

KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

Degree Program of International Business / International Trade

Otto Manninen

ORGANIZATIONAL CHANGE IN A COMPANY

Managing and Leading Successful Change

Bachelors Thesis 2014

## ABSTRACT

KYMENLAAKSO UNIVERSITY OF APPLIED SCIENCES

International Business

Degree Programme in International Business

MANNINEN OTTO

Organizational Change in a Company

Bachelor's Thesis

46 pages + 1 Appendix

Supervisor

Minna Söderqvist, Principal Lecture

Commissioned by

Company X and Y

May 2014

Keywords

organization, change, managing and leading

The aim of this thesis is to examine how a company executes organizational change. While the pace of changes in companies is constantly growing often companies start the change without preparation and knowledge. The objective is to find out how a company manages and executes change.

The author uses secondary and primary data in this thesis. Secondary data was gathered from books, scholarly journals and various internet sources. As primary data, the author uses information gathered from interviews with the case-study companies and from material related to the subject.

The results of this thesis suggest that an organizational change is so significant a process that it requires careful preparation and planning. To be sure, although change cannot plan in too detailed a manner, there are certain factors that can be classified as inevitable in every organizational change. The differences between successful and not so successful change can be seen in this thesis between the case-study companies. The implementations for the commissioners are related to communication and managerial responsibility. Communication is the key to successful change and managerial responsibility will grow during the change.

## TIIVISTELMÄ

KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

Degree Programme in International Business

MANNINEN OTTO

Organisaationmuutos Yrityksessä

Opinnäytetyö

46 sivua + 1 liitesivu

Työn ohjaaja

Minna Söderqvist, Yliopettaja

Toimeksiantaja

Yritykset X ja Y

Toukokuu 2014

Avainsanat

organisaatio, muutos, hallita ja johtaa

Tämän opinnäytetyön tarkoituksena on tutkia yritysten organisaationmuutosta. Muutosten tahti yrityksissä kasvaa koko ajan mutta monesti yritykset aloittavat muutoksen ilman kunnon tietämystä ja valmistautumista. Työn tavoitteena oli tutkia miten yritys suorittaa organisaationmuutoksen ja miten sitä hallitaan.

Opinnäytetyön kirjallisuuskatsaus koottiin aihetta käsittelevistä kirjoista, tieteellisistä artikkeleista ja muista Internet-lähteistä. Työn varsinainen tutkinnallinen osuus kerättiin haastattelemalla yritysten edustajia ja erilaisista lähteistä keräämistä materiaaleista.

Opinnäytetyön tuloksista käy ilmi että organisaatiomuutos on merkittävä prosessi yritykselle, mikä vaati huolellista valmistautumista ja suunnittelua. Muutosta ei kuitenkaan voi suunnitella liian yksityiskohtaisesti. Organisaatiomuutoksessa on kuitenkin tiettyjä vaiheita ja tekijöitä mitkä ovat välttämättömiä prosessin aikana. Tässä tutkimuksessa on nähtävissä erot onnistuneen ja vähemmän onnistuneen organisaatiomuutoksen välillä. Tärkeimmät opinnäytetyöni kautta saadut havainnot liittyvät viestintään ja esimiesten vastuuseen, sillä viestintä on avain onnistuneeseen muutokseen ja esimiesten vastuu kasvaa muutoksen aikana.

## TABLE OF CONTENT

### ABSTRACT

1	INTRODUCTION	7
1.1	Research Objective	7
1.2	Research Purpose	7
1.3	Research Question	7
1.4	Presentation of Companies	8
2	METHODOLOGY	9
2.1	Data Aquasition	9
2.2	Data Analysis	9
3	ORGANIZATION THEORY	10
3.1	The Definitions of Organization	10
3.2	Target as a Feature of an Organization	12
3.3	Centralization and Decentralization as a Feature	13
3.4	History and Development of Organization Theories	14
	3.4.1 Scientific Management	15
	3.4.2 The Classical Organization Theory	16
	3.4.3 Later Organization Theories	17
4	ORGANIZATIONAL CHANGE	20
4.1	The Definitions of Change	20
4.2	Intensity and inevitability of Change	23
4.3	Reasons for Change	25
4.4	Learning Organization	26

5	MANAGING ORGANIZATIONAL CHANGES	28
5.1	Leadership and Management	28
5.2	Transformational Leadership	29
5.3	Managers responsibility	30
5.4	Managerial Challenges	31
5.5	Controlling and Managing the change	33
5.6	Leading the change	34
5.7	Communication during the Change	35
6	RESEARCH FINDINGS	38
7	ANALYSIS OF THE THEORY AND RESEARCH FINDINGS	45
7.1	Comparison to the Theory	45
7.2	Comparison between the companies	47
8	CONCLUSION	49
8.1	Summary of Main Findings	49
8.2	Implications for the Commissioning Party	50
8.3	Self-Evaluation and Future Research Ideas	51
	LIST OF REFERENCES	53
	APPENDICES	
	Appendix 1. Interviews	
	LIST OF FIGURES	
	Figure 1. Organization Theories	15

## ACKNOWLEDGEMENTS

I would like to thank the representatives of the case companies that agreed to be interviewed. The interviews were the key for this thesis and without them, the research would not be possible.

Thank you also to my supervisor Minna Söderqvist for her guidance and feedback.

Also thank you to my partner, family and friends who supported me during this time.

## 1 INTRODUCTION

### 1.1 Research Objective

The objective of this thesis is to examine why companies execute organizational changes and how they manage them. Organizational change requires a lot from everybody in the organization so it is important to examine the subject because the number of changes will not decrease. The findings of this thesis can be used as instructions or guideline for future organizational changes in a company.

### 1.2 Research Purpose

The purpose of this thesis is that companies should recognize the demands of organizational change. Change is a significant time in companies' life-cycle and affects all the employees of the company. When companies execute organizational change, it will often require laying off employees, so this will cause responsibility towards the companies. The change looks quite different from the management, superior or from the employee point of view. Change is the buzzword in today's business life. It comes up in the media and in conversations among employees in their workplace. Organizations have always executed changes, small or larger ones and will execute them in the future. (Juuti and Virtanen, 2005:14.)

### 1.3 Research Question

The research question posited is:

*How a company does execute an organizational change and how is the change managed?*

#### 1.4 Presentation of Companies

In this thesis, two companies will be involved. Both will be presented anonymously. Company X is an international communication provider. Its customers are consumers and companies. The case study will be focus one of its customer service departments which in concludes approximately 200 employees. Company Y is a SME company in the Finnish aluminum industry and acts as a sub-contractor in the construction business. The customers of the company are construction companies. Here, the study will focus on the change in the whole company.



## 2 METHODOLOGY

### 2.1 Data Acquisition

The research data was acquired through qualitative research method. According to Saaranen-Kauppinen and Puusniekka (2006), in qualitative methods the goal is to understand the quality, features and meaning in a comprehensive way.

Secondary research data was gathered from various sources by using books, articles and scholarly journals. The primary research data was gathered via interviews with people from the two companies that the author selected for this research. Name of the companies will not be revealed and it is not relevant for the purposes of this research. The interviews were carried out by the author after the most relevant information was gathered in the theory section. The reason why these persons were interviewed for this research is that, they are in the best position in their companies to give this kind of information. Both of them are in the middle level of the companies' management which gives them a possibility to analyze the actual ground level of working. Data was also gathered from the Sustainability Report of the company and various internet sources which handles the organizational change of the company. The author has worked in customer service and in invoicing of company X for three summers. During the work periods the author personally experience the feel of the change and how the change management and communication were deal with.

### 2.2 Data Analysis

The theoretical part of this thesis is analyzed in descriptive method. The secondary data is narrated from many different angles. The primary data part of the thesis will analyze the data which is carried out via interviews and gathered from sustainability reports and various internet sources. The primary data was first written as the interviewed persons answered the questions and then analyzed by using content analysis so that the data is in clear form and the important aspects can be identified.

### 3 ORGANIZATION THEORY

#### 3.1 The Definitions of Organization

The word organization is used very commonly in life generally and in the business life especially. It came into general language after World War II even though the theories of organization had been written earlier. An organization is created for a certain target and its purpose is to reach the target by using the most efficient way. Scott (1998) defines the organization as a group people working towards a certain goal within a modified rules and structure. He has also determined five different components that make up an organization. (Scott, 1998)

##### 1. Participants

These are the employees or people who are participating in the project or working in the organization.

##### 2. Goals

This is the outcome that the participants are trying to archive. It is very important that the participant target to the same goal.

##### 3. Social Structure

This refers to the relationships between participants inside the organization.

##### 4. Technology

It does not only referring computers or machines but also the protocols and guidelines of the organization.

