A Case on Change Management

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0. Abstract

Introduction
Entreprise is a Danish railway technical contractor with a history dating back to the first railway built in Denmark. This railway was completed in 1847 and connected Copenhagen and Roskilde.

The challenge
For many decades Entreprise has been operating as a part of DSB (the Danish state railways) and Bane Danmark (the operator of the Danish state railway network) and has not been facing any competition. However, as the railway sector across Europe is being liberalised, Entreprise is now in the process of separation from Bane Danmark, and exposed to competition from both domestic and foreign contractors. On the other hand the liberalisation of the sector also offers opportunities as Entreprise can develop new European markets. These challenges combined with an expected increase in European railway infrastructure investments put Entreprise at a crossroad – should Entreprise stay national or expand internationally?

The transformation process
In February 2007 a new management with the ambition to face the future challenges took office at the Entreprise Headquarter. A new vision for Entreprise reflecting a strong commitment to excellence has been created and approved by the board. The vision is to become the leading railway technical contractor in Scandinavia by 2010 and in Europe by 2015. A four track transformation plan to support the implementation of the vision has been generated: *Ready, Set, Go* aims at mobilising the organisation, *Better Time on the Track* focuses on processes and continuous improvements, *Technology Conquest* of technology and innovation, and *Business Development* enables Entreprise to expand into new markets. The new vision of Entreprise is reinforced internally and communicated externally through an extensive branding programme to establish a clear and appealing corporate identity.

Methodology
In this paper the transformation of Entreprise starting in February 2007 is assessed and reviewed based on data collected from interviews with the executive management team and key employees in the implementation process. Kotter's (2007) framework is used as a reference, and problems and limitations applying this framework are discussed from a practical point of view. Recommendations when applying the framework on a practical setting are made, and we hope to inspire the academic thinking concerning transformation and change processes.

Category: Case study

Keywords: *Transformation, change management, excellence, liberalisation, implementation*

1. Key findings

Across Europe large public organisations are in the process of changing from bureaucratic organisations operating under political control to market oriented organisations operating under commercial conditions. The article argues that this kind of change calls for adjustments in the prevailing approach to implement change which is in practical situations may be based on Kotter's 8 steps to transforming an organisation. The article proposes a new content of Kotters first step and introduces a step 3 in the change "from bureaucracy to business" or "from public to private" as this type of change is sometimes labelled.

In the case of Entreprise the need for change originates from a long drawn and rather unpredictable political process which is not uncommon, neither in Denmark or to the authors' best judgement in other democratic systems across the world. When the new management initiated the change process in February 2007 there was a wide spread belief among the employees in Entreprise that changes needed to happen, but it was may be too late. So rather than building a sense of urgency, which would only have deepened the frustrations in the organisation, the **first step** of management in the case of Entreprise was to **inspire trust in the future**. The message was clear: "We can meet the challenges ahead and it is not too late (but we are in a hurry)".

Further it is argued in the article that a major challenge in the change from "bureaucracy to business" is to replace the bureaucratic management frameworks and ways of thinking with a new, common language that makes sense under the commercial conditions. If this is not done, the organisation can not articulate or understand a new vision and new strategies. Therefore, the **third step** of Entreprise's change process was to **create a new common business language.** In the case of Entreprise, the EFQM Excellence model is used as one important approach to create this new common language. The Excellence model was chosen due to the strong focus on results, customers and learning, which basically lacks in many bureaucratic organisation's vocabulary.

The transformation of Entreprise has therefore been planned in the following nine steps which the authors will recommend in the change "from bureaucracy to business":

Step 1: Inspire trust the future
Step 2: Pull together a guiding team
Step 3: Create a new common business language
Step 4: Develop the change vision and strategies
Step 5: Communicate for understanding and buy in
Step 6: Empower others to act
Step 7: Produce short-term wins
Step 8: Don't let up – produce still more change
Step 9: Create a new culture

2. About Entreprise

History

Entreprise is a Danish railway technical contractor with a history dating back to the first railway built in Denmark. This railway was completed in 1847 and connected Copenhagen and Roskilde.

