

CHAPTER III

ABC Change Management by Blueprint for Change Approach

This chapter is intended to give the overall picture of the company (Holistic Plan). First, it discusses about the change in organization and Blueprint for Change applicable at the company. It then describes the process of the blueprint for change to create holistic plan started with operation analysis thru vision, strategic issue, goals and objectives, organization structure, organization culture then consolidate it the holistic plan.

3.1 Change management by Blueprint for Change Approach

ABC needs to deploy company strategy to the manufacturing plant and the supply chain to react to competitive pressures and the evolving marketplace. This process requires changes in the way ABC operate but all of the operational changes are proven techniques used by other companies making fitness for use and implement accordingly. The key technique that the company selected to handle this change is Blueprint for Change Technique because of following reason:

- The technique was developed by various group of professional and specialize people from reputation universities and organizations
- The technique was accepted to using as a roadmap to develop the Thai Public Sector which benefit to Thai people, by The Office of The Public Sector Development Commission committee (the chief agency promoting continuing development of Thai Public Sector for sustainable results)
- Applicable and success for non-government organization
- Base on ABC top management analysis, the technique applicable with ABC organization, cover and fit with this scope of work (Strategic Deployment Process)

- The process and propose of Blueprint for Change get along with the ABC direction in order to develop the organization to be cope and handle effectively with the more competitive environment and market pressure

Change management process training has been conducted to all ABC Management and employees to overcome effective changes management implementation and adoption to new techniques and tools.

Leadership through Change

ABC President and CEO, said that since becoming ABC's president, his primary challenge has been creating a culture in which people focus on where they are going, instead of where they have been – a culture that readily embraces change. “Our business is not easy and never will be easy. Technology in general isn't easy...and it's an environment that's highly competitive. It's an era of change. Everyone's got to basically accept change as an everyday event and believe that it's a good thing.” Having the ability to be flexible and open to change made the difference. “Just go back to the basics, gather the facts and get smart people around. Do the analysis, layout the plan and be prepared to modify the plan and go execute it.”

Dramatic shifts in the work environment mean that employees have to adapt to a cultural environment that holds employees accountable for results, rather than effort. While yesterday's job market demanded loyalty, adequate job performance and the ideal of working for one company for an entire career, today's workplace expectations are different. Today's workplace focuses on loyalty to the customer, job excellence and the fact that employers try to provide career – development opportunities in order to retain employees. “The whole thing is leading change and being comfortable with change, execution is what matters and people, today, are really focused on results. Average performance is not okay. ABC needs to be striving for excellence across the board.” He also added that it is important for all employees to understand the dynamics of the changing marketplace and the company's competitive position. It's different world today. It's global. It's not more competitive and you'd better be responding to your customers. If you had to think of two themes, think of time-to-

market leader and cross functional teams with best-in-class quality,” He said “We’ve strategy and direction and we have to keep executing it.”

Company's Weakness Point

According to the study, what ABC lack behind competitors is time to market as ABC president and chief executive officer stress in his organizational direction and he put focus on it as top priority in the company objectives statement. The researcher then find out what’s the significant of being a time to market leader or what is the downside of being second or third to market. The results as published in ABC internal competitive analysis report showing that there is a very tangible competitive and financial advantage of being the first to market. In general, the company will receive 50 to 70 percent of an OEM’s business. Second-to-market companies will receive about 25 percent of the OEM’s business and the third-to-market companies will receive about 15 percent. There is a narrow market window for disc drive. It opens when a company ships the first drive and starts closing when the competitor ships a comparable product.

Company's Strong Point

ABC attributes its success to a sound business strategy and exceptional strength in technical competencies. The core of this success lies in a few key beliefs:

- Owner of technology is necessary to remain on the leading edge of product evolution and market acceptance.
- Ownership of manufacturing assets is necessary to ensure that state-of-the-art processes and equipment are available for production
- Organizational structure must permit efficient and flexible decision-making.