##### 5. The Environment

It tells where the organization exists and it affects the types of relationship which the company has to establish in order to survive. (Scott, 1998)

Harisalo (2008) describes an organization in four different ways. First and the most common way to describe an organization is through goal and efficiency factors. It tells that the organization is a system which is created to archive a certain target. The target must be reached by most efficient way and if necessary, the organization must change its structure and develop to reach the most efficient way. After the target has been reached, the organization disbands or creates a new target to reach.

The second and less common way to describe it is the so called survival model. In this mode the key is to ensure the existence and continuity of organization. The organization depends from other factors also so efficiency is not the key factor in this mode. Organizations which use this mode are communal and represent multi-operative arrangements. (Harisalo, 2008:17-19.)

The third mode is highlightg the interaction and exchange between the organization and the operating environment around it is called exchange model. In this the most important factors are how the operating environment guides and limits the organization and how the relationship develops through these actions. The organization can be measured by how they develop their actions towards the environment and how they adapts to the surrounding environment.

The fourth way to describe an organization is interpretative image. It comes from the fact that reality is always changing and peoples images about an organization are changing. According to this, peoples way to see organization depends on how their understanding and reading toward the surrounding image is changing. If people are changing their way to see things or change the way they are seeing themselves, they are also changing the way they are seeing organizations. (Harisalo, 2008:17-19.)

Depending on what strategic model is chosen, it will have an impact on the organization. When choosing a target and efficiency model, the organization will try to maximize its efficiency and will focus on the target. In this model, outcome measure, rationalization of operations is one of the key measurements which are used. The survival model will focus on the aspects that will secure the existence of the organization. It will minimize the conflicts and try to create a positive atmosphere. In this model, the efficiency is not the main measurement and the organization has to deal with many other problems. On the interaction model, the organization interests are focused on the networking, partnerships and strategic alliances. The interpretative image is focusing on the people and through that to division of labor and administrative practices and processes. (Harisalo, 2008:17-19.)

An organization is a complex construct even though it is used so commonly in everyday life. When Scott (1998) describes the components that are involved in the organization, it can be seen how complex it can be. Organization will have several participants and it can be difficult to each of them targeting the same goal. There can be several targets and each of the targets can have different impact from the environment or technology. In multi-cultural organization, the social structure can be difficult to control. Harisalo (2008) divide the organization into four categories. There are similarities with Scott (1998) descriptions but they are divided as in Scott's model, the features are not divided. In essence though that organization can be divided into categories like in Harisalo (2008) writes but there will be features of every category in every organization. Most likely an organization can be placed into some category because it will have one its main feature.

### 3.2 Target as a Feature of an Organization

An important part in the existence of organizations is the target. The target determines the organization and it gives the possibility to measure the achievements of the organization. The target can be unambiguous or ambiguous. Unambiguous are simpler and easier to measure, otherwise ambiguous are more complex and difficult to measure.

Organizations have also official and unofficial targets. Usually the assumption is that organization has only official targets but it is very common that especially in larger organization, there are many unofficial targets.

Sometimes in organization, especially in large organizations where there are many parties who could have different interests, the targets can differ very much between the parties. Usually it is assumed that the board will decide the official target but when there are many parties involved, this is not always the case. The target can sometimes be decided by negotiating between parties but it can also form due to a power struggle in the organization. (Harisalo, 2008:19-21.)

It is quite common that the organizations target becomes a tool and tool becomes a target because target exclusion is common and happens a lot. This can lead to a situation where resources which were acquired for a certain target, will no longer serve to reach the new target.

The trend in the last few years has been that, organizations are moving away from the multi-objective view and are focusing on their core knowledge. This can be seeing as outsourcing. Focus on the target-mode has left little attention to the fact that most of the targets that organization are trying to reach, remain out of reach. Many times the targets are symbolic and are almost impossible to archive. This gives the possibility to practice criticism and politicize without practical analysis of the failure. (Harisalo, 2008: 19-21.)

### 3.3 Centralization and Decentralization as a Feature

Centralization and decentralization describes decision making in the organization. The organization is not ever a fully centralized or decentralized, it is a mix of both. The focus can be changed and it is affected by numerous things so it must be monitored constantly. Changes and uncertainty are usually factors that increase the level of decentralization and crisis and threats increase the centralization.

Both decision making features have their strengths and weaknesses. Centralization can speed up the decision making and people know their targets. The difficulty of centralization occurs in a large organizations, where centralized made decisions can confuse people and will increase the errors in the organization. It will also increase the impotence of people and creates a feel that they have no control what will happen. (Harisalo, 2008:23-24.)

Decentralization of decision making will become sensible when the organization is so large that the upper management is impossible to understand all the features. Then it is common that decision making will be decentralized and an increasing number of people will take part of the decision making. This will bring the communication and information sharing between parties crucial if the organization will succeed. (Harisalo, 2008:23-24.)

### 3.4 History and Development of Organization Theories

If organizational theories are placed into a timeline, it brings a problem. In a normal way of thinking, the old theory is replaced by a new one and then the new theory is followed by everyone. In the case of organization theories, the leading theories are, more or less, living and evolving. (Harisalo, 2008: 37)

There is no one great organization theory. Instead there is a group of different ways of looking at an organization. Even the very first theories are in use in many parts of the organization fields. When the organization has been started to research in a new way, there are always elements of the old ones which have been seeing as a part of more modern and wider way of looking organizations. (Peltonen, 2010: 17-23)

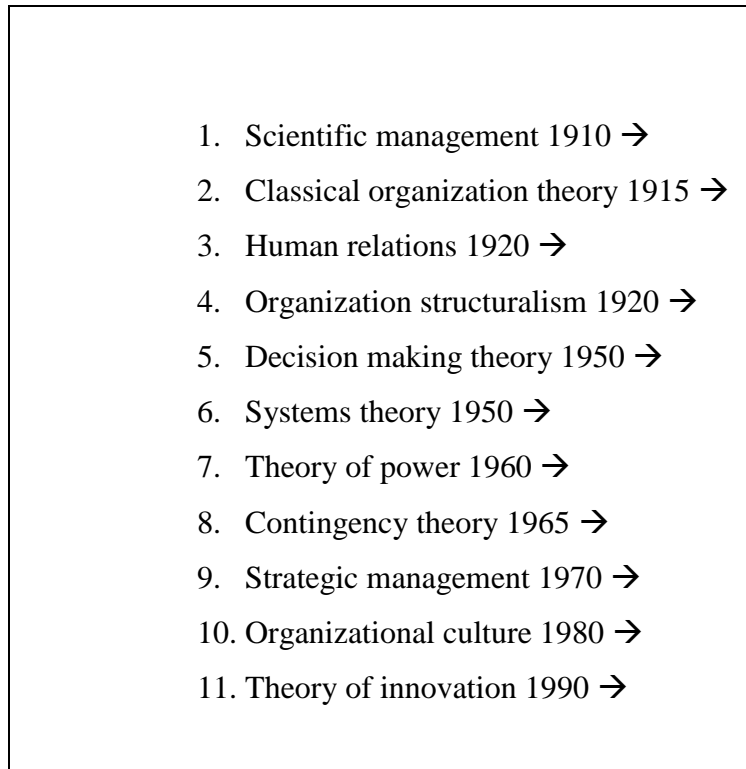
- 
1. Scientific management 1910 →
  2. Classical organization theory 1915 →
  3. Human relations 1920 →
  4. Organization structuralism 1920 →
  5. Decision making theory 1950 →
  6. Systems theory 1950 →
  7. Theory of power 1960 →
  8. Contingency theory 1965 →
  9. Strategic management 1970 →
  10. Organizational culture 1980 →
  11. Theory of innovation 1990 →

Figure 1. Organization Theories (Harisalo, 2008: 40)

### 3.4.1 Scientific Management

The theories will be next introduced in timeline perspective. The first consistent effort to understand the organization was *scientific management*. It focused on motivating people and solving the problems around it. It is also called classical motivation theory. The scientific management underlines the physical abilities and the work conditions in the research to increase the productivity. Also money is seen as a motivational factor through this ground breaking theory. The theory was created by Fredrick Winslow Taylor (1856-1915) and he introduced this in a book called “The Principles of Scientific Management” (1911). (Harisalo, 2008: 37)

The idea of this first theory came from the problem in the productivity. At the beginning of the 20<sup>th</sup> century, the technical development had created the tools to produce products in a large scale but people were not organized in the most productive way. Taylor’s solution was to divide the work functions into smaller functions that was

simpler and easier to learn than before. This created the easier possibility to analyze the productivity and see if there was a function that was not working in the right way. (Peltonen, 2010:26-27)

The key principles were also control and development. The development should be continuous and not the way that when a problem occurs, then the process will be changed. The division to smaller function made this easier. Taylor stress also planning in work functions and though careful planning company can save money and control the safety. (Harisalo, 2008:57)

### 3.4.2 The Classical Organization Theory

The *classical organization theory* started to develop almost at the same time as the *scientific management*. The first book that was written about it was Henri Fayol's (1841-1925) in 1916 published *Industrial and General Management*. It handles the leading of corporate organization. The main difference between the scientific management and this was that scientific management mainly deals with the productivity in functional level, the classical deals also with the structures of the organization. The target was to recognize the standards and similarities between the organizations so that it would be easier to understand them and through that, increase productivity. The core of the theory was structure and administrative functions in the organization. An organization is built on its purpose and structure is built so that the productivity is as efficiency as possible. The power and responsibility is divided so that it corresponds to the most adequate way for its needs. The administrative functions are needed because without it, the structure is useless. (Peltonen, 2010:30)

Structure and functions are needed because all the smaller functions are part of the larger organizations. Organizing these in the right order is important and this requires leadership. The meaning of structure and functions was to make the organization as efficiency as possible. (Harisalo, 2008:68–69.)



