UCD Michael Smurfit Graduate Business School

EURO SAFETY GLASS

# CHANGE KALEIDOSCOPE ANALYSIS


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**Assignment Title:** The Change Kaleidoscope in Action
**Module Coordinator:** Ms Ashley Hughes
**Module:** Managing Organisational Change - BMGT43580
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UCD Michael Smurfit
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# UCD Assessment Submission Form

**Programme:** MSc. Management Consultancy

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**Module Title:** Managing Organisational Change

**Assignment Title**: The Change Kaleidoscope in Action

**Module Coordinator:** Ms Ashley Hughes

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## Selection Process

The selection of a firm to undertake a change assessment was initially quite perplexing. Several multinational and public sector organisations captivated the authors' attention to conduct a secondary analysis. Despite this, the authors each maintained connections to key individuals in multiple SMEs. It was ascertained that selecting such an organisation would provide superior research findings and insight due to the potency and depth of data collected. Following careful consideration, Euro Safety Glass (ESG) was identified as the most apt firm for this analysis.

One of the authors held employment with ESG and thus, professional relationships with the CEO and other management in the firm. This facilitated access to extensive information regarding the organisation's reconstructive change initiative. Pertinently, the selection of ESG enables this paper to provide insight into the response of home country employees to change arising from negative performance in a host country's operations. Extant literature fails to address this dyadic relationship, particularly in the context of SMEs. Moreover, the focus of the literature merely pertains to addressing the financial implications of this relationship (Damaraju, Barney and Makhija, 2015; Coudounaris, Orero-Blat and Rodríguez-García, 2020). Thereby, this paper significantly enhances existing literature due to its examination of the human factors associated with foreign subsidiary failure in the domain of change management.

Furthermore, ESG is a family owned and managed business. Miller, Steier and Le Breton-Miller (2003) identify an inherent difficulty with such firms implementing effective change management. In addition, Vago (2004) and Beckhard and Gibb Dyer (1983) propose that such difficulty results from the prevalence of inertia and profound administrative heritage in these firms. An analysis of ESG thus provides further evidence and knowledge regarding this issue.

## Executive Summary

ESG is a wholesale distributor of automotive glass, employing 150 people across Ireland. Following the failure of its UK subsidiary, Glasstox, and growing competition, the firm implemented a reconstructive change. This paper employs primary qualitative research in the form of semi-structured face-to-face interviews. Further, secondary research is extracted from

academic and practitioner-oriented sources of empirical and non-empirical nature.

The change kaleidoscope model (CKM) is implemented to enable a contextual analysis of ESG's change initiative. Time proved a key constraint due to pressure from external stakeholders. The firm necessitated the preservation of two core competencies – potent customer relationships and employee knowledge. Diversity existed in the form of different nationalities and religious beliefs across the company. ESG lacked robust change capability owing to a paucity of previous change experience and supporting organisational systems. The firm possessed low change capacity due to an absence of financial resources and change experts. However, broadly, management held the trust of employees. Management exhibited high readiness for change, while employees lacked knowledge of the mediocre performance of Glasstox. Power systems concentrated control at the zenith of the organisation.

Change initiated with top-down financial reengineering, employing a combination of directive and participative styles. ESG deployed a change action team to execute change. Furthermore, the firm's targets pertained to outputs and the behaviours of employees through a behaviour-led approach. Symbolic interventions were launched through the sale of vehicles and the firm's international central distribution centre (CDC). Change agents encountered resistance from two employee groups and one individual, which the firm addressed via interviews, group meetings and team building sessions.

The cultural web (See Figure 4.1) demonstrates that the change initiative adversely affected ESG's values, due to the sensemaking process common to top-down start-points. Further, the firm's failure to value the role of stability, and overemphasis on financial outcomes harmed the company's competitive advantage, resulting in damaged employee morale. This reveals ESG's inability to achieve positive attitudinal change. The formation of a powerful guiding coalition and efficacious communication of the firm's vision facilitated the achievement of change goals. However, the absence of a sense of urgency, short-term wins and anchoring of the change in ESG's organisational culture degraded the sustainability of change.

Conclusively, this paper identified a paucity of change readiness following foreign subsidiary failure and the presence of profound administrative heritage in family businesses. The CKM demonstrated the importance of contextual considerations in change implementation as ESG's change agents overlooked critical situational factors. Although ESG faced significant constraints in the implementation of reconstructive change, the firm achieved its ultimate goal. However, the persistence of low morale potentially depresses ESG's long-term viability.

# 1. Introduction

Europarts Motor Factors, trading as ESG, is a wholesale distributor of automotive glass with operations in the Republic of Ireland and Northern Ireland (Euro Safety Glass, n.d.). Furthermore, the firm – through its various subsidiaries – employs approximately 150 people (Europarts Motor Factors, 2019). Following a period of strong financial performance between 2004 and 2007, ESG opted to internationalise. The firm facilitated this expansion through the establishment of a subsidiary – Glasstox – in the mainland of the United Kingdom. However, due to intense competition in this region, inefficient operations, and an apparent absence of market research, ESG experienced unprecedented losses (Loughran, 2020). These three facets, coupled by a reluctance to liquidate the subsidiary, merely intensified the financial pressures confronting the firm. The source of this predicament may be attributed to an escalation of commitment. Therein individuals or organisations increase financial commitment to a failing project in an attempt to recover losses, due to an intrinsic aversion of failure costs (Staw, 1981).

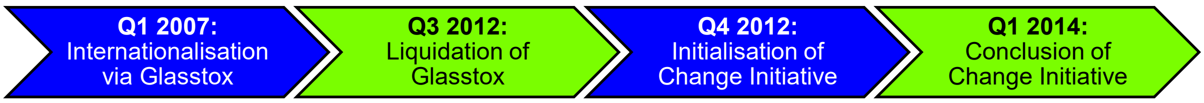

**Figure 1.1. Timeline of Change Initiative**

Following the accumulation of over £5.6 million in losses and the consequential threat to the existence of the profitable businesses in Northern Ireland and the Republic of Ireland, Glasstox was dissolved (Glasstox, 2012). Despite this, ESG incurred significant debt and resultantly pursued extensive cost reduction. Simultaneously, however, the firm's operations in Ireland faced increasing competitive pressure from a recent market entrant – Laddaw (Loughran, 2020). Therefore, this generated a multifaceted rationale for change.