Building a business based on these beliefs has brought ABC a successful combination of talented people and an expanding technology base that continues to enhance its leadership position. It is a company with vision, innovation and one of the

largest commitments to research and development in the information storage and management industry today.

3.2 Create Holistic Plan by Blueprint for Change Approach

The holistic plan would help top management enhance their organization, to illustrate overall organization management, relation between each issue in the organization, tools, techniques and direction of strategic management to achieve company target effectively. There are three steps to create the holistic plan as illustrate in figure 3.2.1, the figure was develop by Assistant Professor Dr. Pasu Dhacharin Department of Accountancy Faculty of Commerce and Accountancy, Chulalongkorn University.

The first attribute listed by Thomas Peters and Rober Waterman¹ as distinctive of excellent and innovative companies is related to the corporate view of strategic implementation. In order for an organization to achieve its objectives, it must not only formulate but also implement its strategies effectively. If either of these tasks is poorly done, the result is likely to be failure of the overall strategy.

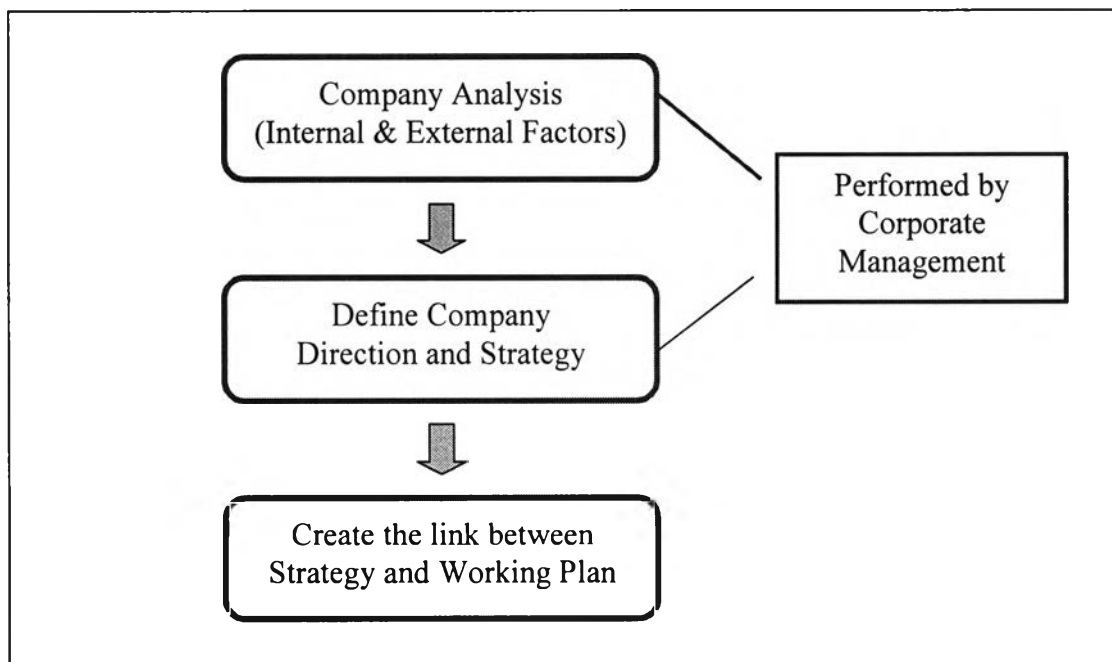


Figure 3.2.1 Holistic Plan Process

¹ Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence* (New York: Harper & Row Publishers, 1982), pp. 13-14.

Success is the most likely outcome when an organization has a good strategy and implements it well. All that can be done to ensure success has been done. Environmental factors outside the company's control, such as competitive reactions or customer changes, may still make a strategy unsuccessful. However, organizational objectives have the best chance of being achieved.