For many decades Entreprise has been operating as a part of DSB (the Danish state railways) and Banedanmark (the operator of the Danish state railway network) and has not been facing any competition. However, as the railway sector across Europe is being liberalised, Entreprise

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is now in the process of separation from Bane Danmark, and exposed to competition from both national and international contractors.

A few facts
Entreprise maintains 2605 km of railway tracks in Denmark. The tracks are daily used by 2700 trains with a total of more than 38.000 departures from Danish train stations. Besides maintenance, Entreprise now has the capacity in terms of people, skills, equipment and technology to undertake any given construction project of new railway infrastructure in Scandinavia and Northern Europe.
In 2007 the total turnover was approximately 1.3 billion DKK generated by 900 employees. In 2007 and 2008 Entreprise has been able to give the best tender to all major construction projects. The projects undertaken have been successfully completed or are in satisfactory progress. Entreprise is without any comparison "Best in Denmark" in 2008.

Situation by February 2007
2006 was an "annus horribbilus" for Entreprise and marked the culmination of a period of decline. A temporary management was installed to run the daily operations – after the former management had suddenly resigned – and there was a general feeling that Entreprise had been caught in a vacuum. Among both managers and employees there was a distinct lack of belief in the future and key people was trickling out of the organisation and joining competitors.
In November 2006, the Danish parliament made a political agreement on the traffic area. New significant investments in railway infrastructure were a part of the agreement and quite important for this case it was decided that Entreprise was to be privatised. For many years this had been a subject for political discussions making Entreprise's future uncertain. As a response to the new and clearer political signals Entreprise's Internal Advisory Board started searching for a CEO capable of the challenge to revitalise Entreprise and Søren Horn Petersen took office in Entreprise 1st of February 2007.
The first impressions that met the new CEO were very similar to the picture drawn up by the internal advisory board.
- Entreprise was in a bad state after years of downsizing
- There was no trust in the future after years of uncertainty and lack of a clear vision
- People were leaving Entreprise
But at the same time the first impression of the CEO was that there are still a lot of heart left in the organisation and a true passion and devotion for constructing and maintaining railways. But Entreprise needed a clear vision for the future badly.

3. The change process in Entreprise

Creating the vision
By February 2007 the protection as of state monopoly was disappearing, but at the same time the limitations traditionally imposed on Danish state monopoly organisations were still intact, e.g. the employees' collective agreements and obligations towards Bane Danmark.
The atmosphere was characterised by resignation and an attitude that Entreprise had very limited influence over its own future. This attitude was well-founded in past experiences as explained earlier, but it was also threatening to become self-fulfilling now the outlook was brighter.
In order to revitalise Entreprise, the new management team attempted to give the organisation a "sense of influence" of it own future by raising the question: What future does Entreprise choose? By addressing this question on various manager meetings across Entreprise the new management team demonstrated the will to fight for the future of Entreprise.
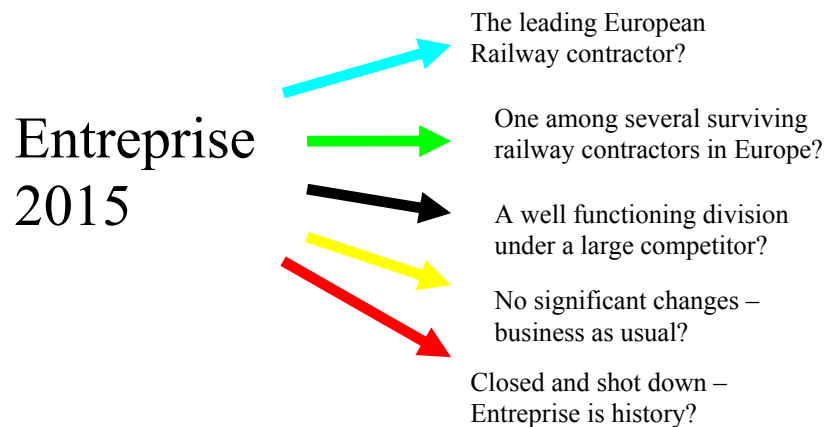
Figure 1: Entreprise at a crossroad

The question was answered by the management team with an announcement of a new vision in sharp contrast to the general atmosphere of resignation: We want to become "Best on the Track" in Scandinavia by 2010 and in Europe by 2015!