Change management refers to a dynamic process of organisational structure, capability and direction renewal to address changing requirements of external and internal stakeholders (Moran and Brightman, 2000). Change in the context of ESG involved a restructuring process throughout the organisation, targeting improvements in these three aspects, to ensure a prompt turnaround in addressing the firm's financial pressures. However, the scope of this paper primarily pertains to the implementation of these changes across the organisation's branches.

# 2. Research Methodology

## *2.1. Primary Research*

To attain the requisite knowledge regarding ESG's change initiative, the authors conducted extensive primary research. Firstly, due to the capacity of qualitative research to crystallise understanding, and transfer emotional and tacit insights, it was determined that the method necessitated completion (Tracy, 2010). Qualitative research was deployed in the form of in-depth face-to-face interviews. This method was selected due to its ability to provide a comprehensive understanding of the issues and processes pervading interviewees' stories (Granot, Brashear and Cesar Motta, 2012). In addition, these interviews were conducted via a semi-structured approach due to its efficacy in exploring spontaneous issues, coupled with responses to specific themes (Doody and Noonan, 2013). Interviews were undertaken with one senior manager, two middle managers and two junior employees in the firm's branches (See Appendix 1). This enabled the provision of an objective overview of ESG's change initiative.

Further, non-probability sampling was implemented in the form of purposive sampling, wherein participants are selected on the basis of their specific qualities (Robinson, 2014). This method enabled the identification of essential respondents beyond which convenience sampling is capable (Etikan, Musa and Alkassim, 2016). Throughout the completion of this qualitative research, continual evaluation of research findings was conducted to identify the point at which data saturation was reached. This is a paramount element of the research method of this study, as the pairing of the purposive sampling method with the pursuit of data saturation facilitates superior research findings (Etikan, Musa and Alkassim, 2016). Data saturation occurs when no additional subjects or information may be attained from further qualitative research (Guest, Bunce and Johnson, 2006). Moreover, data saturation is critical given its attributes as an indicator of potent qualitative research (Morse, 1995). Despite the effectiveness of data saturation as a research method, non-probability sampling methods maintain inherent limitations. This is evidenced by Baker *et al.* (2013) who identify that such techniques maintain potential for selection bias. However, every effort was made to remain impartial.

Furthermore, focus groups were proposed as an alternative qualitative research method due to their ability to engender perspectives stemming from participant interaction beyond which interviews are capable (Kitzinger, 1995). However, ESG expressed concern regarding this research technique and further quantitative methods due to the emotional damage associated with its change initiative, perhaps an indication of the prevalence of survivor syndrome amongst employees. Survivor syndrome involves the perception of less control, more stress, and higher work-related strain in those employees remaining with an organisation following a restructuring programme (Appelbaum *et al.*, 1997; Devine *et al.*, 2003). Pertinently, Gill *et al.* (2008) advocate an avoidance of focus groups in such circumstances.

### *2.2. Secondary Research*

Secondary research was undertaken to enhance the effective application of the CKM. In addition, this research enabled the authors to develop an empirically supported critical analysis of the firm's change initiative. The sources of secondary research pertain to academic and practitioner-oriented sources and include academic journal articles, books, company reports, websites, and the FAME research database. These sources include both empirical and non-empirical research to provide a comprehensive analysis, generating insights capable of implementation in organisations.

## 3. Change Kaleidoscope Model

Hope Hailey and Balogun's (2002) CKM is a potent lens through which strategic change may be analysed. The effective analysis of contextual factors and the dynamic implementation of change, underlined by the model, remain vital given that approximately 70% of change initiatives fail (Beer and Nohria, 2000). Furthermore, Kotter and Schlesinger (2008) warn of the danger associated with applying off-the-shelf solutions to organisational change programmes due to their lack of consideration of situational factors. Mintzberg (1987, 1994) supports this assertion, as organisations' realised strategies often differ significantly from intended strategies due to situational factors encountered during implementation. Therefore, as 66% of organisations struggle with strategic change implementation, the CKM offers an effective mechanism to execute organisational change (Sull, Homkes and Sull, 2015).

## *3.1. Contextual Factors*

### *3.1.1. Time*

Subsequent to the failure of ESG's UK subsidiary, the firm confronted increasing pressure from its creditors (Loughran, 2020). The company's operations remained highly dependent upon financial leverage, characterised by its exorbitant debt to equity ratio of 5.54, with short term debt of £4.24m, necessitating repayment within one year (Europarts Motor Factors, 2012). Kotz (1979) identifies that organisations in such financial condition face increasing external influence. Thus, external stakeholders held considerable control over ESG's operations.

Organisations with external shareholder majority ownership face constraints in their strategic actions due to their pursuit of short-term gains (Gillan and Starks, 2000; Gaspar, Massa and Matos, 2005). Furthermore, Short, Keasey and Duxbury (2002) contend that such organisations confront heightened pressure to adopt rapid high-risk change projects. Significantly, the firm's shareholding solely consists of members of its board of directors and senior management (Europarts Motor Factors, 2018). Thereby, ESG evades external stockholder coercion and pressure to implement expedited change (Balogun, Hope Hailey and Gustafsson, 2016).

Although the industry in which ESG operates may be classified as an oligopoly, with the two largest firms concentrating 80% market share in the Republic of Ireland, ESG encountered growing competition from its largest competitor – Laddaw (ASG Europarts, 2019; Carglass, 2019). This heightened competition came in the form of predatory pricing, facilitated by Laddaw's capacity to leverage the financial resources of its multinational parent company –

Belron – with annual revenues totalling €3.8 billion worldwide (D'Ieteren Group, 2019). Ultimately, this degree of competition paired with the financial condition of ESG required a rapid turnaround programme. Thus, the firm proposed big bang change, characterised by a swift change with little capacity to return to an organisation's previous state (Balogun, 2007).

