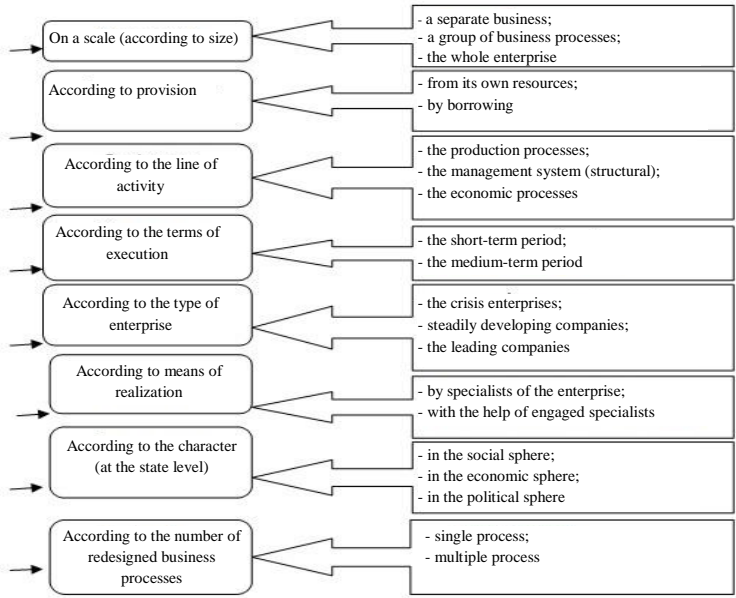


Figure 2.3 – Classification of business process reengineering (BPR)

Such division can solve the following important tasks:

- It allows us to structure reengineering in a difficulty level
- It creates the basis for economic tools to carry out each of the innovative types of reengineering
- It forms the approaches for rational distribution of company resources in reengineering
- It allows us to single out the elements of the benchmarking groups (the leading enterprises, that successfully carry out reengineering)
- It expands methodical approaches during the development of reengineering projects.

Control Questions

1. Under what conditions is reengineering of business processes required?
2. What are the names of the main ideologists of business process reengineering?
3. When is it advisable to reengineer business processes?
4. What tasks does reengineering as an innovative tool solve?
5. Characterize the main principles of reengineering.
6. What are the main features of business process reengineering?
7. What are the stages of reengineering?
8. What are the main classification features of business process reengineering?
9. What is the difference between a mono-process reengineering and a multiple-process reengineering?
10. How many business processes do you need to change with multiple-process reengineering?

Topic 3. Business Process Reengineering Technology

3.1. Stages of Business Process Reengineering Project

3.2. Development of the Business Model of the Organization

3.1. Stages of Business Process Reengineering Project

Each company may have an organizing resource, which is responsible for development and supports business processes of the company. In small companies, this resource may not be clearly identified, but be part of the management apparatus. Usually, this resource represents a group of business development (business processes). At the input, this group has new goals as well as at the output – the changed company. The reengineering project usually comprises four stages:

1. ***Identification of business processes and the formation of the image of the future company***, that is, specification of the main goals of the company, based on its strategy, customer needs, the general level of business in the industry, and the current state of the company (all this is determined based on the analysis of any leading firms in the related industry that are not competitors and ready to provide any necessary information about themselves)

2. ***Creation of an existing company model (also called reverse or retrospective reengineering)***. At this stage, the managers, with the help of the developers of informational systems, develop a detailed description of the existing company to identify and document its main business processes and to evaluate their efficiency

3. ***New business development (direct reengineering)***:

3.1. ***Business process redesign***. Creation of the most effective working procedures (elementary tasks that help build business processes), defining the means of using information technologies, and identifying the necessary changes in the work of personnel.

3.2. ***Development of business processes of the company in terms of labor force***. Different types of work are being designed, a motivation system is being prepared, work teams and quality

support groups are being organized, training programs for specialists are being created, etc.

3.3. *Development of support information systems.* At this stage, the available resources (hardware and software) are determined and the specialized information system (or systems) of the company is implemented.

4. *Implementation of redesigned processes* is the integration and testing of the developed processes, as well as the auxiliary information system, training of employees, setting up the information system, and transferring work to a new company.

Designing a combination of interconnected business processes of an enterprise involves the implementation of labor-intensive work on their modeling and further transformation. As a rule, it is necessary to spend at least one year on reengineering.

As a rule, at the initial stage, such problems are formulated as, for example, a decrease in sales or an increase in the number of orders for products, or a high turnover of personnel, or a low utilization of equipment, or interoperation downtime or excess inventory and other indicators of a decrease in the efficiency of an enterprise are determined.

At this stage, the experts make decisions and set strategic goals: entering new market segments, capturing leadership in the competitive struggle, achieving specified levels of profitability, etc.

This was done as follows:

- Formulation (clarification) of the mission of the enterprise
- Identification of the main types of business processes, both existing and prospective (from 10 to 15 processes)
- Assessment of business processes by the degree of implementation of key success factors
- Ranking of business processes with an indication of reengineering priorities
- Description of a possible scenario for the development of the enterprise: the emergence of new technologies, resources, changes in the behavior of customers, partners and competitors
- Determination of boundaries related to the level of qualifications of the company's personnel, technical equipment of production, etc.

– Determination of external risks of providing financial resources and reliability of partners.

Reverse engineering is a research of the existing business processes. The setting of objectives for business process reengineering is constantly being refined in the process of project development. Thus, the goals of business process reengineering (BPR) formulated at the initial stage in general terms can be adjusted because of studying the existing system of organizing business processes. Reverse engineering cannot be performed only if the same work has been performed in the past and the corresponding documentation is available. Reverse engineering does not have to provide a detailed picture of the existing business processes, because in this case, there can appear the effect of “the forest is not visible behind the trees”. The reengineering project may be initiated by different means in different situations. As a rule, the project begins as a response to the directive, explaining the reason of something to be changed, and determines the goals to be achieved. This directive launches the process called “image of future” (visualization) that builds up the general business plan of the new company.

Naturally, to do this one should know the company’s strategy and comprehend the real situation.

It is very important to make changes without any risk. The result of this stage is the so-called “specification of the company’s goals”, namely, the vision for the future business.

Therefore, the visualization stage launches the process of engineering of the existing business; as a result, the model of the existing business is created.

The new business engineering supposes a creation of one or several new processes, their designing, development of supportive informational system, etc., in order to obtain the model of the redesigned company. Meanwhile, the initial data is the specification of the company’s goals. The result of the whole reengineering project critically depends on this stage.

Reengineering (redesign) of business processes is a project activity aimed at restructuring the organization of the economic and information systems of an enterprise, when it is subject to all the

requirements regarding the execution and documentation of the stages of project implementation for any systems.

At the stage of reverse engineering, the analysis of existing business processes is carried out in order to formulate proposals for their reorganization.

The stage of direct engineering includes building of the new model of the business process organization and its realization as a technical-working project. The models of the new business process organization prove the ability to achieve the effectiveness criteria, formulated at the identification stage. Further, on the business processes models are implemented in the form of regulations and instructions as per organization of the personnel work and technical-working project of the informational system.

Reengineering of business processes implies the restructuring of the economic system of an organization, which cannot be successful without creating an adequate corporate information system (CIS). Thus, CIS not only automates existing business processes "AS IS", but also supports changes in the organizational and economic system on the principles of "HOW IT SHOULD BE". As a result, the reorganization of the organizational and economic system and the design of the corporate information system are carried out almost simultaneously, in parallel.

3.2. Development of the Business Model of the Organization

The business model reflects the business environment of the company and its interactions with it. The business environment of a company includes various factors that interact when performing business processes, namely: customers, partners, subcontractors, etc.

The business model displays employees at all levels, and what, when and how to do it. In general, you need not one, but several integrated and coordinated business processes, and the presence of a business model is necessary for systematic management of the company's development.

The business model shows the function of the company in the outside world: what, how and when it does. The model should

represent the architecture, that is, the static figures of the company, as well as the various flows of actions, that is, the dynamic behavior of the architectural elements.

When defining an architecture, as a rule, neither the functioning of associated elements, nor the actions that they perform in a given situation, or the way they interact to achieve their goal are not taken into account. The presence of some flow of events (for example, a process) affects the architecture, but the way events develop is not related to the architecture. The actions and approval decisions that create the event flow are details of a separate process. Therefore, in many cases it is important to describe the dynamics of the business and include it in the model (Fig. 3.1).