This vision reflected at the same time a significant commitment to excellence as it was elaborated that "Best on the Track" means the best leadership, the best strategy, the best processes and the best results in terms of customers, employees and finance. The response from the organisation of now having a management team clearly committed to fight for and shape the future Entreprise was instant. Energy started to build up in the organisation together with some impatience. "Best on the Track" in Europe 2015, **how** are we supposed to do that? Answers, directions and the possibility for all to participate was now the big issue and pressure for seeing some real action and results was rising.

Building management infrastructure

To build a solid framework around the change process, management infrastructure was developed and adapted to Entreprise. Three core principles were at the heart of the development process:

- The new management infrastructure should fit Entreprise and not the other way around
- The new management infrastructure should replace old terminology and management frameworks with new ways of thinking relevant under commercial conditions to support the change "from bureaucracy to business"
- To develop the simplest possible management infrastructure to keep the focus on what really matters in a change process, namely people, and not allowing this focus to be blurred by complex ICT projects or glittering management models.

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Therefore, it was not only a question about getting some ICT systems implemented but a question about developing new management processes, creating common "mental maps of the world" and building the necessary competencies in the organisation to handle the new management processes. The development process was managed as an organisational development project with continuously interaction with and involvement of key people in all four project phases: Idea, plan, action and daily operations.

As illustrated in figure 2 below the new management infrastructure is formed by four basic building blocks.
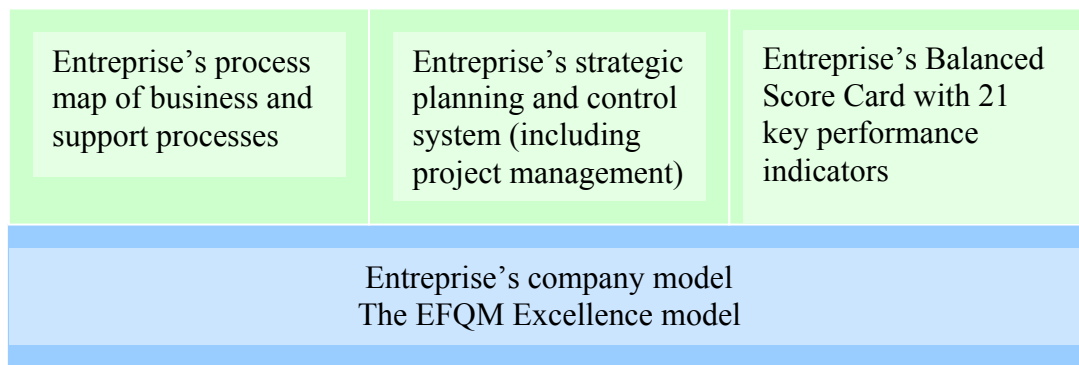
Entreprise's process map of business and support processes	Entreprise's strategic planning and control system (including project management)	Entreprise's Balanced Score Card with 21 key performance indicators
Entreprise's company model The EFQM Excellence model		

Figure 2: The new management infrastructure

The EFQM model forms the framework around the leadership and management in Entreprise and helps to shift the focus from the bureaucratic management thinking to a holistic business orientted approach to management and leadership. To enforce the implementation of the principles underlying the EFQM model and provide useful tools for management of the daily business, three blocks of management infrastructure have been developed. The Entreprise process map helps focussing on processes and continues improvements, the balanced scorecard keeps track of key performance indicators and the strategic planning and control system is laying out the path to "Best in Europe 2015" and following progress.

4. Results so far

This has been successful

When interviewing the management team it becomes clear that from their perspective the change process is on a very satisfactory track. Quotes from the interview:

"The management team has never before worked together like this – with so much focus on common goals."