### *3.1.2. Scope*

Change scope may be defined along a continuum, ranging from incremental narrow scope to strategic broad scope changes (Pardo del Val and Martínez Fuentes, 2003). The scope of change is of paramount importance to organisations as it dictates both the breadth across functions and depth of change in an organisation (Balogun, Hope Hailey and Gustafsson, 2016). Due to the magnitude of the aforementioned drivers of change, ESG necessitated extensive change across the entire organisation. Additionally, the depth of ESG's change may be referred to as realignment due to its focus on restructuring in the absence of a fundamental cultural transformation (Hope Hailey and Balogun, 2002). Centrally, however, wide-scale change initiatives require abundant organisational resources (Bennett and Segerberg, 2012).

### *3.1.3. Preservation*

Despite the observable driving forces of change, ESG maintained critical resources and capabilities enabling the firm's competitive advantage. The core competencies of ESG relate to the firm's potent customer relationships and employee knowledge (Prahalad and Hamel, 1990; Hennessy, 2020). The core competencies of the company generate the firm's differentiated service (Loughran, 2020). Consequently, ESG's top management team (TMT) argued these resources and capabilities should be unaffected by the change initiative. This extended to what middle management referred to as 'key staff', with superior industry knowledge (Murphy, 2020). Furthermore, the preservation of resources and capabilities providing sustainable competitive advantage forms a paramount focus of any change initiative (Barney, 1991; Newman, 2000). Moreover, central to the position of ESG remained the interconnection between the firm's core competencies and its organisational culture (Barney, 1986). Consequently, this imposed constraints on the company's capacity to implement drastic cultural change, due to its potential to damage competitive advantage.

### *3.1.4. Diversity*

Organisational diversity classifies the degree of heterogeneity or lack thereof in an organisation's workforce (Milliken and Martins, 1996). Centrally, diversity is negatively correlated with organisational cohesiveness (O'Reilly, Caldwell and Barnett, 1989). Therefore, as cohesiveness influences employees' support and inclination to change, the variable is of paramount importance to change management (Battilana and Casciaro, 2013). Fundamentally, ESG maintained a pre-eminently homogenous workforce with some exceptions. Firstly, all employees were of a similar age group. Cherrington, Condie and England (1979) identify that employees of similar age hold analogous work values, and this remained evident in ESG.

Secondly, despite ESG operating internationally – in the UK and Ireland – the national cultures of both countries are exceedingly comparable (See Appendix 4). Minkov and Hofstede's (2014) analysis of 316 European regions provides support for this postulation, ascertaining marginal differences between the countries. However, regarding individual branches, considerable disparity existed in Dublin between the national cultures of Polish and Irish employees, evidenced by the large discrepancy in uncertainty avoidance between the aforementioned (See Appendix 4). Furthermore, workforce heterogeneity could be observed in Belfast, due to variances in the religious beliefs of employees (Loughran, 2020). In addition, as employees maintained no union membership and allegiance towards a specific professional body, the diversity of ESG's workforce may be categorised as a neutral contextual factor, neither excessively enabling nor constraining change implementation. Therefore, indicating the pervasiveness of moderate organisational culture strength (Saffold III, 1988).

### *3.1.5. Capability*

Change capability is defined as the ability of an organisation to accomplish an interlinked set of change tasks by leveraging organisational capacity to achieve a specific change goal (Higgs and Rowland, 2000; Helfat and Peteraf, 2003). Profoundly, ESG maintained scarce experience with organisational change initiatives. Furthermore, organisational systems such as those involving enterprise resource planning, are critical in their ability to enable dynamic capabilities and consequently, continual capability for change (Teece, Pisano and Shuen, 1997; Eisenhardt and Martin, 2000). However, the firm lacked a corresponding system contributing to such proficiency (Murphy, 2020), indicating low organisational change capability.

Although middle management possessed inadequate change management skills, they exhibited strong willingness to change as they recognised the urgency of the firm's financial situation (Loughran, 2020). In addition, subordinates never experienced drastic change initiatives due to prior stability in ESG's competitive environment (Hennessy, 2020). Resultantly, employees maintained low proficiency regarding the navigation of organisational change and therefore, scepticism towards future change (Murphy, 2020). Ultimately, middle managers exhibited positive behaviours and attitudes towards change, despite an insufficient skill set. Furthermore, employees held negative attitudes due to their paucity of experience with organisational change. Conclusively, ESG maintained insufficient agility and adaptability and thereby poor capability.

#### *3.1.6 Capacity*

Capacity refers to the proportion of resources including cash, time, people and trust available within an organisation to facilitate a change initiative (Cameron and Green, 2012; Balogun, Hope Hailey and Gustafsson, 2016). Due to the firm's hindered financial condition, ESG retained low cash reserves (Loughran, 2020). The firm's financial resources were merely adequate for the company to seek a limited number of outside experts to facilitate cost reduction through a redundancy process and business process improvement. Furthermore, the firm maintained an inadequate number of competent managers, and employees committed to change (Murphy, 2020). This can be ascribed to the limited experience and expertise of branch managers in the field of change management and employees' low readiness for change. However, ESG's senior managers exhibited sufficient time capacity due to their ability to devote a significant number of working hours to implement change (Loughran, 2020).

Finally, although most branch managers secured trust from subordinates, one manager in the Belfast office failed in this respect, owing to religious diversity between the manager and several employees (Loughran, 2020). Social identity theory illuminates this phenomenon due to individuals' tendency to exhibit favouritism towards groups within which they categorise themselves (Ashforth and Mael, 1989; Hogg and Terry, 2000). This influenced employees' perceptions of the benevolence and integrity of the manager and thereby trust (Dietz and Den Hartog, 2006). Ultimately, the capacity for change in the firm may be regarded as low.

#### *3.1.7. Readiness for Change*

Readiness is a cognitive precedent to change resisting or supporting behaviour (Rafferty, Jimmieson and Armenakis, 2013). Moreover, Armenakis, Harris and Mossholder (1993) further propose that an elevated level of change readiness is a reliable predictor of change success. Frequently, certain employees maintain higher readiness for change than others, which highlights the areas necessitating considerable change efforts (Hayes, 2018). ESG's branch managers demonstrated high awareness of the need for change in their appreciation of the urgency for cost reduction (Loughran, 2020). Furthermore, a lack of employee readiness is frequently ascribed to an inability to delegate control from owner-managers due to a paucity of formal training and knowledge of management techniques (Dyer, 1989). Similarly, ESG's owner-managers failed to effectively delegate in this manner (Mulvany, 2020). Resultantly, subordinates were less motivated due to a lack of awareness, which may be attributed to poor communication from middle and senior management. Additionally, employees maintained no awareness of the meagre performance of ESG's foreign subsidiary, thereby negating readiness.