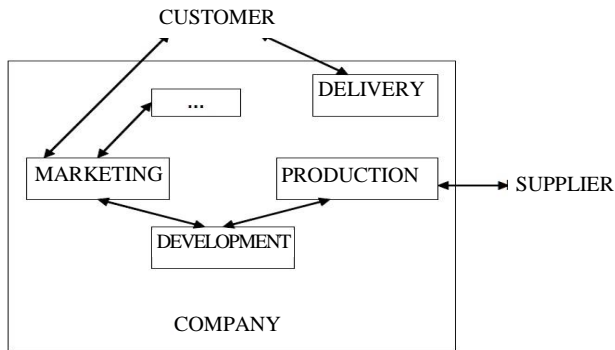


Figure 3.1 – Business function model

Understanding how a company works is reverse engineering. This is usually done in order to get a solid foundation in the future for dramatic improvements in various aspects of the company. The model of the existing company is important also when it is necessary to understand and explain how the company or its separate process is functioning.

Description of a new company is a work of the direct engineering, beginning with formulation of the goal and vision of the future company. After that various scenarios develop. Each scenario has a general description of the process, including customers,

suppliers, etc., as well as the process itself. Then simulation of various processes is performed using a business game or a computer model. The chosen alternative is finally implemented.

The development of an organization's business process is divided into three components - the development of business function models, business process models and an organization model. Business functions are the goals and objectives of an organization (enterprise). They describe what needs to be done without showing the details of how to do it.

Once the process – the role model of the organization – has been developed, it already has a largely horizontal or networked structure. The development of an existing model of business processes is aimed at creating an image of the existing state of business processes, namely, creating a model "as is", and consists of the following activities:

- Collection of information about processes
- Construction of structural models of processes
- Detailed modeling of processes
- Measurement of processes.

The general approach to modeling business processes, embedded in most of the existing modeling methodologies and which must be known, both when using them and when modeling processes based on its own methodology, consists in a sequential structural decomposition of processes – from the general to the particular.

Initially, all project management activities are presented in the form of five to seven mega processes. It is important to define the organizational boundaries of the project and, based on this, the internal and external mega processes. After that, each mega process must be carefully analyzed and modeled, as well as decomposed into separate processes. Further (if necessary), the business process is decomposed into separate works (actions).

Usually, the following factors we take into account for such selection:

- Problems or claims from the external customers
- Problems or claims from the internal customers
- High value (cost) of the process

- Long duration of the process
- Existence of more efficient way to implement the process
- Availability of new process technology
- Strategic interests of managers.

While choosing the processes for detailed analysis, one should pay attention to the following 5 points:

1. Influencing the customer: How important is the process in relation to the customer?
2. Variability of the process: how to fix the process?
3. Condition of the process: how defective is the process?
4. Impact on the business: how important is the process for the implementation of all the activities of the organization?
5. The need for resources, i.e., how many resources are required and how many are available? What is required for further analysis and adjustment of the process?

Control Questions

1. What is a stage of “Identification of business processes”?
2. What is a stage of “Creation of the existing company’s model”?
3. What sub-stages are included in the “Development of a new business (direct engineering)” stage?
4. What actions does the project team perform at the stage of “Implementation of redesign processes”?
5. Describe the concept of “reverse engineering”.
6. What factors influence the formation of the organization’s business model?
7. What is “a description of a new company”?
8. What stages does the description of the business processes “as is” consist of?
9. What factors we consider at the detailed decomposition of business processes?
10. What we consider first while choosing business processes for detailed analysis?

Topic 4. Evaluation of the Effectiveness of Functional Flows of Business Processes in Reengineering

4.1. Scientific and Methodological Principles of the Functioning of the Main Business Processes

4.2. Key Indicators of Functional Efficiency of Business Process Flows

4.1. Scientific and Methodological Principles of the Functioning of the Main Business Processes

The reasons to use different organization of business processes cause the performance of a quantitative economic analysis, which proves its efficiency in reengineering. At the same time, one should remember that redesign priority (a significant change of organization), first of all, should be given to key business processes in an industrial enterprise (in particular, in a machine-building enterprise): to sales management (consideration and processing of an order); to technical support of the production; to direct manufacture of products; to a logistics system; and to maintenance and warranty services. Namely, these are business processes that supply chain costs, in other words, a cost price of the manufactured products. Fundamentally changing the production system, the director must strive to build an effective model of enterprise management, which is able to respond flexibly to changes in the market environment.

As mentioned earlier, the main business processes are the bearers of value creation (they form the cost). Consider this concept more detailed. A value stream is all the activities required to move a product through major workflows. Moreover, each business process interacts both horizontally and vertically with top management. The structure of such business processes at domestic machine-building enterprises is too complex and multi-element. Moreover, such processes stretch almost equally both horizontally and vertically. With a functional approach to organizing and managing the main business processes of an industrial enterprise (the existing system of many domestic enterprises at the present time), each structural unit is

associated with a number of functions and has a certain field of responsibility, the success criteria of which are outlined in general terms. Meanwhile, horizontal ties between departments are significantly weakening, and vertical ties are being strengthened according to the "boss-subordinate" scheme.

To determine the scientific features of the functioning of a business process, we use a systematic approach, namely, the structure of a business process is considered as systemic.

We will consider a system as an organization that creates a holistic unity and has common goals of functioning. A systemic approach is a research method of the organizations that have common goals. The simplest simulation model of the business process (a simulation model of a system) is as follows:

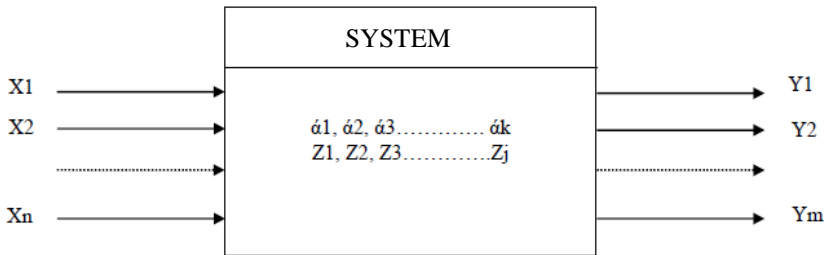


Figure 4.1 – The simplest simulation model of a system

The elements $X_1, X_2 \dots X_n$ are inputs of a system. Respectively, the elements $Y_1, Y_2 \dots Y_m$ are outputs (output variables). $Z_1, Z_2, Z_3 \dots Z_j$ characterize a state of the system, and $\acute{a}_1, \acute{a}_2, \acute{a}_3 \dots \acute{a}_k$ are its parameters. Outputs and inputs provide communication with the environment, namely with other systems (business processes). System states identify all changes that occur due to the activity of the output signals.

The sequence of states of elements of business processes at different times is characterized by the so-called trajectory of

movement, which shows the change in the state of both the elements themselves (sub-processes) and the entire process as a whole in time. Consider the structure of the functioning of a business process by its elements.

It is known that every business process has input elements. Input elements, according to systems terminology, typically include inputs, control signals, system parameters, and outputs from previous processes. In this case, the input elements can be divided into those known in advance and those that appear from the environment and require formalization during simulation.

Consider a second type of the input signals. The signals from the environment can be expressed like the dynamic series, that record a meaning of some index in defined moments of time, or some event, that appears in unknown beforehand moments of time. This kind of input signal is divided into four stages:

- The flow of random events in time, where the event is represented only by the factor of its appearance at some previously unknown time point
- The flow of random events in time, which is characterized not only by the factor of occurrence, but also by a certain numerical value, unequal in time
- Discrete series with a certain index value at a regular time point
- Series of events, which is characterized by a continuous function (namely, the value of the index can be disclosed at any time).

Each business process consists of functional flows of material and informational nature.

Engineering enterprises consider these flows to be equally important. The main business processes of the industry are considered to be cross-functional as they interact with both customers and suppliers. In such conditions, the priority is determined by corporate and strategic goals, in which, as a rule, the first place is occupied by the function of creating and using the results of the enterprise's activities, and the second place is taken by the functions of an auxiliary nature, which help to build the necessary infrastructure and management tools. The interaction of functional flows of the main business processes of an industrial

enterprise (in particular, a machine-building enterprise) is of a sequential structural nature, which is the result of even cycles of continuous production.