The classical theory expands the idea of making the employees to understand the needs of efficiency in the organization. To make production effective, it requires a functioning administrative structure. The theory made administrative functions a core functions in every organization and through the wide spreading, the functions were easier to analyze and develop. (Harisalo, 2008:68 – 69)

### 3.4.3 Later Organization Theories

The *scientific management* and *the classical organization theory* were the first theories and they showed the direction for the future theories. The rest of the theories will be presented in a briefly manner.

*Human relations* theory was created when the authors saw that in the scientific management was forgotten the human relations from the organization. The creators were pointing out that human relations are important for functioning of the organization. They were highlighting the social factors in the productivity. This theory is constantly current.

The *organization structuralism* was created in the same time period as scientific and classical. The creators of this theory were trying to understand the administrative functions that promote or limit the rational functions in the organization. They also bring the authority and power in the discussions about the organizations. This theory is also called as bureaucracy theory.

The *decision making theory* focuses on the on the process were decided about the future processes and functions in the organization. It moved the theory away from the structure of the organization was focusing on the decision making. It also showed that an organization has also vertical and not just horizontal specialization. The verticals base is the power to make strategic and operative decisions. It also develops analysis of dynamic processes and not just structures. (Harisalo, 2008: 38-40)

When the previous theories were focused on the structures and processes in the organization, the *systems theory* expands the way of look to the surrounding business environment and conditions. The theory develops an analysis who the environment of the organization will affect to the production and the changes to succeed.

The *theory of power* simply answers to the question that uses the decision power in the organization and how it is used. The theorists believe that even thought someone has the official power to make the decision; they might not have the power to execute the decision in the way they would want.

Beside the *systems theory* was also develop *contingency theory*. They noticed that the surrounding business environment affects essentially to the decision making inside the organization. They challenge the theory that the success of the organization is depend on how organization is developing their structures and conditions inside the organization. The surrounding environment and the society will affect more to the success than previously were thought and the organization needs to adapt to the business environment. (Harisalo, 2008: 38-40)

*Strategic management* draws its power from the decision making, systems and contingency theories. It highlighted that some decisions are more important to the success of the organization than others. Strategic actions are planning and anticipation of coming things and it is constantly under debate.

The *organization culture theory* opened a new way of looking organizations and forced to look much deeper inside the organization. It suggested that the visible structures and administrative functions are not the most important aspect in the organizations functions. The theorist suggests that they are only reflections from the real, invisible and unconscious culture of the organization which guides the way of thinking and doing of the employees.

The *theory of innovations* focuses on the factors that guide the organizations to renew and change themselves. When all the theories about the organization were trying to find the similarities and patterns which repeat in every organization, the innovation

theory is trying to understand why organization want or don't want to develop.  
(Harisalo, 2008: 38-40)

It seems natural that in the case of organization theories, new theories will not displace the old one. Organizations are so complex and multi-dimensional that there will be signs of many of the theories that were presented in this thesis. Every organization is focusing on a certain mission and based on that mission, the certain elements of some theories will be dominant in that organization.

## 4 ORGANIZATIONAL CHANGE

### 4.1 The Definitions of Change

The definition of organizational change is understood as “moving from known to unknown, from relatively certainty to relatively uncertainty, from familiar to unfamiliar” (Cohen et al. 1995). It have been also called as “change, one type of event is, empirical observation of difference in form, quality, or state over time in organizational entity”, (Van de Ven & Poole, 1995) It is safe to say that these definitions represent a movement from known and familiar environment to new and can lead unexpected situations.

Before the 1980' s, the term “change” described everything that was changing in the organization. There was no separation between the change as development of a process or new technology that needed to adapt. In 1986 Ackerman Anderson published an article *Organization Development Practitioner* and defined different type changes. These are *developmental change*, *transitional change*, and *transformational change*. These three stages will be introduced in this chapter.

#### **Development Change**

Development change is the simplest type of the three models. It is improve and update a process which already exists. It can be for example logical improvements. It is the simplest because there is no need to create something new or extraordinary but rather than elaborate the old one. It is usually done through small variations in the environment or markets and it can be done relatively fast and trigger to start it is low compared to other types. But, the development change cannot be seeing as not important or challenging because it is, but it is not as vulnerable or time consuming than the other two. The best way the leaders can assist in this type of process is that they provide the necessary information, why the processes must develop. Most common tool in development change is employee training because there are two assumptions, firstly that people are capable of improve and secondly that they will improve if the right tools will be given. The types of improvement that an individual, group or the whole organ-

ization can do are for example: training, problem solving, improve communication, increasing sale or production or conflict resolution. (Anderson & Ackerman Anderson, 2001:34)

### **Transitional Change**

Transitional change is a response to more significant variations in the environment or in the markets. It is more complex than development change and rather than developing something that is existing, it will create a whole new process in place. The change begins when a leader notices a problem in the current process and after an assessment with executives and management team; they decide the scale of the change. In transitional change, the organization must let go of the old way of making and move to the new way through transition way.

Examples of Transitional Change are:

- Reorganizations
- Simple mergers or consolidations
- Installation or integration of computers or new technology that do not require major changes in mindsets or behavior
- Creation of new products, services, systems, processes, policies or procedures that replace the old ones

According to Beckhard and Harris (1987) transitional change requires three stages, *old stage*, *new stage* and *transition stage*. These come from the fact that to create a whole new way to process a certain activities, an organization needs a transition stage because the change cannot happen in a day. Traditional change usually has a specific start and end date and during this stage, Beckhard and Harris (1987) first suggest that it needs to be *managed*. Change management has an important role in this stage. Suitable way to approach traditional change is change management because compared to transformational change, the human and cultural components are not the key drivers.

Many times traditional change requires only learning new things and need for large behavioral change are not demanded. Even though requirement for deeper personnel change are low, the need for a good strategy to go through the transition stage is needed. The strategy needs a solid change plan, good communication, employee involvement and also local control of implementation. The plan needs to make a clear difference between the old stage and new stage. Beckhard and Harris (1987) also recommended that transition should be managed in two different parallels where the other one control that the working is running as before and the other one is making sure that the transition is going through smoothly. (Anderson & Ackerman Anderson, 2001:35-38)

### **Transformational Change**

Transformational change is the most complex transition of these three types. When an organization executes this type of change, it will affect to everything and everyone that is involved to the organization. It will affect to employees behavior and way of thinking, it will affect to the customers attitudes towards them and it will shape the organization structure into a totally different formation. It is quite typical for this type transformation that the future goal or the end where this transformational change will lead the company is uncertain in the beginning. A company needs to answer to two questions for being sure of their transformation type:

1. Does your organization need to begin it's change process before its destination is fully known and defined?
2. Is the scope of this change so significant that it requires organizations culture and people's behavior and mindsets to shift fundamentally in order to implement the changes successfully and succeed in the new stage?

If the answer is yes to either one or both, company is likely to face transformational change.

As said previously, the change is needed when a company notices changes in the environment or in the marketplaces. When a transformational change is needed, the

changes in the environment and in marketplaces are so significant that this type of radical change is needed. In two previous types, the change process can be managed and has certain guidelines that can follow but in transformational, the change is so complex that it will have a life of its own. The process goes through “chaos” before it will end to the new stage.

The transformational change is done in a company where no other change is possible or they have been try out and did not succeed. Change will come mandatory when a company is mainly trying to keep their position in the markets with no possibility to expand or grow. During the process, companies’ ability to produce and work with the same efficiency as before, will decrease for a certain period of time but when the change process proceeds, the productivity will rise and will continue to rise. (Anderson & Ackerman Anderson, 2001:39-46)

Based on the authors own experience and feeling in today’s modern organization, the development change is processing constantly. Companies are searching new ways to develop their processes so often that it is not seeing as a drastic change. The development requires planning also and it cannot be concern lightly. If company starts more drastic change and it can be classified in transitional or transformational, there will be features from both categories. If the change will be so drastic that there is re-organizing, new products or systems, there will be a point where the organization is not sure how to reach the target even though the target is set. The change cannot be planned so detailed that it covers all phases in the process. This is demonstrated in the interview which the author has conducted and the representative of the other company said that in previous organizational changes they planned everything too detailed.