Moreover, employees were inhibited by overconfidence bias, wherein an individual's subjective confidence in their perspectives is significantly higher than the objective correctness of those perspectives towards change (Pallier *et al.*, 2002). They individually believed that management could successfully implement the entire change process independently, resulting in low commitment to change (Mulvany, 2020). Furthermore, certain employees believed that cost reduction would mostly benefit the organisation rather than individuals (Rafalowski, 2020). Consequently, employees perceived that change would adversely impact their work, negatively influencing readiness for change. Overall, despite branch managers maintaining awareness of the need for change, a lack of technical knowledge constrained their readiness. Additionally, employees profoundly exhibited an intolerance for change due to biased tendencies.

#### *3.1.8. Power*

Power is the ability an individual or entity has to exert influence over other individuals or entities' behaviours, or a course of events (Dahl, 1957). ESG's CEO and the branch managers in each office exclusively maintained the power to exert change (Loughran, 2020; Murphy, 2020). Creditors and customers were the most powerful stakeholder groups for ESG in this period. Creditors had the capacity to force harsh cost reduction as they sought to attain return on their investment. On the other hand, customer loyalty was critical to ESG, and their clients were highly price and quality sensitive, which constrained the degree of cost reduction.

### *3.2. Implementation Choices*

#### *3.2.1. Change Path*

ESG implemented a reconstructive initiative characterised by a convergent change, realigning the organisation through a precipitous big bang process (Balogun, Hope Hailey and Gustafsson, 2016). This reconstruction resulted from the firm's delay in identifying the escalating need for change and the accompanying strategic drift (Johnson, 1988). The change process was completed within a 16-month period from October 2012 to February 2014. Reconstructive change commenced with a financial reengineering strategy wherein the firm's CDC and company vehicles were sold, a redundancy process launched, and employee working hours and pay altered (Hennessy, 2020). Further, this involved a transformation of organisational control systems to support employee behavioural change to achieve the firm's ultimate target – operating cost reduction and a return to profitability.

Moreover, ESG reformed employee roles and responsibilities following these undertakings, further indicating a modification of the company's control systems (Loughran, 2020). Consequently, this facilitated a transformation of the firm's routines and rituals (Johnson, 1992). However, the firm's lack of change capability became evident following the initiation of its redundancy process. Middle managers implemented a complex performance appraisal process to determine those employees to be made redundant (Murphy, 2020). Thereby, ESG sought to ensure its highest performers remained with the firm and thus, 'key staff' were preserved. But, poor administration of this procedure by an assistant manager, resulted in an out of court settlement for a former employee due to an unfair dismissal (Murphy, 2020). Following these proceedings, this manager began to demonstrate resistance to change, culminating with his departure from ESG (Loughran, 2020).

Additionally, ESG encountered unanticipated outcomes owing to resistance stemming from workforce diversity in two of the firm's branches. This may be further ascribed to employees' sensemaking process and negative valency of change (Balogun and Johnson, 2005; Holt *et al.*, 2007). Conclusively, ESG's reconstructive change closed with a 40% decline in operating expenses and the restoration of profitability (See Appendix 5). However, employee morale suffered drastically, verifying the prevalence of survivor syndrome (Appelbaum *et al.*, 1997).

### *3.2.2. Change Start-point*

The change start-point refers to the hierarchical location from which organisational change originates, ranging from bottom-up to top-down, or a combination of both (Hope Hailey and Balogun, 2002). ESG implemented top-down change (Mulvany, 2020) which involves the conception, planning and implementation of change by senior management (Ryan *et al.*, 2008). The organisation's CEO instigated the reconstructive change following intensifying pressure from creditors. This derived from the organisation's power structure, wherein the CEO maintained ultimate control over the firm's strategic direction. Furthermore, ESG was characterised by a lack of awareness of the firm's plummeting financial position by junior staff (Rafalowski, 2020; Mulvany, 2020). Simultaneously, junior staff maintained inadequate skills to instigate change. Consequently, it remained difficult for change to be initiated in a bottom-up manner. Moreover, due to the clarity (Van Riel, Berens and Dijkstra, 2009) and speed (Burnes, 1996) top-down change provides employees in crisis scenarios, ESG's change leaders believed it provided the most apt mechanism to implement big bang change (Loughran, 2020).

### *3.2.3. Change Roles*

Change roles identify those responsible for directing and implementing change (Cameron and Green, 2012; Balogun, Hope Hailey and Gustafsson, 2016). As the initiator of change, the CEO assumed the role of change leader, fronting the direction and implementation of change. Subsequently, branch managers were appointed change agents as they were perceived as a powerful group. Additionally, they maintained the capacity to devote 20% of their working time to implement the change process. Under ESG's power structure, the CEO solely crafted change and set goals. Accordingly, branch managers held responsibility for ensuring successful implementation and providing feedback to the CEO during regular meetings (Murphy, 2020). Further, the CEO and branch managers composed the change action team.

Owing to low readiness among subordinates, a strong champion, most receptive to the change necessitated identification by change agents (Hayes, 2018). Similarly, ESG discerned several change champions to support the change process and encourage others to adopt the change (Mulvany, 2020). Moreover, some organisations regard the involvement of external consultants as vital to change management effectiveness due to their ability to provide immediate knowledge and experience (Oakland and Tanner, 2007). Likewise, ESG appointed two external consultants, specialised in human resources and management accounting to aid the firm in reducing costs and to support employees (Murphy, 2020). However, these experts were introduced belatedly, following the confrontation of difficulty during change implementation.

#### *3.2.4. Change Style*

The change style is defined as the administration method of change implementation (Cameron and Green, 2012; Balogun, Hope Hailey and Gustafsson, 2016). Firstly, the CEO of ESG identified branch managers as a powerful group at the outset of change (Loughran, 2020; Murphy, 2020). Considering the influence branch managers possessed among subordinates and the presence of moderate readiness for change, the CEO opted to utilise a participative posture to engage these branch managers. Correspondingly, the CEO established weekly meetings with branch managers, advising of the areas necessitating change whilst seeking input regarding implementation mechanisms (Murphy, 2020). In light of time constraints and the serious financial situation, the change action team, selected a directive style in executing change involving subordinates to reinforce the firm's big bang approach (Mulvany, 2020). Chiefly, the

CEO and branch managers utilised power to direct change, supported by interviews and group meetings (Murphy, 2020). Moreover, subordinates enjoyed minimal autonomy regarding change implementation (Mulvany, 2020; Rafalowski, 2020).