Thus, this scenario of interaction is quite common among machine-building enterprises. The process begins with the receipt of an order from a potential buyer. Based on the information received (input information flow), the technical capabilities of the manufacturing enterprise and the economic feasibility of the ordered product or set of goods are studied.

If the review of the order gave a positive result, then the manufacturing enterprise with the help of the procurement department (or an external supplier enterprise) orders auxiliary materials for the production of products (original material flow). After receiving the material and further planning the order, the company manufactures the product and dispatches it to the customer, including the relevant documentation.

As mentioned earlier, the functional flows of the main business process are divided into material and informational ones:

Material flows of a business process are determined by a sequence of functions associated with the internal movement of a material nature. That is, first of all, this is the movement of semi-finished products in the technological process of direct manufacturing of products, the movement of auxiliary materials from the supplier to the place of their application, as well as the movement of finished products from the warehouse to the customer.

Information flows of a business process are flows that characterize the sequence of functions associated with the internal movement of an informational nature. They provide an informational reflection of the relationship between the elements of the business process (including the relationship between the subjects of responsibility).

The method of business modelling divides the functional flows as follows:

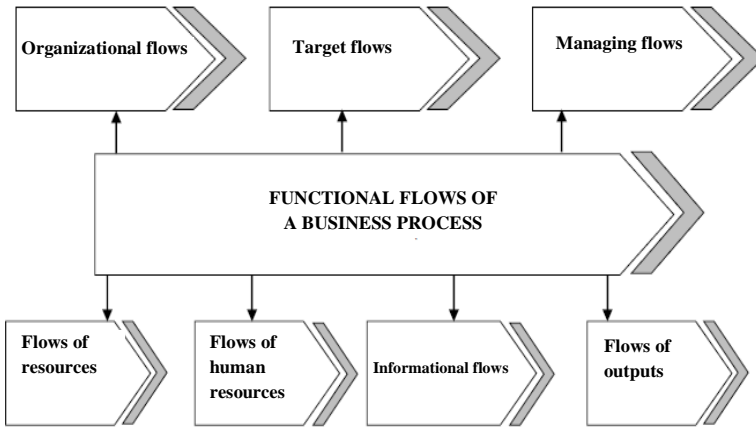


Figure 4.2 – Classification of functional flows of a business process

Organizational flows are function flows that characterize management of organizational units and their responsibilities.

Target flows are flows that characterize the conceptual and business goals that are achieved because of a process.

Managing flows are flows that characterize the control of the logical flow of execution of functions, using events and messages.

Resource flows are flows that show the movement of resources in a business process.

Human resource flows are flows that show the movement of personnel within a business process.

Output flows are the flows that characterize the result of a business process.

Information flows are flows that control access to information, that is, the body of knowledge and skills that required performing functions.

4.2. Key Performance Indicators of Functional Flows of Business Processes

Special qualitative indicators assess the situation in the organization. One of the indicators characterizing the functional flow of the sequence of execution of functions in time (dynamic parameter) is the speed of its movement. It depends on intensity of the output signals, that is, inputs into a business process. Thus, the sequence of performing functions directly depends on the organization of the business process at the enterprise. In addition, the speed of movement of functional flows also depends on the number of functions themselves that are performed during the business process. It is clear that a consistently high speed of movement of the entire flow (from input to output) will provide a continuous cycle of the enterprise, which will load production at full capacity and maximize the profit of the industrial enterprise.

The movement speed of the functional flow, as well as the input flow, can be shown using a number of signals (functions) per unit of time. If we consider this concept in more detail, then the speed of movement of a functional flow is the number of functions performed (transferred by the flow) in a business process per unit of time. Note that each function of the business process must be performed in the specified order of priority of their subsequent location, so as not to interrupt the functional flow. In its simplest form, *the speed of the functional flow* is displayed as follows:

$$S_{f.f} = \frac{N_{per.f}}{T},$$

Where $N_{per.f}$ – a number of a consequently performed functions in a business process;

T – nominal time interval, namely, the one that is determined by regulatory enactments and provides for the full performance of the functions of the business process during this interval.

Note that the maximum speed is the speed of the functional flow, where the number of sequentially executed functions in the T -

interval is equal to the total number of functions in the business process.

Note that the successful and timely performance of functions in the business process also depends on the routing of functional flows, namely on the routes (trajectories) of their movement, which are provided for by any production organization created at the enterprise.

The flow route is based, first, on the type of production established at the enterprise, since the main business processes are built depending on the type of production. Therefore, the main component affecting the complexity of the functional flow route is the type of production at the enterprise.

The difficulty (pass ability) of the route is determined by such important indicators as:

- The number of subjects of responsibility (the functional barriers) in a business process
- The total number of functions that make up the functional sequence of the business process
- the number of functions incorrectly performed in time, namely those that interfere with the performance of the general functional flow
- The number of movements of objects (products, auxiliary materials, documents) within the business process.

To determine *the complexity of the functional flow route*, first, we propose to implement an intermediate lag coefficient of the function, which is calculated as follows:

$$K_{wr.time} = \frac{n_{wr.time}}{n_{total}},$$

Where $n_{wr.time}$ – the number of incorrectly performed functions within one business process, namely those that are not performed within the time specified by the regulations;

n_{total} – the total number of functions in a business process.

The displacement of a number of objects from one subject of responsibility to another (in connection with a number of subjects implemented in the process) gives information about a possible delay

in the duration of the business process cycle. Therefore, it is offered to find an intermediate *coefficient that shows the relative characteristics of the frequency of displacements* of business process objects in the subjects of responsibility:

$$K_{rel.} = \frac{Num\ of\ displ.}{Num\ of\ sub.},$$

Where *Num of displ* – a total number of displacements of objects in all subjects of responsibility;

Num of sub. – a number of the subject of responsibility.

The integral coefficient of complexity of the functional route of a business process is as follows:

$$Int.\ coml. = K_{wr.time} \cdot K_{rel.}$$

Given the complex ramified structure of the organization of the production process of an industrial enterprise, first, there should be a clear and unambiguous interpretation of such integral elements of regulation as:

- determination of the result - the output of the business process;
- determination of the person's responsibility as a result of the business process;
 - determination of the input flow of the business process;
 - determination of each supplier of input flows of the business process;
- determination of co-executors of the business process.

After determining the organizational state of the business process, the simplified simulation model looks like this:

The coordination of input and output flows can be performed schematically (diagrams of business processes that are generated during their documentation), as well as tables (special tabular forms). At the same time, we assume that the tabular method is more informative, since it allows you to exercise business control, using tables that include a list of inputs, outputs, functions, and regulatory documents and forms.

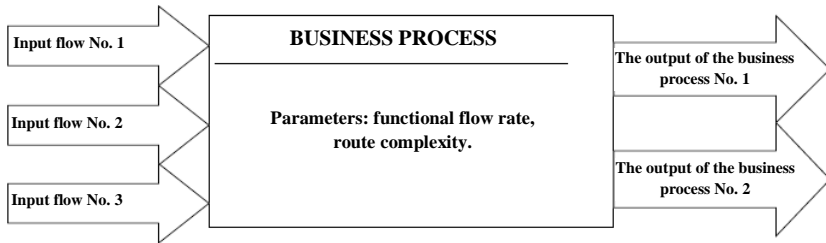


Figure 4.3 – Simplified simulation model for the main business process

The economic essence of the dynamic indices of functional flows is as follows: The complexity index of the *Int.coml.* route takes into account the factor of delay in functions due to the excessive number of involved departments and the movement of business process objects through them (documents, semi-finished products, etc.). In this case, both major changes and fixed overhead costs will rise. Their accounting can be made during the actual time of the duration of the business process, but this will require the implementation of an additional operation of measuring the actual time, which is not logical, given the attempts to reduce the cost and speed up the production cycle. The cost calculated in this way is an approximate one, which will allow to quantify how expensive or cheap a business process becomes because of the application of one or another route of its functional flows.

Control Questions

1. What are the main elements of the simplest simulation model of the business process?
2. What characterizes the material flows of the business process?
3. What characterizes the information flow of a business process?
4. Describe the classification of functional flows of the business process.

5. Which indexes we use to evaluate the organizational status of the business process?
6. What factors influence the complexity of the functional route of the business process?
7. What components are included in the integral coefficient of complexity of the functional route of a business process?
8. What factors affect the ramified structure of the organization of production processes?
9. What is the economic essence of performance indicators of functional flows of business products?
10. What you need to focus on when calculating the cost of the main business process?

