

JUNE 2009 EXAMINATION

HR07

ORGANISATION CHANGE THROUGH ORGANISATION DEVELOPMENT

Time: Three Hours

Maximum marks: 100

NOTE: The paper is divided into two sections. Section A and Section B. There are seven questions in Section A. Students are required to attempt four questions from Section A. Section B is compulsory. Each question carries 20 marks.

Section - A

1. Write short notes on **any two** of the following:
 - (a) Action Research
 - (b) Lewin's three stage model of change
 - (c) Learning Organizations **(10+10)**
2. The fast moving pace of technological innovation means change is a guaranteed part of the leadership role. Discuss the leadership behavior attributes necessary to effect the change in terms of the strategies, structure, systems and culture for change. **(20)**
3. Communication is key to successful change management. Discuss how managing awareness through communication drives the change process and also builds trust among employees. Discuss some communication strategies that could be followed. **(10+10)**
4. Change is natural and good. Reaction to change is unpredictable. Discuss how resistance to change can be managed? Explain the role of change agents in this process. **(10+10)**
5. On the basis of all literature and theories on Change Management, identify some of the lessons learnt or the mistakes to be avoided in the course of an organizational change. **(20)**
6. What are the different types of OD interventions? Discuss some of the basic considerations in the selection from among the many choices for organizational development, or capacity building. **(10+10)**
7. (a) What are the conditions under which transformational change is necessary?
(b) Describe how an organization can use "double-loop learning" to improve performance. **(10+10)**

Section – B

8. CASE STUDY

CULTURAL CHANGE AT P&G

The US-based Procter and Gamble (P&G), one of the leading fast moving consumer goods (FMCG) companies in the world was faced with a situation of stagnant revenues and profitability in the mid-late 1990s. In order to accelerate growth, P&G's President and CEO

at the time, Durk Jager (Jager) launched the Organization 2005 program in July 1999. Organization 2005 was a six-year long organizational restructuring exercise, which involved a radical revamping of P&G's organizational culture, reduction in hierarchies and retrenchment of employees. With the implementation of the program, P&G aimed to increase its global revenues from \$38 billion in 1999 to \$70 billion by 2005. Established in 1837, P&G was globally famed for its people-centric policies. It was the first company to introduce a shorter workweek over a hundred years ago, and also had the oldest profit-sharing plan in the US. Each and every employee was entitled to stock options in P&G. Over the decades, P&G had built a strong, tradition-bound and conservative corporate culture that was resistant to change. Analysts felt that the culture had taken deep roots in P&G and in its operations across the world. They felt that changing this culture would be a major challenge. Jager took up the challenge, in order to foster growth and innovation in the company with Organisation 2005 program.

Under the Organization 2005 program, P&G's corporate structure was reorganized from four geographic business units to five global business units (GBUs) based on product categories. Using IT as catalyst for change, the program worked towards speeding up decision making to enable the company innovate and introduce new products, eliminate bureaucracy and reduce costs. It also aimed at creating an informal work environment that facilitated knowledge sharing among employees. The program was also directed towards revamping the work culture of the company so as to focus on its new Stretch, Innovation and Speed (SIS) philosophy. Jager said, "Organization 2005 is focused on one thing - leveraging P&G's innovative capability. Because the single best way to accelerate our growth - our sales, our volume, our earnings growth - is to innovate bigger and move faster - consistently and across the entire company." Jager outlined the cultural changes he wanted to achieve through the program. P&G changed the way it looked at individual appraisals and moved from a conservative goal-setting plan to a stretch goal plan. Earlier P&G would appraise employees on the basis of targets set and their achievements. But the system seemed to have a loophole. By setting easy targets, there was the possibility that an under-performing manager might project himself as an achiever...

Analysts said that though the Organization 2005 program was well conceived, it was not executed properly. They felt, and Jager himself admitted, that he tried to change the culture too drastically in a very short time. This resulted in a rise in costs and a decline in the company's profitability. In April 2000, P&G announced an 18% decline in its net profit for the January-March 2000 quarter. For the first time in eight years, P&G witnessed a decline in net profits. After a brief stint of 17 months as CEO, Jager resigned.

In June 2000, Alan George Lafley (Lafley) took over as the new President & CEO of P&G. Lafley reverted back to the old culture of P&G and did not make attempts to change it radically. With Lafley at the helm, P&G's financial performance improved significantly. The company's share price shot up by 58% to \$92 by July 2003, as against a fall of 32% in S&P's 500 stock index. However, analysts expressed doubts, whether Lafley's leadership would sustain P&G's growth in the long term.

Soon after becoming CEO, Lafley rebuilt the top management team and made efforts to improve P&G's operations and profitability. Lafley transferred 15 senior most officers, an unprecedented move in P&G's history. He assigned senior positions and higher roles to women. In one instance, he appointed a 42-year old woman, Deborah A. Henretta, as the head of P&G's global baby care division, in preference to 78 more senior general managers in the company. After the changes in the management structure, the heads of P&G's operating businesses and corporate functions represented 13 different countries.

Lafley made efforts to promote competition among its top management team. In the meeting of GLC held every quarter, Lafley disclosed financial results of each business unit to the entire team. He said, "It motivates people who are performance-oriented. For the few people that it doesn't motivate, we are probably not the right place for them."...

QUESTIONS:

- (1) Compare the change strategy of Durk Jager and Alan George Lafley.
- (2) What differences do you see in the role taken up by the leadership in the cultural change process in 1999 and 2000?
- (3) Was change necessary? Was the timing appropriate? Give reasons.
- (4) Discuss the people issues in both the change processes. (5+5+5+5)