From the Holistic Plan Process, the two green rounded rectangle box (Company Analysis and Define Company Direction and Strategy) were done by Corporate Management and use for all ABC plants. The red rounded rectangle box (Create the link between Strategy and Working Plan) is tasks for each plant, which need internal analysis and consolidate its up to be individual (plant) holistic plan. According to this process, internal analyses are described as following topic.

3.2.1 Analysis Company Direction

Company **vision, strategic issues** and **strategies** were analysis and identified by corporate management, these three items using for all ABC plants since design centre thru marketing and sale office, operation office (procurement, planning, documentation, finance and accounting), manufacturing plant and outsourcing logistic shipment.

- Vision: target to be a leader in quality, has a long term relationship with customers and suppliers and generate profit to shareholder
- Strategic Issues: to satisfied customer's requirement and develop people and organization toward company profit
- Strategies: TQM identified to cope with a leader in quality target, CRM to cope with create a long term relationship with customers and suppliers target, KM to cope with organization development and Low Cost manufacturing to cope with generate profit to shareholder target

The difference between each particular plant is the goal. For ABC Thailand Manufacturing plant, operation goal and measurement were defined by Board of Director and management team for year 2005. It was announced in quarterly meeting, Dec 20, 2004, in the format of Balance Scorecard Theory as illustrate in Table3.2.1.

There are seven goals supported to strategic issue number one (To satisfied customer's requirement), target to increase production performance in every angle such as unit cost reduction, productivity improvement and enhance quality of product and service. Another two goals supported to strategic issue number two (Develop people and organization), focus in human capital development and build up organization knowledge management. To achieve these goals, the management team confident that the outcome will drive the company success according to the target.

The goals and measures of the scorecard are derived from corporate strategy in four perspectives: financial, customer, internal business process and learning and growth. Table 3.2.2 depicts the overall company direction including of plant goals and KPIs.

Financial Perspective		Customer Perspective	
GOALS	MEASURES	GOALS	MEASURES
1. Reduce unit cost	- Reduce cost per unit by 5% every quarter through productivity improvement	1. Improve product quality 2. On time delivery to customer 3. Provide good relation with supplier and customer	- 500 DPPM defect rate at customer incoming - 99% on time delivery to customer demand - Quarterly customer and supplier visit to review each side scorecard and provide improvement actions, target set to be number one supplier on top 3 major customer in one year
Internal Business Perspective		Innovation and Learning Perspectives	
GOALS	MEASURES	GOALS	MEASURES
1. Increase number of inventory turns 2. Improve manufacturing base on production performance 3. Optimize production schedule	- Benchmark industry average on the same business and strive toward to be in top 3 position in one year - Improve OEE by 10% from base line year 2004 - Implementation of ERP, supply chain and JIT	1. Improve employee technical and management skill set 2. Improve TOEIC score and English skill	- Conduct yearly training need survey according to corporate strategy, conduct in-house and outside training to boost up employee morale, technical and management skills - Implement knowledge base database to share best practice among employees - Increase individual TOEIC score by 10% base on previous test result