"The spirit of Entreprise has completely changed since February 2007 – I can feel the change every where in the organisation".

"We now help each other across the organisation, not only in the management team but at all levels and sites".

"In 2007 people left us to join the competitors. In 2008 they have started to come back again and they are very welcome".

The hard facts are that Entreprise produced the best bottom line result ever in 2007 and managed to raise turnover by 20% with the same resources available. The conclusion on the soft side is: The fighting spirit is back in Entreprise.

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This has not been successful - yet

Confronted with the question of what has not been working well in the change process, the management team points out that too many projects were launched simultaneously in October and November 2007. The consequence was that some projects and processes were not given the necessary attention and have been shut off from the change process. Especially the focus on Entreprise's process map and a wide involvement in continuous improvements have been suffering from the peaking work loads experienced by the management team in late 2007.

Threats to the change process

The visible changes in patterns of thinking and behaviour have occurred surprisingly fast when considering the long history of Entreprise. When the management team was confronted with the question, if a change comes this fast can it disappear similar fast, the answers was basically confirmative. Both internal and external events can seriously derail the process at this stage. A major external threat is an interruption of the political process hindering Entreprise's independence. On the internal side it is clear that much depend on the present management and a change of management at this point in time can lead to a serious setback in the change process. In both events the management team foresees impact on morale and spirit in Entreprise will be devastating for the change process. The results achieved so far are still fragile and subjects to regression.

It is much too early to declare victory! To use the words of Winston Churchill: "Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning".

5. Errors in the change process – looking back at the process using Kotter

Even though Kotter's 8 errors when transforming an organisation is common knowledge, the change process in Entreprise has not been planned or implemented based on this. It is therefore relevant to examine the change process retrospectively, looking for evidence of the errors and checking weather the 8 errors actually applies in the change "from bureaucracy to business".

Error 1: Not establishing a great enough sense of urgency

From a Kotter perspective the change process failed utterly on this point. Not much energy was used to explain why the change process was necessary and in a hurry. So why didn't the change process get a rocky start and how did it happen that there was a committed corporation of many individuals even early in the process? After years of steady decline, frustrations among the people of not having the chance to prove the true qualities of Entreprise were distinct. When the signal came from the new management that they intended to put up a fight for Entreprise's future, people responded sceptical due to past experiences of feeling let down but basically supportive. The general question was not "is this really necessary", but rather "do they really mean it this time"?

Therefore, **trust** was the key word in the first step – not urgency – and when handling the change from bureaucratic to business the authors recommend the first step to be: Inspire trust in the future.

Error 2: Not creating a powerful enough guiding coalition

In this case the guiding coalition is formed by the Entreprise management team which was newly formed in February 2007 and supplemented by two external managers. Because of the history of the management team everybody was open to changes in their organisations. The

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guiding coalition has been very powerful and showed that they are ready to take necessary consequences if things do not work out as planned. Conclusion: Entreprise effectively dealt with Kotter's potential error 2.

Error 3: Lacking a vision
The new vision of Entreprise is clear, appealing and very ambitious, so to start with the conclusion: Entreprise dealt effectively with Kotter's potential error 3. But before breaking down the vision in specific strategic initiatives, a new common language had to be created in the organisation. The development of management infrastructure has done exactly this and introduced business concepts like NPV, productivity, targets, customer focus, continuous improvements and projects. This new common language was necessary in order to break down the vision into 19 strategic initiatives that together form a coherent business strategy for Entreprise aiming at growth. When handling the change "from bureaucracy to business" it is therefore the recommendation of the authors to introduce a new step 3 in the change process: "Build a common business language".

Error 4: Undercommunicating the vision by a factor of ten
The interviews revealed that this is one of the main concerns of the management team and there is a wide spread feeling that the vision has been under communicated even though a large part of the organisation has responded positively to the change process. Conclusion: Kotter is right about this, it is very easy to underestimate the need for communication of the vision and communication is an ongoing task. The management team still has a lot of communication to do.