#### 4.2 Intensity and inevitability of Change

The change can be described as an absolute change and relativity change. Absolute change is meant that it is inevitable. Almost everything is changing in the universe and everything in constantly moving forward. By comparing this to business life and

working in a company, we can place into a different perspective. Some employees may say that nothing changes in a company but many times, people do not see the changes that are happening around them. This can be seen if we ask a person who has been absent a certain period from work and returns to work and right away, a person can see the changes that have happened in the company. (Juuti & Virtanen, 2009:12-13)

It is normal that people react to changes differently and many people react negatively. Change is always moving away from the comfort zone and even though the change would be compulsory, some people still resist it.

In organizational change, it is important to know the difference between the development of the organization and the change in the mechanism for implementation. In change of the mechanism, the organization when it is growing and expanding, it must make certain implementations in their approach for able to control a larger company. The development process deals with the company's lifecycle and companies are developing differently in certain stages of the lifecycle. (Juuti & Virtanen, 2009:12-13)

The pressure to organizational change can come from inside or from the outside of a company and it is important to know the differences. Companies need to inform the personnel why the change is needed. The reaction and behavior among the personnel is affected by the knowledge if the change is coming from an inside or from outside pressure. (Juuti & Virtanen, 2009:12-13)

Many times when talking about organizational change, it is perceived as change of organizations model, re-organizing of teams etc. It is much more than that. Always when changing something in a company, it involves people and people need time to adapt to the change. Changing is learning and it takes time. Real change is changing the way of thinking and doing. (Aro, 2002), (Arikoski & Sallinen, 2007)

When the world is changing all the time, organizations are changing also. This has to take notice when the actual change is going to implement. This is also why the change might seem to be disorganized and the goals can overlap each other. To prevent this,



whole organization must be involved and vision must be same in the top management and in the employee level. The change must happen in the individual level before the organization can be changed. (Morgan & Brightman, 2001)

Organizations are always changing, by developing their functions and employees. Also employees develop even when they execute their normal routines in their work. This is why the change is always current. The actual change, what people usually mean when talking about change, is re-organizing departments. Development and training occur more often through new technology and by new decrees in the business. When the change cycle is constantly on the move, overlapping will occur in companies. Sometimes the change can reverse each other in a certain time period.

#### 4.3 Reasons for Change

In today's modern business culture and speeding pace of economy, companies are facing challenges like never before. The change in technology, increased globalization, unpredictability of economy and through these, increased competition are forces that companies are facing. To response, companies have adopted new practices like, merging, re-engineering and restructuring (Branson, 2007). The reasons for organizational change may no longer depend on company itself and its products. Critical point in organizational change is companies' ability to response on the change. There have been researchers which are providing evidence that companies who answer to technological change tend to more rabidly can gain advantage in the markets. (Tushman & Anderson, 1986). Also, companies who have successful change management strategies are providing a longer and safer working place for their employees (Picot, 1999).

Improving companies efficiency has important factor on companies overall performance. According to Beer and Nohria (2008) 70 percent of the organizational changes fail because of the managers sink themselves in "alphabet soup of initiatives". This dates back from the inability to understand the nature and need of corporate change.

Through this, we can make a conclusion that the successful corporate change is largely dependable on the manager's ability to understand needs.

One of the most likely reasons when the change is going to be made in a company is when a new leadership is hired to the company or when a new leader with full of visions is entering into the firm. (Juuti & Virtanen, 2009)

The reason for increased number of changes can also come from the fact that change creates more change. When a company in the business intensifies their production or functions to gain advantage against competitors, will lead to intensify in other companies in business too. In this thesis, the two companies which execute the change, competition or competitor organizational change were not their main reasons for the change. Even though it was not seeing as a reason, it can be an indirect reason for example through changes which other companies have executed. Through change, competitors might have gained some advantage which can tempt more customers and it has reduced the sales of the company. The reason can also come from the change in the whole business and this larger change can be caused through series of smaller changes. In this case the company which goes through the change first will gain the advantage in the markets.

#### 4.4 Learning Organization

One of the main topics that rise from the researches that manage the change inside an organization is the learning organization. It can be defined as an organization that learns and develops itself constantly. Learning is done in all the levels of the organization, from top to bottom. The definition also underlines the fact that all the learning must have also some effect for the organization and it must be showed in the actions that the organization performs. (Watkins & Marsick, 1993)

To archive the learning organization, organization must according to Senge (1990), full fill the five core principles of a learning organization: (a) personal mastery, or

committing to lifelong learning and personal development; (b) mental models, or examining and challenging deep personal beliefs and their impact on our action; (c) team learning, or collaborate to work and develop knowledge effectively in small groups; (d) shared vision, or building a collective dream to guide future action; and (e) systems thinking, or coming to view the organization from a big picture perspective that recognizes the interrelationship between all parts of the organization, internally and externally.

Personally the author thinks that the learning organization sounds ideal and could help a company in its markets but there are also many difficulties that are faced when moved this to a real life situation. Axelrod (2000) and Wonacott (2000) express some of the challenges that a company can face:

1. Learning frequently falls within the domain of Human Resources rather than the responsibility of the entire organization.
2. Developing the ability to learn from experience requires a long-term commitment, which often conflicts with the short-term bottom line of productivity, accountability, results, efficiency, and profitability.
3. The predominant culture within organizations rewards the individual rather than the collective. This perpetuated the practice of hoarding information and tunnel vision.
4. Management is frequently action-oriented with a goal of getting things done, which conflicts with the requirements of time for reflection, synthesis and review.

Ranta (2009) wrote that the learning process should be taken into a part as companies every day process so that it would not see as a project anymore.

## 5 MANAGING ORGANIZATIONAL CHANGES

Leadership is the most important element in the organization. Now days when organizations have been changed a lot and the movement from traditional hierarchical leadership to team leadership, it is thought that team and experts can lead and guide themselves. But, still people and organizations require a good leadership. (Järvinen, 2005)

### 5.1 Leadership and Management

In organizational change, terms leadership and management are changed into change leadership and change management. Change management can also be used term change control. Change management is seeing as a process that can be repeated in every change project. It involves the quality control, cost control, risks, schedule and procurement. Through change management, the manager can evaluate and monitor the change influence to other areas. Change management is seeing as same in every process and only inputs and outputs vary. It can be controlled by outside the organization, as an external process. Change management or control is required and mandatory for every organizational change. (Ackerman Anderson & Anderson, 2001)

Change leadership is on the other hand, involves the human aspect in the change process. It refers to the techniques and activities that response to the people's reactions during the change process. It gives guidelines how to deal with the negative reactions that the change will create among the people. The key to successful change leadership is the commitment of the leadership and open communication between the leaders and key partners. Ackerman Anderson and Anderson (2001) described the change leadership that its "involves application of principles, techniques, and prescriptions to influence key human aspects of executing major change initiatives".

In many studies by Kotter (1996, 2001, 2006), Pearce (2003), Bennis and Nanus, (1985) suggest that leadership is separate and more functional model than management. Management has been discredited in recent years. When talking about management, it is meant by: organizing, budget settings and guiding and controlling the per-

sonnel. It is managing affairs. Leadership is seen as a more human way. Leadership is creating visions and strategies, motivating and inspiring personnel.

The mainly known literature of management and leadership were compared in a study which purpose was to explore the concepts and find the differences. The literatures were divided to studies which considers management and to studies which considers leadership. These were compared by different task which were seemed to be important to success of the business. The tasks were for example: anticipate the future, determine priorities and determine what constitutes customer value. The study shows that much more of these task which are seemed to be important to the success of the business, is fulfilled by the literature of management. So, this study places the criticism of management into a new perspective if a company's goal is to be successful in its business. (Nienaber, 2010)

## 5.2 Transformational Leadership

Transformational leadership has become important model in modern leadership literature. It firstly introduced in by J.M Burns (1978) and he described it as a process where "leaders and followers help each other to advance to a higher level of morale and motivation" He also discussed about the leadership and management and notice the difficulties of finding a large different between them. So, he established two new concepts of transforming leadership and transactional leadership. These two styles exclude each other. Transactional leadership is mainly based on a give and take trade as transforming is based on the leaders lead by example, creating achievable vision and goal.

B.M Bass (1985) expanded the theory by changing the term transforming to transactional added element to the theory so that it can be measured. The measurement was that the influence of a leader towards employees should be measured through trust, respect, quality and loyalty. The transformational leadership also highlights the individ-

ualized consideration and goal. Bass also suggest that transactional and transformational leaderships can be used simultaneously.