### *3.2.5. Change Target*

Change targets form a vital component of efficacious change initiatives due to their capacity to facilitate change implementation and critically evaluate outcomes (Johnston *et al.*, 2001). Targets in the context of change management reflect the necessary shift in individuals' outputs, values or behaviours to effect change (Armenakis and Bedeian, 1992; Balogun, Hope Hailey and Gustafsson, 2016). ESG targeted both the transformation of outputs and the behaviours of employees. Firstly, outputs were pursued in the form of returning the firm to profitability through a focus on cost reduction (See Appendix 5). The firm concerned itself with outputs due to the speed associated with their alteration (Schaffer and Thomson, 1992). This is exemplified by logistics staff suffering a 20-25% decline in weekly salary (Loughran, 2020).

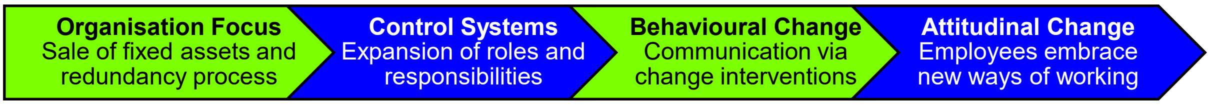


**Figure 3.1. ESG's Behaviour-led Change Efforts**

Further, to achieve these outputs, employees were required to realise behavioural change. Critical to achieving long term behavioural change lies the modification of organisational systems (Beer, Eisenstat and Spector, 1990). The launch of a redundancy process and the associated reduction in workforce size altered the organisational system of employee responsibilities, supporting behavioural change (Loughran, 2020). Furthermore, the closure of the firm's CDC to achieve financial reengineering expanded the workload of those employees operating in the logistics function. Concurrently, these employees experienced a 33% reduction in working hours (Rafalowski, 2020). Resultantly, employees were required to modify and expand work behaviours, such as the managing of goods inwards. This alteration of behaviour was corroborated by various levers to pursue longer term attitudinal change.

### *3.2.6. Change Levers*

In managing change, organisations implement a range of levers and interventions across four subsystems – technical, political, cultural and interpersonal (Hope Hailey and Balogun, 2002; Balogun, Hope Hailey and Gustafsson, 2016). Accordingly, ESG's change action team altered their organisational focus from revenue to cost to meet their target of change outcomes (Loughran, 2020). To further achieve behavioural change, ESG implemented an array of interpersonal levers and interventions such as one-to-one interviews, while managers 'walked the talk' to inform employees of the need for change (Loughran, 2020; Murphy, 2020). In addition, the sale of company vehicles previously utilised by employees and the closure of the firm's CDC provided vivid symbolism of the need for change. These alterations illustrated a shift pertaining to the symbols of ESG's cultural web (Johnson, 1992). This remains critical as symbolic actions are paramount to behavioural change (Armenakis and Bedeian, 1992).

However, during one-to-one interviews with the logistics team in the firm's Dublin office, a certain level of resistance arose. This team was primarily composed of Polish individuals, with logistics being most affected by ESG's change (Loughran, 2020). Additionally, the high uncertainty avoidance in Polish culture (See Appendix 5) appeared to exacerbate resistance. Ultimately, these employees resisted changes to their working hours and salaries (Rafalowski, 2020). Hence, change agents formed a group meeting with these employees. They pinpointed the importance of change and attempted to generate understanding regarding the artificially high salary resulting from considerable overtime payments previously, and the current intense financial position of ESG (Murphy, 2020). Ultimately, with ESG's compromise of a 20% salary reduction instead of 30%, these employees embraced change (Loughran, 2020). Further resistance stemmed from religious diversity between a change agent and several employees in the firm's Belfast office (Murphy, 2020). To address this resistance, ESG's CEO directly negotiated with those employees to establish trust. Group meetings and team building sessions were coordinated to institute an awareness of the integrity and benevolence of management (Dietz and Den Hartog, 2006). This enhanced employees' awareness of the need for change.

# 4. Critical Analysis

## *4.1. Cultural Web*

The cultural web is an effective means through which the symbolic, physical and behavioural manifestations of an organisation's culture may be examined (Johnson, Scholes and Whittington, 2008). ESG exclusively pursued behavioural and output targets through its reconstructive change. However, the range of levers and dramatic nature of change adversely impacted the organisation's values (See Figure 4.1). Balogun and Johnson (2004, 2005) contend that such outcomes may be attributed to the sensemaking process of individuals. Furthermore, this process is common to the utilisation of a top-down start-point as employed by ESG (Balogun, 2007). Sensemaking arises due to the desire of employees to return to the programmed behaviour prevailing prior to change instigation (Balogun, 2006). Consequently, employees engage in various processes of social interaction to comprehend imposed changes. This was evidenced by the intra-group communication among employees operating in the logistics function and the expression of ambiguity by these individuals (Rafalowski, 2020).

Critically for organisations, sensemaking results in an emergent culture distinct from the culture management intended to materialise (Balogun and Johnson, 2005). Moreover, these unanticipated outcomes extended to employees' interpretation of the cost reduction procedures imposed by the firm. Although these processes sought to enhance efficiency through a more effective sales process, employee perceptions of the extreme cost reduction expected, resulted in reduced customer responsiveness. Kerr (1975, 1995) supports this assertion as individuals can behave unexpectedly to attain rewards and evade punishments. This remains a central shortcoming of ESG's change initiative as customer service was deemed paramount to the firm's competitive advantage and therefore a vital aspect necessitating preservation. Despite this, ESG recognised employees that best facilitated cost reduction (Loughran, 2020). Consequently, employees pursued cost reduction at the expense of customer service.