Topic 5. Organizational Provision of Business Process Reengineering

5.1. Objects and Subjects of Reengineering

5.2 Review of all Types of Provision of the Business Processes' Reengineering

5.3. Review of the Methodology for Calculating the Costs of Reengineering in the Enterprises

5.1. Objects and Subjects of Reengineering

Reengineering object. A reengineering object is a unit of operation of the main business processes, which consists of elements such as input flows, functional flows and output flows. Note that there is a direct and a feedback link between them. It is also important to remember that reengineering in the economic sense can be used only in relation to business processes, therefore only they have the status of "its objects". Since the main business processes are carriers of the value of products in enterprises, a certain set of tools is required to conduct the economic analysis. It is a servicing system of calculations for a quantitative assessment of the economic state of business processes before and after reengineering.

Reengineering subject. The subjects of reengineering can be its participants and performers. In this case, both internal and external actors are considered. Usually, when carrying out reengineering at large engineering enterprises, mixed entities are involved, namely, professional consulting services of experts are used along with their own human resources. A certain system of criteria for qualitative and quantitative assessment characterizes the activities of the subjects of reengineering.

5.2. Review of all Types of Provision of Business Process Reengineering

Information support of reengineering is its main driving force, since the starting point in the new organization of the main business processes of an enterprise is not the traditional structure of production, but a conceptual business model based on the progressive achievements of science and technology and an assessment of the transformation of the consumer market. The progressive experience of using unlimited information technology opportunities has given impetus to the development of new economic models of enterprise activity. Meanwhile, the "penetration" of information technologies into the reengineering process should be the most profound and at the same time rational, since their cost accounts for the lion's share of all costs of radical transformation.

Legal enforcement regulates the normative relationship in reengineering. In this case, we are talking about the creation of such a unit (block), which would adapt all changes in the structure of the enterprise to the current legislation of Ukraine. The issue of legal support for the implementation of reengineering at a domestic machine-building enterprise is quite relevant, since the current laws of doing business and other activities in the country, as a rule, impede all functional flows of the main business processes from commissioning to release. That is, there is a need for such an adaptation of reengineering, in which its maximum efficiency would be associated with the legitimate activities of the enterprise.

Resourcing lies in determining the timely and rational need for the quantity and quality of the resource, which will make it possible to implement reengineering in accordance with the principles of the project. In this case, there should be some coordination between all participants in the transformation process for timely notification of resource needs. If, taking into account the reengineering of the most important system – the production system of the enterprise – then in the context of its implementation, the most rational provision is resource provision. The resource owner bears operational responsibility for all the resources of the enterprises at his disposal.

His responsibilities are as follows:

- Hiring resource operators
- Distributing resource operators and the resources themselves between the business processes of a machine-building enterprise
- Providing each of the employees with an individual work plan
- Resolving conflicts related to resource allocation
- Providing advanced training of its personnel and checking their competence
- Budgeting for long-term and strategic training of their subordinates.

The methodological support for the implementation of reengineering can be considered as innovative information and scientific achievements in this area. Nowadays, scientists have formed a component reengineering methodology, which contains a set of guidelines for their implementation. This constituent element of the organizational and economic block of the implementation mechanism should ensure the formalization of complex reengineering technologies, as well as the determination of an adequate choice of tools and the organizational structure of the project.

The social security of reengineering of the main business processes can be understood as the creation by the top management of the enterprise of comfortable working conditions and various preferences for employees during its implementation, which will significantly increase their motivation to perform fundamentally new functions and responsibilities. Meanwhile, the main goal is a qualitative augmentation of a social capital that in future can become a significant competitive advantage as well as possibility to create an additional value for an enterprise.

Deepening social ties, with their effective mobilization, will help to achieve good mutual understanding between personnel, consumers, suppliers, investors, shareholders, and government authorities in the implementation of such complex transformations as reengineering.

PR support is a very subtle instrument of influence, but its correct application will make it possible to increase the motivation of

personnel to perform new functions and responsibilities significantly. The ideological foundation should form the basis of such motivation. We know that a conscious goal always regulates human behavior and presupposes freedom of choice of actions and behavior in order to obtain opportunities. Therefore, the interests of personnel in the enterprise during reengineering shall be, first, associated with a successful image of a future newly established company. As formation of a motive is a very difficult psychological process, an ideological concept of reengineering's success shall be detailed and maximum balanced. Thus, human consciousness, when assessing potential motives, will be based on the importance of such a need as work to achieve a result in the form of a successfully implemented reengineering. To form a successful image of a future enterprise, it is necessary to use some kind of PR-toolkit, which may include the development of image visualization projects, presentation materials, a mechanism for disseminating public opinion through the media, etc.

5.3. Review of the Methodology for Calculating the Costs of Reengineering in the Enterprises

One of the main economic characteristics of a business process is the cost of implementation, which creates its own value, which, in turn, is transferred to the cost of the finished product.

The main goal is, foremost, to assess the coincidence of the overall cost reduction of a business process due to reengineering with the total cost of its implementation.

The deviation from the traditional costs of resources for the production of products is associated with the high differentiation of production at present, at the cost of which overhead costs prevail over fixed costs. In addition, overhead costs are gradually becoming variable, that is, they begin to depend on the amount of work performed. Therefore, the value objects that we are not used to, and the value of the implementation of each function in the business process, come to the fore. This costing is based on a costing by function method called "Activity Based Costing".

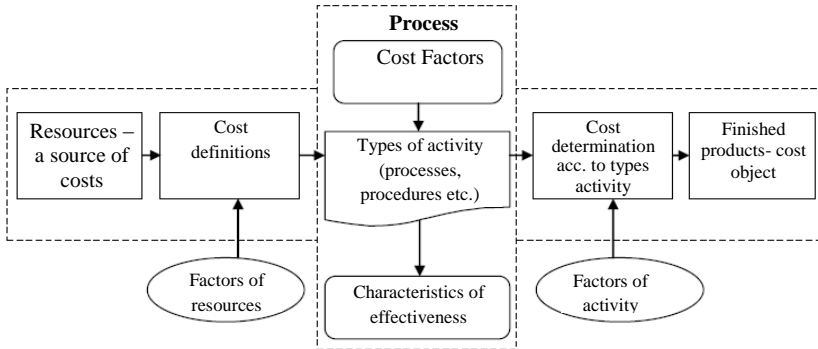


Figure 5.1 – Conceptual scheme of the ABC-costing method of calculation

A method of costs calculation according to functions, unlike the traditional single-stage scheme of charging costs to value products, is a two-stage scheme that allows you to determine business process costs more precisely.

At the first stage, the costs of subject of responsibility (cost center) are divided into costs according to types of works. Meanwhile, the variable costs are assessed on directly proportional volumes of works performed or time worked. The fixed costs are also divided by functions, not directly proportional, but according to some criteria (for example, labor intensity of function performance, etc.)

At the second stage, the total costs of functions are divided between value objects. The division appears depending on the stage of using a particular function in the business process. Yu. P. Telnov has called the criteria for the division of fixed costs "resource factor", and the criteria for the division of total functional costs "functional factor", so further, the author will use such names. Note that it is sufficient to use the first stage of calculations to calculate the cost of the business process.

Based on the calculations of the actual cost of the business process, it is possible to determine those functions that are the most

costly. As part of reengineering, the business process changes in such a way that its cost is significantly lower than the real one. Such changes can be achieved by outsourcing expensive functions, reducing their labor intensity by upgrading equipment, etc.

Distribution bases in this case are divided into three main groups:

1. The functional equivalent of a business process.
2. Information about the organizational and functional structure of the business process.

3. Data on the current production activity of the business process.

The functional equivalent of a business process may be called a list of fixed assets, the overhead costs of which are divided by function in proportion to the intensity and duration of use of each element of fixed assets of a particular function. The task of such a base is the division of costs between the maintenance of equipment and production lines involved in the business process.