Error 5: Not removing obstacles to the new vision
The interview with the management team revealed two sides to this potential error in the change process: On the one side there are very powerful examples of obstacles having been removed effectively. An example is from the spring 2008 where maintenance crew and a construction crew were careless about their responsibilities. Only one year ago this kind of behaviour would have been tolerated due to lack of spirit, but the management team acted with a firm hand in a difficult situation setting examples. On the other side small, but irritating obstacles were reported in the interview as seemingly very difficult to get rid of. Examples with administrative procedures were mentioned. Conclusion: Keep focused on continuous improvements by motivating and empowering the organisation to act.

Error 6: Not systematically planning for and creating short term wins
After the "annus horribbilus" in 2006 a new business development and sales unit was established to create a fast turn around of the negative trend in sales. The business development and sales unit succeeded and to build a sense of success in the entire organisation a bonus system introduced late 2007. All full-time employees get the same amount in bonus, no matter title or position. The bonus was paid for the first time in the spring of 2008 based on the good results in 2007. Conclusion: All employees have a personal experience of a short term win and the consequence of high business performance.

Error 7: Declaring victory too soon
The process is still so young that the temptation to declare victory is limited. But the temptation will grow as time passes and more excellent results appear. Conclusion: The management team must resist the slowly rising temptation to declare victory and be aware of signs of self-sufficiency in the organisation.

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Error 8: Not anchoring changes in the corporations culture
This is still premature to the process but underlines the importance of creating new systems, processes and procedures that supports and materialise the changes.

The conclusion that can be drawn from the examination of Kotters eight errors in change processes above, is that the change process in Entreprise is basically on track even though important adjustments must be made. The examination has also pointed out that the change from "bureaucracy to business" has special traits that need to be addressed to achieve success. And the authors believe that the special traits of the change from "bureaucracy to business" reported in this case have a generic nature.

7. Reflections on the next step in the transformation

Even though Kotter´s well-arranged framework offers a very valuable help to practicians on how to plan a change process in 8 steps (e.g. Kotter 2007) further reflections concerning the complexity and dynamics in a change process will also be of high value in practice. In the case of Entreprise, this reflection was achieved through an intensive dialogue amongst the management team and between the management team and Entreprise's external management consultants. In this process, the model presented in figure 2 was developed based on common sense and past experiences of the people involved. The model focuses on the management perspective of a change process and has been helpful in defining, developing and communicating the necessary management infrastructure to support the change process in Entreprise. However, the model does not capture the soft elements in the change process, e.g. customers, leadership, people. In the context of an excellence strategy, Dalgaard & Dalgaard (2006; 2007) have defined a 4P quality strategy for breakthrough and sustainable development. This framework puts a people-oriented perspective on organisational excellence through the 4 factors on different organisational levels:

- People (individual level)
- Partnerships (team level)
- Processes (organisational level)
- Products/services (organisational level).

To implement the 4P strategy, Dalgaard & Dalgaard (2007) suggests crafting a plan that enables people to carry through improvements that should have impact on at least one of the following processes on the organisation:

1) People relationships,
2) Production, delivery and marketing,
3) New product development and
4) Administrative and support processes.

In the case of Entreprise, the interviews showed that the main concern of the management team is now process management and involvement of people in continuous improvements. The 4P strategy offers a well documented framework to address this issue and it corresponds well with the transformation "from bureaucracy to business" based on an excellence strategy as in the case of Entreprise.

8. Conclusion

So far the change process has been successful and remarkable results have been achieved, but there is still a long way to go.

A change process like Entreprise's is extremely complex and it is hard to give simple answers as to why it works in Entreprise. Many organisations have struggled hard with the change from "public to private" and there are examples of Danish organisations that have been closed down in the process. In the case of Entreprise a skilled management team with the right chemistry, a thorough planning process capturing the specific traits of the change and hard

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work has undoubtedly contributed to the success so far. But good timing and a fair share of luck has also been important factors in building up and maintaining momentum in the change process.

If we are to single out one factor as to why the change process in Entreprise had a start over any reasonable expectations it is because we have managed to stay focused on what really matters in a change process: People!

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