Table 3.2.1: ABC Thailand Operation Goal 2005

ABC Company 2005 - PLANT GOALS				
Vision	Strategic Issue	Goals	Measuring	Strategy
<p>ABC will be the global quality leader in its products, services, technologies and business conduct. We will have world-class employees, long term partnerships with our customers, suppliers and communities and will deliver superior financial return to our shareholders.</p> <p>Objective:</p> <p>1. Become an Employer of Choice</p> <p>2. Develop strategic relationships with Key Customers</p> <p>3. Provide Best-In-Class Product and Process Quality</p> <p>4. Create World-class Manufacturing Processes</p> <p>5. Lead the Industry in Key Technologies</p>	<p>1. To satisfy our customers' requirements by providing world-class products and services.</p>	<p>1. Reduce unit cost</p> <p>2. Improve product quality</p> <p>3. On time delivery to customer</p> <p>4. Provide good relation with supplier and customer</p> <p>5. Increase number of inventory turns</p> <p>6. Improve manufacturing base on production performance</p> <p>7. Optimize production schedule</p>	<p>Reduce unit cost by 5%</p> <p>DPPM < 500</p> <p>99% on time delivery</p> <p>Number one supplier on top 3 major customers</p> <p>top 3 position, benchmark on the same business</p> <p>Improve OEE by 10% from base line year 2004</p> <p>Implementation of ERP, supply chain and JIT</p>	<p>1. TQM</p> <p>2. CRM</p> <p>3. Knowledge Management</p> <p>4. Low Cost Manufacturing</p>
	<p>2. Accomplish through investments in people and technologies that generate sustained profitability.</p>	<p>8. Improve employee technical and management skill set</p> <p>9. Improve TOEIC score and English skill</p>	<p>Implement knowledge base database to share best practice, conduct training class for both in and out-site factory for all employee</p> <p>Increase individual TOEIC score by 10% base on previous test result</p>	

Table 3.2.2: Overall company direction

3.2.2 Goals Analysis

The findings presented in this analysis reflect the opinion of ABC Thailand Management team, consisting of total 10 members as following:

1. Managing Director
2. Director of Engineering Department
3. Director of Quality Department
4. Director of Production Department
5. Director of Human Resources Department
6. Engineering Manager
7. Quality Assurance Manager
8. Production Manager
9. Human Resources Manager
10. Procurement Manager

The analysis and discussion of the findings mainly focus on department owner, expected benefit and restriction of each goal. The team has selected the **Historical-Comparative Research Method** and used a qualitative data for this analysis. The distinction between old generation and new generation of ABC's Strategic Management Processes (Implementation and Control) are the key focus of required information. The team needs to clearly understand why and how they performed, what are the relevant factors both internal and external should be considered and impacted to the management decision making on running the business in the current complex and competitive environment.

Data Collection Method, Historical-Comparative Research is a powerful method addressing big questions. So the team finds the general questions and answer on the Strategic Deployment Process by gathering all related answers from various secondary sources (Historical & Recently), the general questions are:

- What are the purpose(s) and objective(s) of the organization?
- What is the organization presently going?

- What critical environment factors does the organization currently face?
- What can be done to get more effectively achievement of organizational objectives in the future?

Research Analysis Method, from the gathered qualitative data, the team has analyzed historical and recent information against related theories, and determines what are the distinctions, effectiveness of the ABC's Strategic Deployment Processes in term of Implementation & Control Processes between old and new generations of Management.

The team also provides inputs score weighting and recommendations what, why and how they should be. These are based on The Team's opinions and experiences which would more or less beneficial for all readers while they apply on their current organizations.

The analysis criteria for both expected benefit and restriction of each goal are from the Blueprint for Change Technique approach. The criteria were accepted by the team as its cover the process's issues in general perspective. *Expected Benefit Portion*, consisting four criteria assessors which are support mission, productivity, quality and efficiency, the highest score represent the most beneficially and supported goals. *Restriction Portion*, consisting of five criteria assessors which are process, technology, structure, human capital and others. Any goals got the mark on any criterion that's determine there are some problems or issue need to improve and fix in that criteria. The analysis result is summarized in Table 3.2.3.

Restriction Criteria Scope for Company Goal analysis:

- Process: the hold manufacturing process contained 7 major processes including of sub-process, start with receiving raw material components from suppliers, the part will keep at store wait for production schedule loading then go to un-pack process and setup to be ready to feed to support assembly line in clean room. Backend process all drive has to pass functional test and visual

inspection 100% before move to pack and ship to the customer, depicts in Figure 3.2.2.