Data on the organizational and functional structure of the business process is divided into three groups:

1. Involvement of personnel in the functions of the business process.

2. The location area involved in the functions of the business process.

3. The capacity of the equipment, according to the passport data, involved in the functions of the business process.

Consider the impact of the complexity of the route of functional flows of a business process on its total cost. This index takes into account the factor of lagging functions due to an excessive number of departments involved and transitions through them of business process objects (documents, semi-finished products, etc.). It is clear that in this case the core variables as well as the fixed overhead costs will grow. They can be calculated according to the actual duration, but this will require additional operations from the actual measurement time, which is not logical due to attempts to reduce the cost and speed up the production cycle. The formula for calculating the actual cost will be as follows:

$$Costs_{b.-p.} = Costs_{b.-p. normal} \cdot Int.coml.$$

The calculated actual cost will have an approximate value, but it will make it possible to quantify how much the amount of the business process has increased or decreased because of using one or another route of its functional flows. The index, as a rule, will be more than 1.0, since the real conditions of the business environment practically do not allow performing functions on time, and the ratio of the number of movements of process objects to the number of departments starts on average from 3:1 and higher.

In the case of calculating the proceeds from the implementation of a business process after reengineering, the cost of that part of the product that was sold by the business process, but not sold to the customer, will be taken into account. Obviously, this calculation is wrong. This problem is solved by using the average input intensity factor of the business process by product. This index determines the ratio of the total costs of a business process to the projected revenues from the sale of products of this process.

$$\text{Coefficient of input intensity} = \frac{\text{Total costs of b.p.}}{\text{Predicted income from realization of b.p.}}$$

At the same time, the assessment of the economic and financial condition of the main business processes (Figure 5.2) has a sequence of stages.

At the first stage, the key relative performance indicators of the business process after reengineering are determined. This, foremost, is a factor of economic efficiency, which can be characterized as the ratio of income from sales of products to the cost of the business process, as well as an indicator of the turnover of the business process. The financial condition of the business process can be assessed by the current liquidity ratio and the equity ratio.

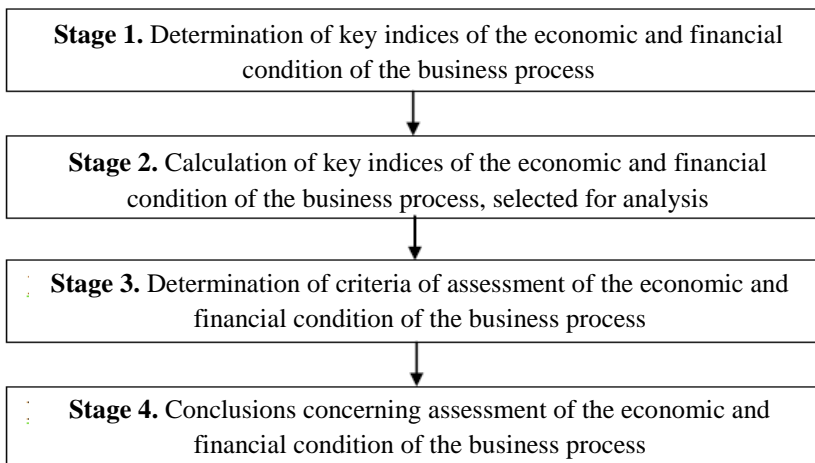


Figure 5.2 – Stages of assessing the economic state of the main business processes at the enterprise after reengineering

At the second stage, the calculation of the values of the main economic and financial indicators, which allows to quantify the effectiveness of changes in the business process.

When implementing a reengineering project, a unity of intellectual assets is formed at the enterprise, which, by generating new cash flows, increase the fundamental and market value of the enterprise. Therefore, in order to ensure the economic efficiency of reengineering, despite its high cost, the enterprise must have a high intellectual potential. Realization of such potential, in turn, gives opportunity to form a complete portfolio of intellectual activity results through the use of different sources of financing: own, budget or borrowed ones. Therefore, the ability of the enterprise to have access to financial instruments of capital markets is an important factor in the effectiveness of reengineering.

Control Questions

1. What is the object of business process reengineering?

2. What is the subject of business process reengineering?
3. Characterize the types of organizational provision of reengineering.
4. What is the main goal of assessing the cost of business processes?
5. What are the advantages of the ABC-method for calculating the cost of business processes?
6. What stages does the ABC-method for calculating the cost of business processes consist of?
7. What subgroups are the result of dividing data on the organizational and functional structure of the business process?
8. What indicators does the formula for calculating the actual cost of business processes consist of?
9. What are the stages of the assessment of the economic and financial condition of the main business processes?
10. What for is the business process cost factor?

Topic 6. Organizational Changes. Nature of Their Occurrence and Implementation

6.1. Change Management as a Scientific and Professional Activity

6.2. Classification Characteristics and Types of Organizational Changes

6.3. Preparing and Planning for Changes

6.3.1. Phases and Stages of the Change Management Process

6.3.2. Creation of the Change Management Teams

6.3.3. Working Groups in the Change Management

6.3.4. Development of the Change Project, Change Program and Project Implementation Schedules

6.1. Change Management as a Scientific and Professional Activity

Economic development of the subjects of the market economy possible by adapting their internal environment to the external environment, which may cause them to qualitative changes. Systemic structural changes, caused by the dynamics and complexity of transformations in the country and in the world, dictate the need for complex changes in the economic activities of organizations, changes in the technologies used in management methods, and changes in the requirements for the competence and interest of managers. All this is possible by improving the forms of interaction with the external environment. The need to change management in the organization is also associated with the inconsistency of the management process with the needs of its operating environment.

In modern literature, there are several views on the interpretation of the category "change management".

Change management is a process of constantly adjusting the directions of an organization's activities, updating its structure and searching for new opportunities to meet the requirements and

requests of subjects of the internal and external markets, constantly and rapidly changing.

Change management is the process of continually adjusting the direction of an organization, as well as modifying personnel management in a changing environment. Change management as a type of professional activity means the influence of the management system on the organization in connection with changes in the internal and external environment. The task of change management is to assess correctly the essence of the processes occurring in the external environment of the organization, to select and implement innovations that will reduce all external and internal types of influence to one way of behavior, to maintain or increase the efficiency of activities.

Change management is a science that studies specific patterns and features of evolutionary transformations in an organization, technologies for adapting structures, functions and processes of an organization to the conditions of existence (external and internal environment). Change management is interdisciplinary in nature, has its own theoretical basis, but is formed from practical activity, which is the basis for the further development of the theory.

In the encyclopedic dictionary of modern management, the concept of "management" is defined as the process of achieving goals using human labor and consists of the following elements: the ability to set goals and build a path to achieving them, organization, management, the art of communicating with people, and execution. Hubert Rampersad characterizes the concept of "change management" as a process consisting of the following stages: planning, implementation, control, regulation, and coordination.

The goals of change management are as follows: operations must achieve planned results, human capital must be used in the best possible way, and the organization as a whole must obtain a competitive advantage. The objects of study of the discipline "Change management" are the structure, processes and mechanisms of transformation of organizational systems (both as a whole and in individual elements).

6.2. Classification Characteristics and Types of Organizational Changes

There are two main types of organizational change – *planned (strategic) and situational (dynamic or reactionary)*. Planned (strategic) changes are those, which are developed and implemented beforehand with specific goals, in a certain order, and at a set time.

Planned changes are deep mid- and long-term changes that contain the mission of the organization, as well as such aspects of its corporate life as development, quality, innovations and values related to personnel, customer needs, and applied technologies.

Strategic changes take place in the context of both the external competitive, economic, social and political environment, and in the context of the internal environment of the organization - capabilities, culture, structure and system.

Situational (dynamic) changes characterize a partial response to events in the process of their implementation. Every organization is the subject of a large number of evolutionary, natural changes. A typical example is the deterioration of equipment and aging of personnel, which has negative problematic consequences (e.g., the need to repair, modernize or replace equipment, dismiss directors who have lost momentum and assertiveness, who have problems with personnel confidence, who have reached retirement age, etc.). Either the positive aspects are technical, technological and managerial qualifications, or the experience gained over the entire period of practical activity. Such changes occur against the will or reluctance of top managers, they are not planned, but they can and should be taken into account when determining the future of the organization.

By directions, changes can be classified as follows:

- Changing the goals and objectives of the activity - for example, expanding the range of services
- Changes in technologies used - introduction of electronic work processes in government agencies;

- Changes in organizational structures and management processes - distribution and redistribution of functions, new decision-making technologies, implementation of information systems
- Changes in organizational culture - values, traditions, informal relationships, motives, processes, and management style
- Changes in the composition of personnel - management and personnel, their competence, relationships, motivation, behavior and efficiency in work
- Changes in the efficiency of the organization's work - financial, economic, social indicators, design of communication with the environment, the implementation of missions and tasks by the company, the use of new abilities
- Changing the prestige and reputation of the organization in the business community and in the society.