Most of the instruction that are given for the change process in communication, leadership and guiding can be linked to transformational leadership. In recent research and studies transformational leadership has founded to be important and useful tool in organizational change. Transformational leaders were found to be inspiring towards the change between the employees besides the planning and implementation would not be so high level. Also during insecurity, employees were more willing for the change when the relationships were on a trusting level by the affect from the transformational leadership. (Herold et al. 2008)

### 5.3 Managers responsibility

Managers ability to understand the corporate and employees needs is crucial in the organizational change. Employees usually react negatively on the changes in the beginning so managers have to predict and prepare for the possible conflict situations. Key factor during the change is communication. Kotter, (1996) is claiming that one of the main causes of failure in organizational change is poor communication. Employees have usually difficulties of finding the reason for changes. To get the change be successful through the whole process, managers should make the employees understand the necessary of the change. Thought, to get the change process through effectively, companies policy should be to competencies the overall strategy so it would be easier to prepare to the change.

Employees usually react negatively in the changes of their working environment. By researching the reasons why employees react way they react on these situations, companies can overcome these obstacles in future. Previous researches suggest that the resistance of the changes is caused by the uncertainty and the related loss of control (Ashford, 1988). Other reasons founded are fear of failure (Nadler, 1982) and disruptions in sense making (McKinley & Scherer 2000).

Significant influence on managing organizational change is the fact that, management has to gain the trust of the employees. Trust in management is related to almost all the reasons why employees are resisting the changes and have negative behavior against it. Information flow from management to employees is important for the successful of the change but the more important than just the quantity of the information is the quality of the information.

Efficiency in work and through that in the change is widely affected by the interest that is coming from the manager. This may have significant impacts when company is in the middle of the organizational change.

The widely known belief in business world today is that constant change is the key to success. Serge Bramly (2005) indicate that the best guide for continuous change is Leonardo da Vinci which use the mental renewal for creativity and it created a positive circle which lead to many impressive achievements in the western culture. Can today's managers use this as a guide and see their organization in a new way and use it for benefit of the change?

Managers are having a great responsibility in company during the change. Many times they have to listen needs that are coming from the upper management and problems that the employees are facing. When the communication is the key to successful change, managers are in the critical place. Many times the message from the upper management has to modify before it can be published to the employees. This will require that the manager knows how to talk with its employees.

#### 5.4 Managerial Challenges

Yukl (2002) says that leading the change is the most important tasks in manager's work. It is also the most challenging tasks but it could be said that all the managers have to face it at some point in their career; many will even face it multiple times. In my opinion, this is quite true like mentioned previously in this thesis, that companies

are forced to do changes very often. I could imagine that these changes will come frustrated to managers at some point.

In some Finnish researches (Juuti, 2004) have been proven that management and employees are living in a different worlds. Management in seeing and experiencing the companies things more positive way than the employee side. Through this is quite hard to start the change when the two sides are seeing things in a two different way.

The superiors who usually have to take the responsibility in the leading the change, are always in between the top management and the employees. Many times the message that is coming from the management is going through different personnel and is mixed by their own opinions. The superior has to deal with these opinions and format the message to the employees. This puts the superiors into a large responsibility in a company.

The challenge for management is to be in the same level as the employees. Like said previously, this has not realized in organizations. To be in the same level in emotions and thoughts, requires deep organization and knowing its employees. In large organizations, this is a challenge. (Boyatzis & McKee, 2005) Reaching a manager or superior position means that a person can get near the employees they starts to lead but many times a superior places themselves above the employees. Then the manager loses the touch to employees and is not at the same level with them anymore. It is vitally important to success of the change that the manager is at the same level and in touch with the employees.

Juuti and Virtanen (2009) conclude the challenges of the management during the change: Manager has to put them on the line and be prone to the change too. By leading, manager has to place their own personality to others. They have to receive worries and thoughts by many people and through that; they can be vulnerable to change their own opinions. They also have to represent the outside world and adapt the message so that the working community understands it by their own language. Working community has to be able to serve the customers and other interest groups outside the organization. Manager has to work with the employees in the same place, where the



work is done. Leading by distance could be challenging. It is worth to mention that distance can be measured in many ways. The room next door could be miles away.

In overall leadership and also in the organizational change, the key thing to success is making the people to believe to the vision and to the change and where it will lead the company. This requires a lot from the managers. By creating the belief, people need to be encouraged and inspired by it. Through that, a manager makes sure that the personnel are ready to face the challenges which it will face during the change. (Kotter, 1996)

As said previously, the circumstances and the society are forcing to make the changes. When the organization is changing, it will also change people's job descriptions and the manager has to be aware when the change is moving from macro level to people's level. (Lönnvist, 2005) This will bring us the key factor in all work and it is motivation. When a company is bringing the plans and descriptions about the new organization to be seeing, the actual preparation and work should be started much earlier. The job motivation should be raised, if it is low with somebody, at the level that it will not affect too much or prevent the change overall. This will bring pressure to the managers and will require a lot from them. (Juuti, 2006)

## 5.5 Controlling and Managing the change

Managing the organizational change is important for a company so that they can sustain their profitability and rate of growth. According the researches Eliezer (1996) and Mabert & Schmenner (1997) many of the changes fail or move the company to an opposite direction. Poorly managed changes have weakened the knowledge base of a company and lower the morale and motivation of personnel. The reasons why the changes fail, are poor or none attention at all to the social and cultural aspects in the organization. In researching one organizational change, researchers found many structural and cultural barriers. In structural were included consequently lower unit coordination and cooperation, fixed organizational structure and poor information flow. In

cultural barriers was included poor leadership from the top, no respect towards employees and the management favor sanctioning rather than learning in mistakes. To be able to overrun these obstacles, company needs to expand their change management to more effective one by adding understanding the process and context and not only understand the process. (Pettigrew, 1987) In this case the barriers were detected before the actual change was started and without effective change management, this would not happen. This requires a lot also from the people in the organization for founding the barriers.

During the process of the change, it is important that if it done by outside agency or even if it done by inside a company that they will use discourse to gain the understanding. Discourse is a helpful tool in all of the process of the change. Using it effectively will help throughout the process.

## 5.6 Leading the change

During the organizational change, the most important task will be leading the employees. Employee resistance or employees reacting negatively towards the change will affect to the change so it is important that the negativity will be handled correctly. There are few main reasons for the employee resistance. *Uncertainty* is experienced by the employees. It holds the uncertainty of persons own workplace as well as their future work conditions and responsibilities. This can be, according to researches (Allen, 2007) be prevail by effective communication. People who receive accurate and use full information during the process from their managers, will experience less uncertainty. (Jackson et al. 1987)

*Fear of failure* is also a feeling that many employees will have to deal with. Employees might fear that they cannot deal with the new technology which comes during the change or that they cannot handle the new work processes. This again can be prevented by effective communication. Also using organizational intervention to help em-

employees to gain trust in their own abilities will be helpful for the change. (Nadler 1982)

Third concept which is important for understanding the employees is *disruptions in sense making*. For the employee is important that they understand the organizations structure and the processes that they are involved. They have to know what is changing and why and how it will effect on them. In this also, the communication plays a key role. Successful change process requires that individual person understands the sense in it and this can be facilitated by the information which is send by the top management. (McKinley & Scherer 2000)

During the change is highly important that the management in the organization is holding *consensus within the leadership*. The leadership must share the vision, strategy and values so that the employees would not receive mixed information. United and strong group of leaders are the ideal force behind to the success of the change process. If managers are having disagreements, it is likely to reflect to the lower level and will cause an insecurity and resistance towards the change. (Roger, 2003)

It is quite natural that communication is a key to prevent employees feeling uncertainty. Usually there are employees who are forced to let go during the organizational change so the people who are staying, need to know that they are staying as quickly as possible. The speed of information plays an important role so that the employees will not feel the uncertainty. It is highly crucial that the information the company management is sending is not wrong and confusing.

## 5.7 Communication during the Change

It has become very clear that communication plays a crucial role during the organizational change so it is obvious to deal with it separately. As has been revealed, communication and information flow is seeing as a factor that grows the trust and assists, to the change and is important for the success. Yet, according to researches (Armenakis

& Harris 2002) management often fails to fulfill this. One of the reasons for this is that communication strategies are often based on common sense rather than empirical evidence. It can be seen that communication cannot just be information that is coming from top-management and the employees are told what to do without the option to ask questions and maybe even be assisted during the change. A quality of communication is seen as a positive affect towards the change. Information that is provided by the managers is seen as a more quality than the one that is coming from the senior managers. Team managers are many times in between the employees and senior management and they face heat from the both sides. Employees have experienced the communication from managers more useful because of the discussion element. To receive the best possible ending for organizational change, companies should after the first information flow from the senior management, give the managers deal with the communication towards the employees.

Allen et al. (2007) revealed that in communication should be recommended to use “cascading approach” in communication strategies. This means that the senior management is informing of the strategic issues and deals with the whole picture. The issues which are related to the everyday work and practical matters are guided by the lower level managers, the superiors of the employees.