However, organisations may effectively mitigate these unintended outcomes through the utilisation of alternate change styles elevating employee involvement. Oreg *et al.* (2011)

identify that participative styles correlate with enhanced employee perceptions of control, reduced stress, augmented readiness, and change support. ESG's CEO successfully demonstrated the efficacy of a participative style in realising commitment from branch managers. Conversely, branch managers neglected to engage junior employees comparably to generate understanding and support for change, and thereby alleviate these negative results. Despite this, ESG appropriately deployed symbolic interventions to catalyse change. Nadler and Tushman (1989) and Johnson (1990) support this, asserting that the modification of symbols enables organisational learning and offers compelling signals for change.

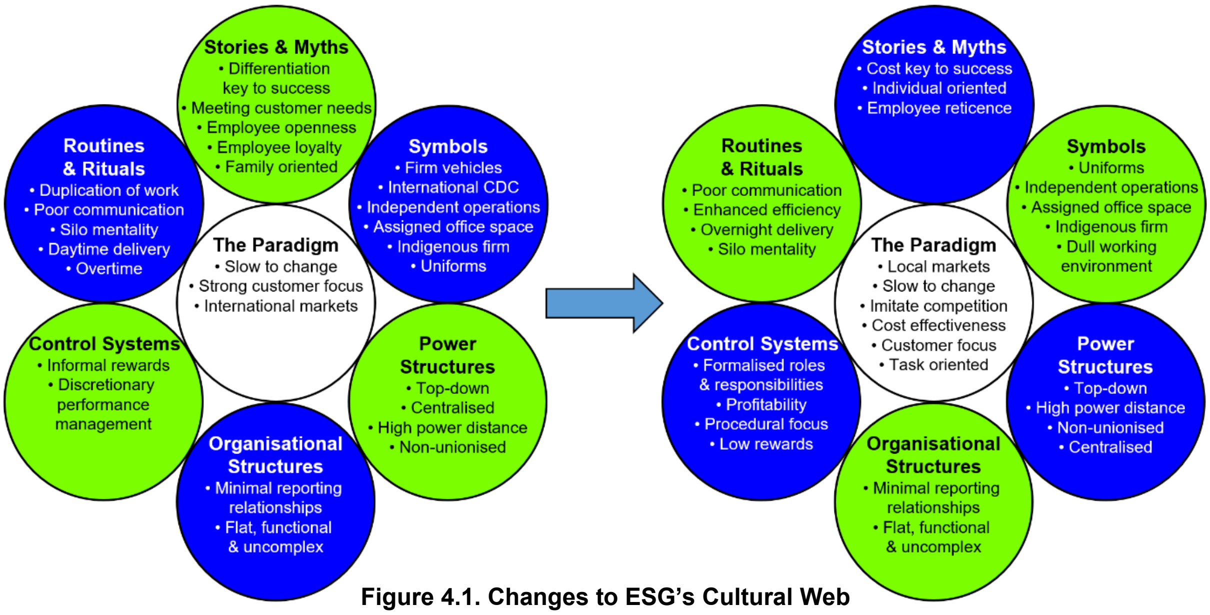


**Figure 4.1. Changes to ESG's Cultural Web**

Pertinently, ESG failed to consider the role of stability as an antecedent to efficacious change (Huy and Mintzberg, 2003). Recognition of a firm's administrative heritage throughout the change process provides employees with the sense of continuity and consistency necessary to engage in unprecedented approaches (Grant, 2018). Conversely, circumventing administrative heritage augmented ESG employees' absorptive capacity, enhancing the capability of employees to assimilate new knowledge to meet the firm's strategic goals (Dixon and Day, 2007). ESG's fundamental shift towards cost efficiency neglected the organisation's administrative heritage of providing a differentiated service. Significantly, this evidences an overemphasis of financial outcomes at the expense of human factors. Ultimately, although the firm achieved its financial objectives, this generated negative morale and subsequently employee reticence and a tendency to turnover (Murphy, 2020; Rafalowski, 2020). This unveils

ESG's inability to achieve positive attitude change via the firm's behavioural-led change targets. Despite this, ESG ascertained the validity of a behavioural-led approach despite most firms' fallacious pursuit of attitudinal-led change (Beer, Eisenstat and Spector, 1990).

### *4.2. Kotter's 8-step Change Model*

Fundamentally, change processes achieve superior outcomes following staged implementation (Kotter, 1995). Moreover, the omission of any associated phase can produce unsatisfactory results (Fernandez and Rainey, 2006). Thus, to generate a comprehensive analysis of ESG's change methodology, this report will assess the critical facets underlying the firm's change initiative by employing Kotter's (1995) 8-step change model. This model postulates the underlying reasons of change success and failure and remains the critical reference point in the field (Belliard and Dyjack, 2009; Hackman, 2017). Firstly, the establishment of a sense of urgency is paramount to the commencement of change as its initiation necessitates the proactive cooperation and support of many individuals across an organisation (Appelbaum *et al.*, 2012). ESG's failure to create a sense of urgency resulted in employees' low readiness for change. In the absence of adequate urgency to support change, a firm's ability to implement and sustain change is jeopardised as employees fail to endorse the initiative (Small, 2016). Consequently, the efforts of a change action team are ineffective (Pollack and Pollack, 2015).

However, ESG recognised the importance of constructing a powerful guiding coalition (Chappell *et al.*, 2016). This is illustrated by the establishment of a change action team constituting the individuals possessing the highest power and trust from employees – the firm's CEO and middle managers. Moreover, middle managers serve as a crucial link between the upper and lower echelons of an organisation (Balogun, Hope Hailey and Gustafsson, 2016). Namely, they act as recipients and orchestrators of change. Moreover, middle managers play a vital role in mitigating the cognitive distress generated by a change programme and employees' associated sensemaking process (Balogun and Johnson, 2004). Consequently, it was paramount that ESG's CEO nominated middle managers as change intermediaries (Hope Hailey and Balogun, 2002). However, considering branch managers' lack of technical knowledge, the external consultants engaged by ESG should have been involved earlier in the change initiative to provide critical change management expertise (Oakland and Tanner, 2007).