Most of the changes are related to organizational structure, design, product, technology or personnel.

Changes to the organizational structure can affect individual basic components as well as the structure as a whole. Changes in the strategy and structure of the organization are related to the administrative area. Control and management is the administrative area of the organization. Changes in organizational structure, strategic management and systems include motivation, relationships, control and information, financial reporting and budget planning.

Changes in strategy and structure usually occur from the top down, namely by order of senior management, while changes in technology and production can come from the bottom up. Downsizing and restructuring are all examples of structural change.

Changes of technologies and production are changes in the production process, methods of work and equipment, including the basic skills and knowledge of employees of the organization, which enable them to acquire a special, specific competence.

Changes in personnel is one of the main spheres of organizational changes.

Developing changes, as a rule, are aimed at improving the current or operational activities of the organization, that is, they are not focused on solving global problems. Their goal and task is to

increase the efficiency of existing, not new for the organization of processes without fundamental changes. As a rule, such changes are made quickly and do not require division into stages.

The goal of transformational change is a gradual fundamental transformation of an individual or even all processes in an organization. We are talking about the transformation of organizational, technical and personnel processes, the introduction of new products or services, the construction of new systems and technologies. The introduction of such changes allows you to move gradually from an existing process to a new one. At the same time, the characteristics of the expected (new) process are clearly formulated and the stage-by-stage of its achievement is established.

Transformational changes are aimed at the implementation of complex transformations of an integral system, that is, the entire organization. They are associated with significant changes occurring in the external environment of the business or with changes in the overall strategy of the organization. Important features of transformational changes are their wide scope, adaptation to the specifics of the situation and evolutionary nature. Transformational changes are fundamental changes in corporate strategy, areas of activity, a complete change in technology and business model of the organization, etc.

Transformative and transformational changes are always strategic in nature and developing ones are mainly tactical. Note that transformational change usually affects and requires both developing and transformational changes.

6.3. Preparing and Planning for Changes

To be successful in an organization in a turbulent environment requires a change strategy. The main approaches to change management are as follows: the use of power (rewards and punishments), retraining of specialists and the use of modern calculations or methods of convincing all employees of the organization of the need for change.

Based on the choice of one or another approach, the change strategy is developed as a comprehensive action plan selected and approved by the organization.

The following factors influence the choice of a change strategy and its implementation:

- The rate of implementation of changes
- The degree of control by the manager
- The use of external structures
- Central or local concentration of power.

The success of the strategy implementation depends on the level of employee engagement, which can vary from high to low. In the case of a minor change (for example, a change in the organization's logo), it is not necessary to involve all employees, but in the case of a radical change, the highest level of involvement means the most effective implementation of the change strategy.

Methods of involvement are as follows:

1. Information. Provision of written and video materials, making conferences and presentations
2. Communication. Meetings in small groups – team building
3. Consultation. Consultations and interviews
4. Negotiations
5. Participation. Creation of single- or multifunctional work teams, or project teams
6. Involvement. Creation of teams focused on solving problems across the organization and at the departmental level, with multifunctional and multi-level membership.

6.3.1. Phases and Stages of the Change Management Process

Considering the multidimensional nature of strategic change and the different approaches to their management, it is difficult to form one universal model that could in detail and clearly describe the stages of the change process for any organization. Depending on depth and goals of planned transformations, as well as a current situation in an organization, the procedure for performing certain actions on the part of change management may be different. Only

taking into account the specifics of the organization's activities and assessing all the possibilities and problem areas, it is possible to establish the order and stage-by-stage of planning and implementing changes. However, based on the conceptual models of change management, which to one degree or another reveal the consequences of the introduction of changes and the experience of domestic organizations, it is possible to single out those main stages that are inherent in most organizations.

Thus, taking such methodical “core” as a basis, one should remember that changes could be different according to their nature, volume and functional content. Therefore, some stages can be considered more detailed, others – less. However, the change management process cannot be chaotic and its main stages cannot be skipped. Only the changes, implemented in a logical and ordered sequence, are the progressive ones.

6.3.2. Creation of the Change Management Teams

Creation of change management teams is an integral part of not only preparing for change, but also implementing it right up to the last stage. The process of changing leadership in an organization involves effective interaction between formal and informal groups. Misunderstandings between the two often lead to resistance to change. An organization has the following types of groups: manager groups, work groups (teams), and committees. Teams are agents of organizational change.

A team in an organization is a small group of employees with additional skills and knowledge (abilities) dedicated to achieving common goals, they interact with each other and report to each other. The basis of the coherence of each team is the distribution of collective work among its members. These commands can be basic (for example, responding to customer inquiries within 24 hours) or complex (for example, reducing scrap by 20% in six months). The key to a team is the fact that none of these goals can be achieved without cooperation and interaction between team members. The team must be formed taking into account the additional skills and

knowledge of its members. Besides, the members can influence teamwork to achieve team goals.

Usually, functional teams bring together people who work together on current and related tasks. Functional groups often exist within functional departments - marketing, manufacturing, finance, accounting, personnel, etc. For example, in the human resources department, one or more functional groups are responsible for hiring, paying, bonuses, security, training and development, affirmative actions and industrial relations.

Problem solving teams do not reorganize the work of managers or change their roles. In fact, managers have some responsibility for making decisions and solving problems in teams. Problem solving teams are focused on specific issues in areas of responsibility and on solving problems of potential development, and often have the authority to act within certain frameworks. These temporary teams consider quality or cost issues. Typically, its members are employees of specialized departments. A team may be free to implement their own solutions as long as they do not require fundamental process changes that could adversely affect other departments, teams, or external members (customers, suppliers, regulatory agents, etc.), and do not require additional resources.

Cross-functional teams bring together professionals with different industry knowledge and skills to identify and solve common problems. Cross-functional teams are formed from members of different departments or functional responsibilities and deal with the problems associated with the interruption of links between departments and functions. Such teams are disbanded after the problem is resolved. Cross-functional teams are most effective in situations requiring adjustment of the production process, production speed, and customer satisfaction. Cross-functional teams can design and implement quality improvement programs and new technologies, they can meet with suppliers and customers to improve inputs and outputs, and they can connect individual functions (such as marketing, finance, manufacturing and human resources) to increase production volumes and the introduction of innovations in the service system.

Self-managed teams, usually, consist of people who have to work every day together and cooperate in order to manufacture the only product or service. These teams perform different managing tasks:

- Draw up a schedule of work and vacations
- Share tasks between participants
- Order material
- Appoint a team leader
- Determine the main goals of the team
- Plan a budget
- Hire other employees
- Sometimes evaluate each other's work.

The teams go through some stages of development: formation, raging, normalization, execution, and dismissal. Behaviors associated with work and social life differ in teams and groups from stage to stage.

Formation. During the formation stage, team members focus on setting goals and developing the actions necessary to complete the assigned tasks. Team development at this stage includes familiarity and understanding of leadership among the participants. Team members can behave as follows:

- Hide feelings until they study the situation
- Act with more caution than usual
- Feel inconvenience and uncertainty about what is expected of them
- Be polite and friendly, at least not hostile
- Try to increase their usefulness in order to meet the expectations associated with membership in a team or group.

Raging. In the rage stage, conflicts arise about behavior at work, relative priorities in relation to goals, leader, responsibility, and these are related to direction management tasks. Competition for the leadership role and debate over goal setting at this stage can dominate. Some team members can stay out of the way to avoid emotional stress. At this stage, you need to manage the conflict, but not suppress or avoid it. The team cannot effectively move to the third stage if its members go to extremes.

Normalization. Behavior at the stage of normalization is manifested in the change of information, the perception of different options and positive attempts to make a compromise decision. The team determines the rules by which it will work. Social behavior focuses on compassion, caring, and positive expression of feelings that bring the team together. Collaboration and a sense of shared responsibility develops.

Execution. During the execution phase, teams show the way how efficiently and intelligently they can achieve results. The roles of individual participants are clear to everyone and accepted by everyone. Participants learned when they should work independently and when they should help each other. Some teams draw relevant lessons from their experience, develop and become more qualified and effective.