There have also been highlighted three important communication models in the organizational change. These are monologist and dialogic change communication, and the background talk of change. Monologist information expresses the strategic information which is coming from the top-management. Dialogic information conveys more work related and specific information. The background talk mainly refers to the talk between the employees. Background talk is important because it can easily move the attitudes towards negativism by critical and cynical talk. This can also have positive impact true trusted and highly regarded employees who see things positive way. Managers have important role in this also because it is important that they can recognize these employees who can impact positively during the change process. (Frahm & Brown 2005)

In change communication, negative information cannot be avoided and according some researches, it should not be. Negative information, if given by the right way, can even reduce the negative reactions among the employees. It can help the anxiety and speculations which the organizational change will create. (Miller & Monge 1985)

One important aspect in communication which is seeing for successful change process is a clear *vision*. It is seeing as a factor that inspires into actions, focuses and creates new social structures. To gain help from vision to positive reaction, it is important that the vision is clearly seeing among the employees. Vision is seeing important component in transformational leadership. Through vision which is reachable and attractable, can employees be motivated to go through the change process also. In this vision is included also the negative aspects and the sacrifices that employees has to conclude but these are important in order to reach the goal. (Kotter, 1996)

## 6 RESEARCH FINDINGS

In this research, the author is presenting two case companies and has conducted interviews with both of the companies' representatives. Companies will stay anonymous and the names of the companies are not relevant in this research. Questions that the author has presented to the interviewed persons, are based on the theoretical research that has been made. The questions are mainly covering the way how companies manage the organizational change and the reasons behind it. Details about organizational structure is not covered in this research because it was not seen important and also because of the anonymity it was left out. Author has also gained information from the discussions that he has had with the representative of the company Y. Information regarding the company X is gathered from the sustainability report of the company and internet sources that deal with the organizational change. Company Y is a Finnish SME Company and is working as a sub-contractor in the construction business. Company X is an international company which is providing communication services and products.

*Basic knowledge of the company? How many people were involved in the organizational change?*

Company Y: The people included to the organizational change were in the beginning about 30 and after about 20. It included people from officers to workers.

Company X: In this organizational change, it happened so that there was created a whole new department. Two departments were combined to one. The number of employees is 59 in the department. This was a new arrangement in the whole company, to create the new department and it was created to boost the larger departments change in the company.

*When the change was decided to execute, was the destination fully known and defined or was it forming in the way?*

Company Y: It was formed on the way but certain target was known in the beginning.

Company X: When it was announcement from the top management that the new department is going to be organized, the result was known but the details required development. After the new department was created, its operating models were developed and it has been evolved by the frames that were created from the top management.

*Can the change described more like an development or did it require more complex actions like re-organizing departments, replacing old processes or policies?*

Company Y: In this case the change was mainly reducing costs and disbanding the non-productive business. New business areas were not created and the target was to create better circumstances for the healthy business fields. Nothing new for the workers or officers was not created, the employees that were forced to let go, their functions were not placed to other employees.

Company X: There was re-organizing when the new department was created. The new department was created by using the good elements of the former departments and adding some new which would be functional. There was also created some new operating models which required employee education and harmonizing former operating models.

*In order to reach the level which is the objective, will the productivity reduce for a while, before the new way is adopted?*

Company Y: For a while the variable cost were higher because people were forced to let go and some employees might have very long period of notice. Also the productivity of them was reducing due to the termination. In fixed costs, there was also increasing of costs because moving of the production from rented place to own property so there will be overlapping due the moving time. In the administration level the costs were higher because financial management was abandoned and this cannot do over a night so it will require some overlapping.

Company X: There occurred some decrease in the functions of the department and the company was prepared to this. But, after a while the functional level returned to the former level. This type of situation occurs when the change is so large that also the stakeholder's organizations will change and it requires some time so that the connections between departments is on the sustainable level.

*Did the reason for a change came more from inside a company like reducing bureaucracy or more from outside effects like competitors or new acts?*

Company Y: The change is due to the financial situation in the markets. The sales were not doing well and fixed costs were rated to higher level of sales. This was the main reason, to measure the fixed costs for the turnover and sales. Also the overall competition has intensified and the financial situation of sub-contractors in construction business is difficult and this has reduced the sales.

Company X: This organization change was based on the change in the whole business and from the need of the customers so the reasons came from outside effects. Also the company is keen to maintain its competitiveness. Customers' requirements have been grown a lot lately so it required actions from the company. Even though the reasons were coming from outside the company, it also gave the opportunity to remove some overlapping between departments. Our competitors have made this type of changes before and the operating models are almost the same. Main competitors have the same strategy that the success is trying to archive trough customer satisfaction.

*Is the change so significant that it requires employees to change their way of thinking of doing things in order to make change successful?*

Company Y: No. Every employee work function that has been let go was not transferred to someone else, the employee and the work function was both let go. Only some minor aspects like invoicing have been transferred but the whole way of doing things has not changed.



Company X: It is hard to say but some have had to change their way of thinking and some do not. Before the change, the employees working area and the products that they have to control was lesser and through the change, they control larger set of products. In overall level, in the whole company, one of the ideas behind the change was that the overall thinking goes towards the customer experience and that the customer is in the center. If the customer is satisfied during the contact, it will be more beneficial for both. Before the change, there were also request from the employees towards the change and many have been satisfied from the change because through this, the department is clearer.

*Was there a strong negativity from the employees and if was, how was it managed?*

Company Y: Yes and no. No one wants that they will be let go from the company. For the people who were staying in the company, the morale was handled so that the management said that they are the employees that will carry out the company from now. This was done with the workers and with officers this was not done and it led to defeatism. There were also making mistakes in the communication when the information was not communicated to the officers in time and after it was, the information was coming from many different directions.

Company X: There were reactions from side to side. The negative reactions came when the employees did not know what to expect. They did not know what was going to happen during the change and did not know how the change effects to their work function. The main task to prevent the negative reactions was communication between the employee and superior. This has been one of our priorities in our manager training.

*Was the communication between management and employees saw important and if was, how was it handled?*

Company Y: Communication overall failed. In some situations in different sectors it was handled correctly but overall was not. The main mistake was that the message was not delivered clear and simple. Also the messages that were delivered were sometimes totally opposite than the last one. The confusion was also increasing that the in-

formation was delivered by different person, from the managing director and from the owner and many times they were the ones that was delivering the opposite messages.

Company X: This was seen as a first priority mission. In all day-to-day operations in the company, communication is the key point. Communication was seeing so important that sometimes it is good to inform that right now there is nothing to inform. Before the organizational change, communication plan was made. Superiors will do one-to-one conversations with their employees all the time and during the change, this comes even more important. Communication is handled in many different levels. From superior and management to employee and then there is also general communication which is send through intranet or email messages. Information sharing is usually successfully done but sometimes the general information may lead to misunderstanding because it is not specified or detailed too much.

*What was seeing as a main barrier to successfully implement the change process and how was it prepared?*

Company Y: Main barriers were for example in the moving the production that the rent contract had to be terminated, some properties had to be sold. Maybe these would fail. On the personnel side, the problems were seeing in the period of notice. Some of the personnel might have ten year period of notice.

Company X: Probably the main risk was that the company in performing an organizational change but actually nothing happens in the functions and everything goes like before. The superiors were prepared for this and also communication was seeing important part for preventing this. Also through success, the change was speed up. So, when the new functions were successful, this was informed right away and through that employees can see that this actually works. If some functions were not so successful, these were revealed and fixed and not hidden and think that it is okay. In these cases the employees were given the possibility to affect and give their ideas to make it work. This can also be used to raise the morale and atmosphere. The company also has taken to learn from previous changes and this time not plan everything too detailed.

*Do you feel that the employee trust towards the management is increased or reduced from the implementation of the change?*

Company Y: It has certainly reduced. When people were forced the let go, it will effect on the morale. This will also lead to the communication and how it should have been done differently. The rest of the employees should be guaranteed that they are the people who will raise the company. If this fails, the employees will have a feeling that I will be next who will let go.

Company X: We do in every quarter a questionnaire to employees about overall atmosphere and this also includes the trust towards management. If comparing the atmosphere before the change and recently when the effects are visible, the feeling between the employees has grown, especially employees think that superiors are taking more account of them and also that customers are taking more accounted.