ESG's change agents effectively communicated the vision of the firm by 'walking the talk', thereby enhancing employee readiness for change (Holt *et al*., 2007; Teixeira, Gregory and Austin, 2017). Despite this, two groups raised their resistance. Predominantly, parochial self-interest and uncertainty avoidance resulted in members of the firm's logistics team resisting the change. Furthermore, this phenomenon can be further explained by these individuals viewing their potential loss as inequitable (Kotter and Schlesinger, 2008). Centrally, a lack of trust generates misunderstanding during change (Erwin and Garman, 2010). This formed the primary origin of resistance in ESG's Belfast office. However, ESG's change action team responded to these issues with alacrity by implementing appropriate change levers involving negotiation and compromise, and developing high quality relationships predicated upon mutual trust (Dent and Goldberg, 1999; Kotter and Schlesinger, 2008). Despite this, ESG failed to facilitate an assistant manager's adaptation to their change vision, resulting in that individual's resignation. ESG may have more effectively addressed this issue by enhancing communication through interventions pertaining to lunch talks, workshops and meetings between the change action team and that manager (Guzmán *et al.*, 2011). Cumulatively, despite failing to remove certain obstacles, ESG's change agents broadly disseminated the future vision appropriately.

Furthermore, although ESG recognised employees that realised their change goals, the firm neglected to systematically create short-term wins, an imperative mechanism to award change efforts (Calegari, Sibley and Turner, 2015). In the absence of such successes, employees lack motivation and cease change efforts and thus change agents' endeavours are rendered futile (Kotter, 1996). In addition, the most profound shortcoming of ESG's change initiative related to an inability to anchor changes into the firm's corporate culture, leading to damaged employee morale (Sidorko, 2008). Moreover, change is only sustained when it becomes "the way we do things around here" (Deal and Kennedy, 1982; Kotter, 1995; Klein, 2013). The unsuccessful incorporation of this step degrades the sustainability of change and obfuscates shared norms and values (Calegari, Sibley and Turner, 2015). Consequently, although ESG achieved its immediate objectives, its long-term viability may be threatened.

## 5. Conclusion

In conclusion, the paucity of literature regarding the human factors related to organisational change following foreign subsidiary failure, and the inherent difficulty of family businesses to implement change drove the analysis of ESG. This paper provides new insight due to its identification of an absence of change readiness in such contexts. Additionally, this paper's findings support the conclusions of extant literature that family businesses exhibit profound administrative heritage. Although, ESG failed to identify this during change execution. Furthermore, the utilisation of the CKM demonstrated the value of a contextual approach to change implementation. The application of the model ascertained environmental factors previously overlooked by ESG. This evidences the inability of off-the-shelf change solutions to account for firm specific factors as illustrated by the nature of ESG's change programme.

Fundamentally, ESG's reconstructive change resulted from increasing pressure from creditors following the failure of Glasstox and rising competition. Additionally, endogenous factors pertaining to religious and cultural heterogeneity aroused an observable level of resistance in some offices. Moreover, managers' inability to generate urgency led to low readiness for change among employees. Thus, ESG confronted internal constraints in the attainment of cost reduction. In addition, ESG maintained potent customer relationships and employee knowledge initially. However, owing to the incorrect usage of interventions, compounded by employees' sensemaking process, these core competencies were jeopardised. Separately, the successful establishment of a powerful guiding team by integrating the CEO and middle managers enabled efficacious communication of the firm's vision and thereby facilitated change. Nevertheless, overemphasising financial outcomes and a failure to consolidate change into ESG's corporate culture, and value the role of stability damaged morale. Ultimately, the negative results of this change programme remain today as low employee morale persists.

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# Appendices

## *Appendix 1: Summary of Interview Transcripts*

### *Barry Loughran, CEO, Euro Safety Glass*

- ‘The origins of our need for change primarily related to the failure of our venture in the UK and fierce competition from our main competitor Laddaw. Laddaw offered products below cost price in an attempt to sink our operations at an already challenging time.’
- ‘One of my biggest mistakes at the time was a lack of communication with our middle managers regarding the competitive conditions facing our branches. They knew the challenges, but I was preoccupied with our UK operations’
- ‘Our Belfast branch had considerable trouble with the change due to religious factors. While most employees accepted the changes, several employees really did not trust our manager there. I had to provide that manager support and show that the changes were necessary and that the burden would be shared by all employees.’

### *Gerard Murphy, Branch Manager, Euro Safety Glass*

- ‘We had significant difficulty implementing change in Dublin. I will never forget the performance appraisal process we used for redundancies. It generated many issues among staff. We even experienced unfair dismissal proceedings against the company.’
- ‘We had another issue where our logistics department felt the changes unfairly impacted them. Many of our logistics employees were Polish and they in particular found these changes difficult to take. One employee even tendered his resignation.’

### *Brian Hennessy, Business Development Manager, Euro Safety Glass*

- ‘During the change it was vital that our customer service was unaffected. Laddaw had the ability to offer lower prices. Realistically, service was our differentiator and the reason we could continue to compete’.

### *Michal Rafalowski, Logistics Operative, Euro Safety Glass*

- ‘The changes made to accommodate the company’s cost reduction radically affected our logistics team. We experienced a dramatic reduction in pay and our working hours were changed completely to match Laddaw’s overnight delivery service.’

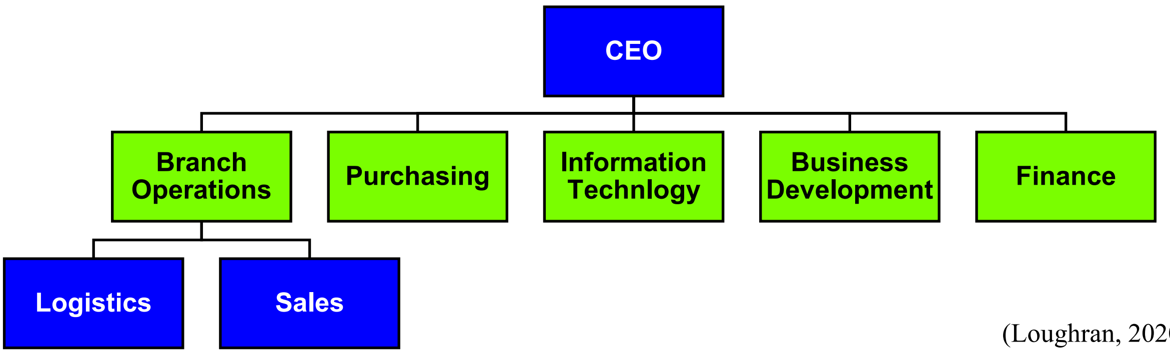
*Paul Mulvany, Sales Operative, Euro Safety Glass*

- 'The changes came from the top of the company. I had no involvement in any decisions. Realistically, I felt some of the changes like our adjustment of opening hours would not work, but I trusted our management.'
- 'One of the most effective actions I observed was the use of role models to demonstrate that we all could successfully achieve the changes. This started with our branch manager demonstrating what could be accomplished, before other employees modelled his behaviour.'