Dismissal. At this stage, work discipline is in decline, and the team is excluded from the social sphere. Some teams, such as problem solving groups or cross-functional teams that are set up to investigate specific problems, for example for six months, have signs of being fired. In terms of social behavior, to some extent firing occurs when members quit or are fired. It is not easy to go through all the stages of team or group development! Defeat can happen at any moment. Several factors affect the behavior and performance of a team or group.

Teams are most effective in the following activities:

- Development of strategies in conditions of high environmental uncertainty
- Vagueness and multiplicity of criteria for choosing strategic options
- Simultaneous implementation of several strategies
- The need to coordinate complex work
- A wide range of expert opinions on the assessment of strategic alternatives
- Conflict of interests of the parties
- A high level of resistance to change.

6.3.3. Working Groups in the Change Management

A **Working group** is a unity of employees connected by the environment and professional activities, interacting in one way or another with each other, and acting in relation to the people around them. In the production process, it is necessary to coordinate the interaction of people and direct the efforts of all members of the group. Thus, the working group is the main unit of management.

The abilities of the group are revealed more than the sum of the abilities of its members, for the following reasons:

- Interaction allows you to overcome the limitations of the physical and intellectual capabilities of each individual person
- Due to specialization of work, you can significantly increase its productivity
- In the process of joint activity, the participants, against their will, possess a spirit of competition, which mobilizes hidden reserves and significantly increases the intensity of work
- Creation of conditions for successful solution of problems when, for various reasons, it is impossible to divide responsibilities between individual participants
- In the process of joint work, knowledge, skills and best practices are transferred, i.e., the professional growth of the group members takes place.

Groups are divided ***into real ones (people in a group are united by common work) and conditional (the members are united statistically, according to certain characteristics)***, but in one way or another, they exist objectively.

It should be noted that membership in a real working group does not mean that people have to be around all the time and do their work together. Group members can be divided in space. The main task is to be included in a single production process based on joint work and a certain system of interpersonal relations.

Within a group, the following types of relationships arise between its members:

- Friendly cooperation and mutual assistance based on complete trust

- Friendly rivalry (competition) in some areas, but always with positive interaction
- Formal cooperation with de facto neutrality
- Unfriendly rivalry within the framework of formal cooperation with mutual distrust; orientation towards achieving individual (selfish) goals even when working together
- Rivalry and negative attitude towards each other in the framework of joint activities (cooperation of antagonists).

According to degree of coherence and tightness of contacts, members of the group are classified as follows:

1. Group-conglomerate (crowd) consists of persons who happen to be next to each other and are not connected with each other. A crowd is an unstructured cluster of people who do not have a common goal, but are connected by the similarity of their emotional state and the object of attention.

2. A group-association (pack) is a temporary formation for solving specific one-time tasks, including people who strive to achieve similar goals and can cooperate with each other, but members of such a group are indifferent to each other on a personal level.

3. A group-collective is a unity that is characterized by constant participation, unity of purpose, means, conditions of activity, informal relations of participants, and the presence of support for coordination mechanisms.

6.3.4. Development of the Change Project, Change Program and Project Implementation Schedules

Strategic change project, as well as the whole strategy of an organization, has no strict regulation.

The main tasks of developing a draft strategic change are

1. Comprehensive business diagnostics of the organization's activities.
2. Determination of the main goals, objectives and principles of management change.

3. Determination of the budget, timing and necessary activities for the implementation of the project of changes.

4. Justification of the expected efficiency of the project, the main risks and ways to optimize them.

5. In general, a strategic change project consists of a change program and a change implementation plan.

The change program is a list of measures in the main areas, allowing achieving the set goal - to increase the profitability of the enterprise and ensure the growth of its market value. The change program is developed for the entire organization and can be quite consolidated. It should identify the services and departments of the organization involved in its implementation. The program of changes also determines the approximate timing of the transformations and the stage-by-stage implementation of certain actions.

Resource support for the implementation of the project is all that is needed to perform operations (work) on the project. Resources include labor resources, machinery, equipment, materials and raw materials; money, energy resources; infrastructure resources: information resources, computers, office equipment, production areas, and buildings. Depending on the nature of the project, certain resources are required, the quantity and volume of which must be taken into account. There are renewable and non-renewable resources. Renewable resources are those resources that can be used again after the project is completed. Non-renewable resources are resources that are consumed irretrievably in the course of project implementation. Resource planning solves 2 problems: determining the range of required resources and their quantity.

Control Questions

1. Describe a term of a concept “change management” as a science.
2. What stages does change management consist of?
3. What is the difference between planned changes and situational ones?
4. What is the classification of changes by directions?

5. What is the essence of developing change?
6. What is the essence of transformational change?
7. What stages do the teams of management change go through?
8. What functions does working group fulfil?
9. What is the essence of change program?
10. What tasks are principle for development of strategic change project?

Topic 7. Change Management Model

7.1. Eight Steps to Effective Change Management

7.2. Communication Strategy

7.3. Managing the Emotions in Change

7.1. Eight Steps to Effective Change Management

Now that you have decided to embark on a change effort, what do you do next?

Many change models have been developed over time to provide structure in approach. In John P. Kotter's book, "Leading Change" he outlines eight critical steps when transforming an organization. Its principles are at the core of any successful change effort. Ryerson's OEE department and your HRMC will collaborate with you and your team through each stage of the change effort.

1) Step 1: Increase Urgency

Raising a feeling of urgency is the first and most critical step in a successful change effort. With low urgency and complacency, the change effort cannot get off the ground.

What works:

- Creating a compelling story
- Never underestimating how much complacency, fear, and anger exists
- Creating the vision.

What does not work:

- Focusing exclusively on building a "rational" business case, getting top management approval, and racing ahead while mostly ignoring all the feelings that are blocking change
- Ignoring a lack of urgency and jumping immediately to creating a vision and strategy.

Common pitfalls:

- Underestimating the difficulty of driving people from their comfort zones
- Becoming paralyzed by risks.

2) Step 2: Build the Guiding Team

It is important to get the right people in place who are fully committed to the change initiative, well respected within the organization, and have power and influence to drive the change effort at their levels.

What works:

- showing enthusiasm and commitment to help draw the right people into the group
- Modeling the trust and teamwork needed in the group.

What does not work:

- Guiding change with weak task forces, single individuals, complex governance structures, or fragmented top teams
- Not confronting the situation when power centers undermine the selection of the right team
- Trying to leave out or work around the head of the unit to be changed.

Common pitfalls:

- No prior experience in teamwork at the top
- Delegating team leadership to HR rather than a senior line manager.

3) Step 3: Get the Vision Right

While creating a shared need and urgency for change may push people into action, it is the vision that will steer them into the new direction.

What works:

- Trying to see – literally-possible futures
- Visions that are so clear that they can be articulated in five minutes or written up on one page
- Visions that are moving – such as a commitment to serving people.

What does not work:

- Assuming that linear or logical plans and budgets alone adequately guide behavior when you are trying to leap into the future
- Overly analytical, financially based vision exercises.

Common Pitfalls:

- Presenting a vision that's too complicated or vague to be communicated in five minutes.

4) Step 4: Communicate for Buy-in

Once a vision and strategy have been developed, they must be communicated to the organization in order to gain understanding and buy-in. Sending clear, credible, and heartfelt messages about the direction of change establishes genuine gut-level buy-in, which sets the stage for the following step: getting people to act.

What works:

- Developing a communications strategy
- Keeping communication simple and heartfelt
- Speaking to anxieties, confusion, anger, and distrust.

What does not work:

- Under communicating, which can easily happen
- Accidentally fostering cynicism by not “walking the talk”.

Common pitfalls:

- Behaving in ways contrary to the vision.

5) Step 5: Empower Action

Empowering action should be seen as removing barriers to those whom we want to assist in pushing the change effort. Removing obstacles should inspire, promote optimism and build confidence around the change effort.

What works:

- Finding individuals with change experience who can bolster people’s self-confidence with “we-won-you-can-too” anecdotes
- Recognition and reward systems that inspire, promote optimism, and build self-confidence.

What does not work:

- Trying to remove all the barriers at once
- Giving in to your own pessimisms and fears.

Common pitfalls:

- Failing to address powerful individuals who resist the change effort.