When company Y started their organizational change, they hired new managing director. This was done because the previous managing director, who was on of the owner, was retiring. Also company hired a new production manager who had a significant part in the change process. He was also a person that was interviewed for this thesis. Hiring the new managing director for leading the company into a new direction and through the organizational change was seeing as a natural choice but there appeared conflicts in the management. The owner and previous managing director were intervening into the decision making process and caused misunderstanding and confusion in the company. The differences in the management caused the resignation of the managing director in the middle of the change process and the owner returned to the place. Company Y was still able to execute to change through despite the many problems that were caused from management mistakes. (Interview, Company Y, 2014)

The organizational change that was research in this thesis from one of the departments in the company X is part of the change that goes through the whole company. According their Sustainability Report from 2012, they started a two year efficiency program

and because of that, several departments very re-organized. The efficiency program requires lay-offs of hundreds of employees and several units are moved away to different locality. Through the change, the company also returned to its previous model where customer service departments were united and not separate. There was made an organization change in the company several years ago, where the departments were separated because it was seeing that the employees cannot handle so wide range of products. The reason for this type of change is to change the company from technology-oriented to customer-oriented. (Annual Report, 2012)

The author has worked in the company during the organizational change and has experience in this change for unification of departments. As the department manager told during the interview, companies questionnaire towards the employees were positive about the change. The unification can lead to better earnings for the employee when the responsibility grows and more sales opportunities occur. Even the overall picture might be positive; there were also some doubts from the employees towards the change. When the responsibility grows, there were doubts that the responsibility might grow too much that the employee can deal with. But, this type of situation can be solved by effective training and by motivating employees, financially and other ways.

One of the aspects in the organization change of the company X is centralization of functions and focusing on the core processes. This is also handled in the theory part of the thesis. Company X has concentrated its functions into fewer locations and outsourced some of their actions into overseas countries as well as companies in Finland. (Press release, 2013) These types of actions are quite normal in large companies when there are so many different functions that management cannot control them all. Harisalo (2008) wrote that it will bring information flow problem and the beginning will bring difficulties to the company.

The author has personal experience in this type of situation. When some of the work functions of invoicing department were moved in overseas, it led to minor information problems and misunderstandings on some of the works. There were overlapping for a while and it caused some misunderstanding.

## 7 ANALYSIS OF THE THEORY AND RESEARCH FINDINGS

The finding based on the theory and the data will be analyzed in this part of the thesis. The questionnaire is based on the theory which was gathered before conducting the interviews. The answers will be critically analyzed and compared to the theory and see are the companies executed the organizational changes the way the literature is guiding to do. Also data which is gathered from other sources will be analyzed.

### 7.1 Comparison to the Theory

At the beginning of the thesis, it was clear that one of the main sources and keys of this thesis would be interviews which were based on theory that was founded. The answers gathered from the interviews will now be compared to the theory in this part of the thesis.

One of the main research issues was to examine that can the changes in these companies be category based on the Anderson and Ackerman Anderson (2001) categories and where these changes would located. Based on the answers it clear to say that both of the companies have elements from every three (development, transitional and transformational) stages but still their changes can be placed into transformational stage which is the most significant stage. Both of the companies, the change were more significant than just a development, even though there was development also. Probably the most significant aspect was that, the destination was not fully clear at the beginning of the change and there was a clear increase in the cost and reduce in productivity. Company X representative also informed that in previous changes, they planned the process too detailed and the approach to the change was different this time. Their change was also so significant that employees are forced to renew their thinking because of the new products that they have to control and sell. In company Y, even though their functions inside a company were not changed, it can still count as a transformational change because of the other factors.

The reason for the change was also important to examine. Both of the companies' reasons came from outside and inside of the company. Company Y's reasons were the fi-

nancial situation but also the lack of renewal. It can assume that this is quite general in family owned businesses. Juuti and Virtanen (2009) highlighted that many times new management is likely to renew and changes. This is exactly what happened in company Y. Also that the company functions were not revised before, causes the drastic change now. In the other company, the need for a change came from the customers and from the need to keep up with the competitiveness of the business. The need from the customers has come from the technological change and its development and through this; customers' needs for services and products have changed.

Managing the change was one of the main parts of the thesis so it was important to research how these companies were handling the issues that did come out in the theory section.. Almost all the sources which were handling the leadership and management issues were highlighting the communication function. When looking at how the company Y was handling the communication, it can be said that this is the worst case scenario that can happen. Company did almost everything in the opposite way that all the management and leadership sources were guiding to do. There were also replacements in the management of the company during the change and this has also affect to the morale of the company. It can be see that the management of the company did not have the experience in the organizational changes and because of that, the communication failed. It is also easy to image that if the owner of the company has been in the business for decades and there comes a new managing director which is also a woman, can cause conflicts and power struggle. In the case of company X, we can see the experience and the effective approach of a larger company to the organizational change. Communication was right from the beginning set to key point of the change and the management also had different channels for the communication. This change can be placed almost as a model for a modern organizational change.

Recognizing the main barriers before implementing the change can be crucial for the success of the change. So it was clear that these were research also in the interview. In the company Y, as the main barriers were saw more practical matters like failing in the production move. According the theory, the main barriers were seeing in the leadership and in the communication. In company X's case, as a main barrier was saw

mainly that the change is not actually change anything. To prevent this, company used employees in planning the functions.

Usually companies execute organizational changes to make things better. Trust towards the management can be seeing important aspect of this. In company Y, the trust has decreased because of the fail in many stages of the change. It will have an impact to the morale when employees are forced to let go but moral hazard can be reduced by executing functional communication, which did not happen. In company X, the trust was increased and the overall atmosphere was also rise.

## 7.2 Comparison between the companies

It is challenging and sometimes unfair to compare two companies in this type of situation when they have so different bases. Also the case companies' organizational changes were so different and were executed from different reasons so it will bring some difficulties for the comparison. Companies' backgrounds and resources were also so different that it will affect to the direct comparison. Comparison can be done from many perspectives and there are always some criticisms about it.

The reason and execution were totally different between the companies. Company Y started the change because the fixed costs of the company were counted too much higher revenue and the revenue was decreased due to the financial situation of the construction business. Company X was forced to do the change so that they could counter the needs of the customers, which were changed because of different needs and technological development. Both of the companies were forced to let go their employees. Letting go of the employees is always affecting to the people who working in the company, even though most of the employees can keep their places. In company X, this was taken care more professionally. Company Y also used different motivational ways towards the employees but probably due to some other mistakes in the change process, the morale decreased between the employees.

Probably the main subject that was brought up in the theory section of the thesis was the communication and information flow during the change. The companies had total-

ly different results from the communication between the management and employees. Company Y failed in it totally and the employees were receiving mixed information from the management and the affects can be seeing in the result and in the morale of employees. On the other hand, the company X executed a successful communication and information campaign during the change. Their messages towards the employees were usually precise and the information was coming from many different channels. In comparison to the other company, the messages were not contradictory to each other. Managers training had significant part in delivering the message to employees and handling challenging issues in the working community.

In overall, company X executed the change much more successfully than company Y. The reasons behind the success are probably the experience which was coming from the previous changes and the resources to prepare this type of change. When company Y is executing this type of organizational change in the future, they should prepare the change more properly, recognize and assess the challenges more carefully.



## 8 CONCLUSION

The aim of this thesis was to examine organizational changes inside a company. There were two companies that were involved. The primary data for the thesis was gathered from interviews and from various internet sources.

### 8.1 Summary of Main Findings

The research question for the thesis was *how a company does execute an organizational change and how is the change managed?*

Findings indicate that these two companies are executing organizational changes to improve their position in the business, to answer customers' needs, and to secure their existence. Organizational change is very demanding, dangerous, time consuming, complex and maybe crucial for the company. The two companies which were dealt with in this research had totally different background and also totally different approach to change. The smaller company was forced to execute the change because of the financial situation in the markets and that the costs had increased substantially. The larger international company was executing it to answer the customers' needs and also improve their position in the markets towards the competitors.

Both of the companies were also laying-off their employees and cutting some of their functions. Laying-off employees is many times one part of organizational change, at least as large changes as in these companies. In these companies, the change was so large that different functions ended or united and through that, the need for that number of employees was not needed. Laying-off employees will have affects to the working community. Planning communication and information flow is a way to prepare for this and we can see differences between the companies' ways to deal this sort of situation.

The size and model of the change was highlighted in the research and in that, we can see similarities in the companies actions. The change was so significant and large in both companies that the result was not fully known at the beginning. Both of the com-

panies had some idea of the result but did not know the results precisely. During the process, the change also caused a decrease in the productivity of the company. This decrease was also presented in the theory section and was important part in the classification of the change.

The employees reactions towards the change had significant impacts to the companies' overall performance. Even though there was no questionnaire for the employees of the companies, we can state that there is a difference between the companies' employees' reactions and this is fully a result of the execution of the change. The smaller companies' employees trust towards management has decreased and in the larger company, the trust has stayed the same or even increased.

Communication and information flow are important factors during the organizational change. There are significant differences between companies concern toward the communication and the difference can be seeing in the result. Smaller company Y was not prepared for the communication and during the process, it was also affected by disputed between the management. The much larger company X was on the other hand, well prepared for the communication and it was in their top priority. They executed the communication well and it affected to the result positively.