## *Appendix 2: Change Kaleidoscope Model*

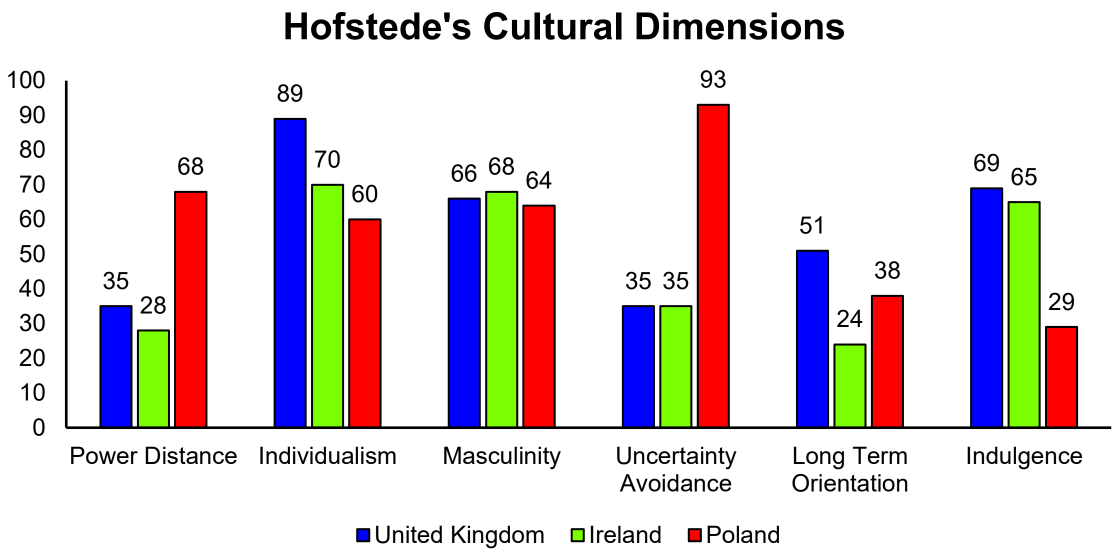

(Balogun, Hope Hailey and Gustafsson, 2016)

## *Appendix 3: Organisational Structure*



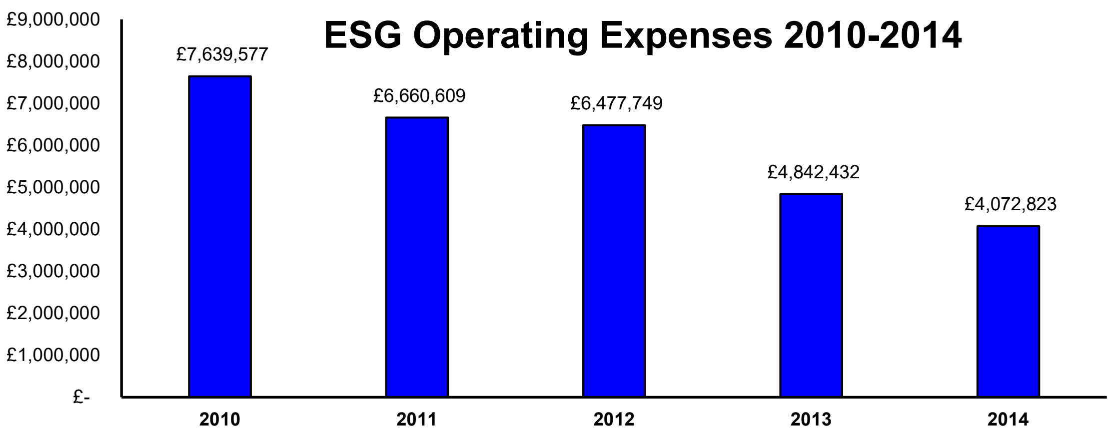

(Loughran, 2020)

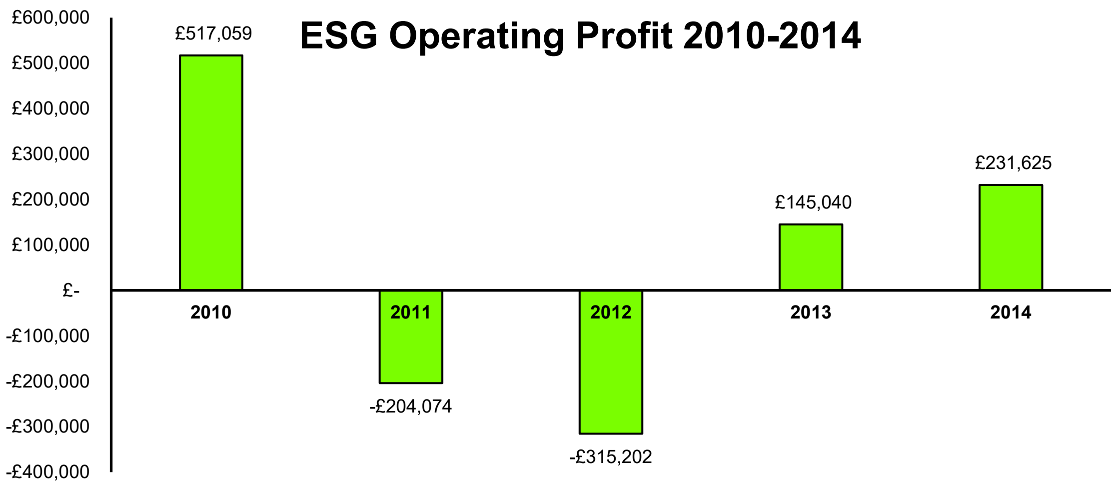
## *Appendix 4: Hofstede's Cultural Dimensions*




(Hofstede Insights, n.d.)

## *Appendix 5: Financial Performance*




(Europarts Motor Factors, 2011, 2012, 2013, 2014, 2015)