6) Step 6: Create Short-Term Wins

Short-term wins nourish faith in the change effort, emotionally reward the hard workers, keep the critics at bay, and build momentum. By creating short-term wins, and being honest with feedback, progress is achieved and people are inspired.

What works:

- Early wins that come fast
- Wins that are as visible as possible to as many people as possible
- Wins that are meaningful to others.

What does not work:

- Launching many projects all at once
- Providing the first win too slowly.

Common pitfalls:

- Leaving short-term successes up to chance
- Failing to score successes early enough into the change effort.

7) Step 7: Don't Let Up:

In successful efforts, people build on this momentum to make the vision a reality by keeping urgency up, eliminating unnecessary, exhausting work and not declaring victory prematurely.

What works:

- Aggressively ridding yourself of work that wears you down—tasks that were relevant in the past but not now, tasks that can be delegated.

What does not work:

- Convincing yourself that you're done when you aren't.

Common pitfalls

- Declaring victory too soon – with the first performance improvement.

8) Step 8: Make Change Stick

By creating a new, supportive, and sufficiently strong organizational culture, the change should remain. A supportive culture provides roots for the new ways of operating.

What works:

- Telling vivid stories about the new organization, what it does, and why it succeeds
- Making absolutely sure you have the continuity of behavior and results that help a new culture grow.

What does not work:

- Trying to change culture as the first step in the transformation process.

Common pitfalls:

- Not creating new social norms and shared values consistent with changes.

7.2. Communication Strategy

The importance of developing a well thought out communications strategy is often overlooked when embarking on a change initiative. Effective communication during a change effort will serve to provide employees with timely and accurate information, which can positively influence whether the organization can maintain employee productivity and morale and overcome resistance to change. The following five areas outline questions and key information for you to consider when building and delivering a communications strategy designed to inform and guide employees through a change event:

1. Building a Strategy
2. Involving Key Stakeholders in Communications Efforts
3. Determining Message Content
4. Identifying Most Effective Communications Channels
5. Ensuring Follow Up.

Building a Strategy. Have you and your change team created a communications strategy that considers the questions outlined below?

- What do we need to accomplish?
- What do we need to communicate?
- In what order do we communicate with our audiences?
- How can communications accomplish the desired state?
- Do we understand the following about our audience?
- How will we measure whether the communications strategy achieves its objectives?

Involving Key Stakeholders in Communications Efforts. Have you considered all key stakeholders impacted by the change effort?

- Do all areas (executives, HR, and managers) collaborate to communicate a consistent message?

– Has HR provided managers with tools and training to adequately prepare them to support all communications?

Determining Message Content. Do communications detail the rationale behind the change? Do the messages achieve the following?

– Give reasons for the change and explain the benefit
– Ask for staff’s help in making the change work effectively
– Show support for the change (i.e., help others accept the change)?

Does the communications strategy effectively relay how the change will affect employees and the business in the short and long term? Does the strategy meet the following:

– Provide as many details as possible
– Supply realistic detail of both the positives and negatives of the change

– Let employees know that the organization understands the range of emotions associated with the change?

Identifying Most Effective Communication Channels. Have you and your change team determined how to clearly communicate what is expected of employees and resources available to them? Have you considered the most effective channels of communication that consider the following questions outlined below:

– Does the organization have an infrastructure in place in order to provide timely, honest communication with employees?

– Does the strategy include a timeline detailing when critical messages should go out?

– Has the organization determined the appropriate communication channel mix to reach diverse, dispersed employee groups?

– Does the communication strategy ensure the repetition of important messages through different communication media so that employees receive the messages?

Ensuring Follow-Up. Once you have implemented your communication strategy, it is critical that you monitor its impact on an on-going basis. Questions you might consider asking to gauge the effectiveness of the strategy might include:

Is the department or faculty prepared to engage employees by doing the following:

- Asking questions
- Listening to employee concerns
- Acknowledging each contribution and highlighting advantages and disadvantages of various suggestions?

Does the department or faculty consider the following:

- Plan to assess employees’ reactions to change (via surveys, focus groups, etc.)
- Continually monitor key metrics related to communications objectives and make necessary adjustments as employees react to different messages
- Proactively and reactively adjust the communications strategy based on employee responses
- Express appreciation for employees’ assistance and cooperation in implementing the change?

7.3. Managing the Emotions in Change

Resistance to change is the largest obstacle that leaders are faced with when initiating a change effort. It can be very damaging to the process and can potentially stall the efforts to move forward if not addressed appropriately. There are many reasons why an employee may resist change and so as “leaders of change”, you will need to be sensitive to how individuals respond while keeping in mind that the process of commitment and acceptance takes time.

William Bridges developed a model that reviews the emotional impact of change over time and the leader’s role. He describes the difference between change and transition. The change is situational and occurs without people, while the transition is associated with a psychological impact on people.

As a leader of the change, your role will be to support and encourage your staff throughout each phase. It is important to recognize that transition is not linear and therefore, those affected by it sometimes find themselves moving back and forth between the phases. Given this possibility, you will need to expect and anticipate

that people will go through the transition process at different speeds and in different ways. Your skills in communication, listening and coaching will be pivotal in identifying how to support your staff, both as individuals and as a group, so they can move through the phases as quickly and effectively as possible.

Bridges' Three Phases of Transitions are:

Phase 1: Ending, Losing, Letting Go

Phase 2: The Neutral Zone

Phase 3: The New Beginning.

Phase 1: Ending, Losing, and Letting Go. In this phase, staff and faculty must come to a point where they can let go of the old situation and until they let go, they will not be able to move on.

Possible Reactions:

- Sense of shock
- Fear
- Resentment
- Apathy
- Loss.

Tips for Leaders:

- 1) Identify what each individual will be losing
- 2) Accept your employees' reactions
- 3) Be open about losses and show empathy to those affected
- 4) Look for ways to compensate your employees for their losses
- 5) Provide your employees with lots of information
- 6) Show care and concern
- 7) Ask for reactions
- 8) Listen and pay attention to what you are hearing
- 9) Allow people time to grieve
- 10) Respond to the questions.

Phase 2: The Neutral Zone. In this phase, staff and faculty are in the gap between the old and new where the “old” no longer works and the “new” has yet to be established.

Possible Reactions:

- Anxiety
- Confusion
- Decreased motivation (which can result in lack of productivity)

- Some hope.

Tips for Leaders:

- 1) Talk to your staff and faculty about the feelings they can expect at this stage
- 2) Create temporary policies, procedures or structures as necessary
- 3) Strengthen connections within your team
- 4) Encourage your employees to think of new ways of doing things
- 5) Involve people in trying out ideas
- 6) Start training people on the new skills they will need
- 7) Continue to explain the purpose and plan.

Phase 3: The New Beginning. In this phase, staff and faculty begin to show emotional commitment to the new state.

Possible Reactions:

- New energy
- New identity
- Sense of purpose.

Tips for Leaders:

- 1) Explain the purpose for the new beginning
- 2) Continue to communicate the vision: what will the outcome of the change look like
- 3) Develop a transition plan: when they will receive information, training and support:
- 4) Give your employees parts to play in the transition.

Additional Tips to Addressing Resistance. As a leader, you will likely need to deal with the negative effects of change. The following table provides reasons why staff and faculty may resist change and strategies that leaders of change can use to reduce that resistance.

Table 7.1 – Additional Tips to Addressing Resistance

Reasons Employees Resist	Strategies
Employees feel they will suffer from the change	Use communication strategy that solicits employee input
Organization does not communicate expectations clearly	Do not send mixed signals regarding the change; this will increase employee distrust

Employees perceive more work with fewer opportunities	Communicate clear vision of the change Provide timely education
Change requires altering a long-standing habit	Identify employee concerns and unresolved implementation issues
Relationships harbor unresolved resentments	Provide employees with a timeline and a defined approach and outcome
Employees lack feeling of job security Change alters existing social interactions	Communicate how employees will benefit from the change

Control Questions

1. What is the essence of John P. Kotter's approach?
2. What does not work in "Step 1: Increase urgency"?
3. What works in "Step 4: Communicate for buy-in"?
4. What are common pitfalls for "Step 6: Create short-term wins"?
5. Describe a concept of importance of developing in communication strategy.
6. What are the tips for leaders in "Phase 1: Ending, losing, and letting go"?
7. What are possible reactions in "Phase 2: The neutral zone"?

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