## 8.2 Implications for the Commissioning Party

The execution of the change depends on what the company aims at. But, there are still some areas that will come out in the priority list during the change process. Communication should be planned before the change process begins and the company should have clear channels for each management level. This came out in underscored way in the theory section of the research. Good example for successful communication is the company X of this research. There were clear channels for each management level and for the information coming from the company towards the employees. Company was well prepared for the communication during the change and the superiors were given instructions to deal with the employees. For employees, this is a good thing. They get

information from the change and they have also a possibility to discuss with their superior if they have something that concerns them. .

The execution of the change will never go exactly planned. There will always be variables which will force the company to deviate from the original plan. This is why the managerial actions and responsibility becomes very important. During the time that the companies' employees are executing the change, they still have their normal responsibilities in work and in the managers case, this will emphasize even more. In the normal work rate, managers' responsibility increases high and causes pressure and during the change, the pressure is even higher. Companies can prepare for the increased work rate. Even though it is better not to plan the change too detailed, companies can always prepare to the change as effectively as possible.

### 8.3 Self-Evaluation and Future Research Ideas

The objective of the thesis was to research organizational change in a company. The author had two companies in this research and the companies were in totally different business fields. The author though that it would be interesting to see how companies from different fields, would manage change. The author feels that the way the change was deal with in the companies, was revealed in this research. Subjects that are significant for organizational change were deal with in this research.

The author recognizes the limitations of this research and believes that there would be a few different directions that would have made the research greater. The author could have concentrated only in one company and research the change in more detail. There also could have been a questionnaire for the employees and management. The other direction could have been a questionnaire for a much larger group of companies and research the change in that way.

The future research of the subject is hard to determine because the subject has already been widely researched. The author found substantial research of companies' organi-

zational changes, some of them had different approach but it can be said that this is a quite popular subject. The changes in a company are very common nowadays so it is quite obvious that the subject is researched extensively.

## LIST OF REFERENCES

Allen, J., Jimmieson, N.L., Bordia, P. & Irmer, B.E. (2007) 'Uncertainty during organizational change: Managing perceptions through communication' *Journal of Change Management* [Online], 7 (2)

Anderson D. & Ackerman Anderson L.S. (2001) *Beyond Change Management: Advanced Strategies for Today's Transformational Leaders* Jossey-Bass/Pfeiffer. A Wiley Company. San Francisco

Anita Saaranen-Kauppinen & Anna Puusniekka. (2006) KvaliMOTV - Menetelmäopetuksen tietovaranto. Tampere: Yhteiskuntatieteellinen tietovarasto  
Available from: <http://www.fsd.uta.fi/menetelmaopetus/> [Accessed 25 Januari 2014]

Arikoski, J. & Sallinen, M. (2007) *Vastarinnasta Vastarannalle: Johda muutostaitavasti*. Oitmäki. Johtamistaidon opisto.

Armenakis, A.A. & Harris, S.G. (2002) 'Crafting a change message to create transformational readiness', *Journal of Organizational Change Management*, 15(2):169-183. Retrieved from: ProQuest [Accessed 10 December 2013].

Aro, A. (2002) *Yritän vain hoitaa omaa tehtävääni*. Helsinki. Edita Prima Oy.

Ashford, S.J. (1988) 'Individual strategies for coping with stress during organizational transitions', *Journal of Applied Behavioral Science*, 24: 19-36. Retrieved from: ProQuest [Accessed 10 December 2013].

Bass, B. M., (1985), *Leadership and Performance*, N.Y. Free Press.

Burns, J.M. (1978) *Leadership*, New York. Harper & Row, Onursal Arkan.

Bennis, W. & Nanus, B. (1985), 'Leaders: Strategies for Taking Charge', Dryden Press, Dryden, NY. Retrieved from: ProQuest [Accessed 10 December 2013].

Eliezer G. (1996) 'Cleaning up after reengineering', *Business Horizons*, 39(5) : 71-78. Retrieved from: ProQuest [Accessed 10 December 2013].

Frahm, J.A. & Brown, K.A. (2005) 'Building an organizational change communication theory', *Academy of Management Best Conference Paper OCIS: C1*. Retrieved from: ProQuest [Accessed 10 December 2013].

Griffith-Cooper, B. & King, K. (2007) 'The partnership between project management and organizational change: Integrating change management with change leadership' *Performance Improvement*, 46(1) Retrieved from: ProQuest [Accessed 10 December 2013].

Heracleous L. (2002) 'The contribution of a discursive view to understanding and managing organizational change', *School of Business, National University of Singapore, Singapore*. Retrieved from: ProQuest [Accessed 10 December 2013].

Jackson, S.E., Schuler, R.S. & Vredenburg, D.J. (1987) 'Managing stress in turbulent times' *Occupational stress and organizational effectiveness*. New York: Praeger: 141-166. Retrieved from: ProQuest [Accessed 10 December 2013].

Juuti, P. & Rannikko, H. & Saarikoski, V. (2004) *Muutospuhe*. Keuruu: Aavarantasarja ja Otava

P. Juuti & P. Virtanen, 2009. *Organisaatiomuutos*. Otavan Kirjapaino Oy.

Järvinen, P. (2005), *Ammattine Esimies*. Juva. WS Bookwell Oy.

Kotter, J.P. (1996), *Leading Change*, Harvard Business School, Boston, MA

Kotter, J.P. (2001), 'What leaders really do', *Harvard Business Review*, Vol. 79, pp. 85-96. Retrieved from: ProQuest [Accessed 10 December 2013].

- Mabert V.A. & Schmenner R.W. (1997) 'Assessing the roller coaster of downsizing', *Business Horizons* 40(4) : 45-53. Retrieved from: ProQuest [Accessed 10 December 2013].
- Miller, K. & Monge, P. (1985) 'Social information and employee anxiety about organizational change', *Human Communication Research*, 11(3): 365-386. Retrieved from: ProQuest [Accessed 10 December 2013].
- Morgan, J.W. & Brightman, B.K. (2001) 'Leading organizational change', *Career development International*. Vol.6. No.2. Retrieved from: ProQuest [Accessed 10 December 2013].
- Nienaber, H. (2010), 'Conceptualization of management and leadership', *Management Decision* 48(5), Emerald Group Publishing Limited University of South Africa (UNISA), Pretoria, South Africa. Retrieved from: ProQuest [Accessed 10 December 2013].
- Pearce, C.L., Sims, H.P. Jr, Cox, J.F., Ball, G., Schnell, E., Smith, K.A. and Trevino, L. (2003), 'Transactors, transformers and beyond: a multi-method development of a theoretical typology of leadership', *Journal of Management Development*, 22(4), Retrieved from: ProQuest [Accessed 10 December 2013].
- Pettigrew A. (1987), 'Context and action in the transformation of the firm', *Journal of Management Studies* 24, Retrieved from: ProQuest [Accessed 10 December 2013].
- C, Peus, D, Frey, M, Gerhardt, P, Fischer, E, Mattausch, (2008) 'Leading and Managing Organizational Change Initiatives', *Management Revue*, 20(2), Retrieved from: ProQuest [Accessed 10 December 2013].
- Ranta R., (2005), *Kehittyvä työyhteisö. Kehittäminen ja uudistaminen ihmisenä ja organisaationa*. Jyväskylä Gummerus Kirjapaino Oy
- Senge, P. (1990). *The fifth discipline: The art and practice of the learning organization*. New York: Bantam Doubleday Dell Publishing

Watkins, K.E., & Marsick, V.J. (1993). *Sculpting the learning organization: Lessons in the art and science of systemic change*. San Francisco: Jossey-Bass Publishers.

Yukl, G. (1998), *Leadership in Organizations*. New Jersey. Prentice- Hall.

Press Release, (2014), '\*\*\*\*\* jatkaa organisaation uudistamista ja tehostamista' *Uutishuone \*\*\*\*\**, [online] [accessed on 20 february 2014]

#### Interviews

Company Y, (2014) *Personal Interview*, (Organizational change), Interviewer Otto Manninen, 11 January 2014

Company X, (2014) *Personal Interview*, (Organizational change), Interviewer Otto Manninen, 27 January 2014



## Appendix 1. Interview

1. When the change was decided to execute, was the destination fully known and defined?
2. Can the change described more like an development or did it require more complex actions like re-organizing departments, replacing old processes or policies?
3. Is the change so significant that it requires employees to change their way of thinking of doing things in order to make change successful?
4. In order to reach the level which is the objective, will the productivity reduce for a while and is there a “chaos” before the new way is adopted?
5. Was there a strong negativity from the employees and if was, how was it managed?
6. Did the reason for a change came more from inside a company like reducing bureaucracy or more from outside effects like competitors?
7. What was seeing as a main barrier to successfully implement the change process and how was it prepared?
8. Was the communication between management and employees saw important and if was, how was it handled?
9. Do you feel that the employee trust towards the management is increased or reduced from the implementation of the change?