- Technology: it's cover to software, hardware, machine, system, database, networking and etc.
- Structure: it's cover the formation, template, layout, composition, arrangement, construction, organization of building, production floor, production line, store, storage, documents, people which using in ABC company
- Human Capital: it's cover training, technical skills, management skills, communication skills, team working, sharing, leadership, job description, scope of work, compensation and benefit, promotion, job opportunity, career path, turn over
- Others: such as working environment, climate, political or legal factors, economics and etc.

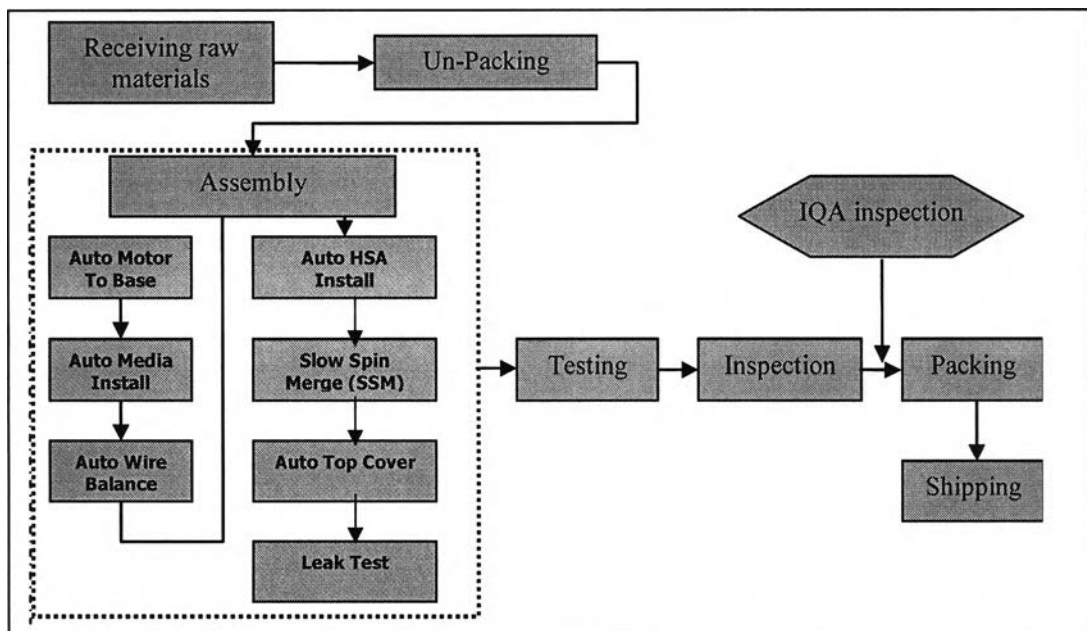


Figure3.2.2: Manufacturing process flow

Goal	Department Owner	Expected Benefit					Restriction				
		Support Mission	Productivity	Quality and Services	Efficiency	Score	Process	Technology	Structure	Human Capital	Others
1. Reduce unit cost	All	2	2	3	4	11	O	O		O	
2. Improve product quality	Quality	2	1	4	2	9	O	O		O	
3. On time delivery to customer	Production	4	4	3	2	13	O	O	O		
4. Provide good relation with supplier and customer	Marketing	2	2	3	2	9			O	O	
5. Increase number of inventory turns	Production	2	2	2	2	8	O	O		O	
6. Improve manufacturing base on production performance	Engineering	4	4	3	4	15	O	O	O	O	
7. Optimize production schedule	Production	3	4	3	4	14		O	O		
8. Improve employee technical and management skill set	HR	4	4	2	3	13		O		O	
9. Improve TOEIC score and English skill	HR	2	2	2	2	8		O		O	
Total Score		25	25	25	25	100					

Table 3.2.3: Goals analysis

3.2.3 Organization Structure and Organization Culture Analysis

Successful strategic implementation depends in part on how the organization's activities are divided, organized and coordinated. The changes that an organization's strategy will succeed are far greater when its structure matches its strategy.

ABC have changed from divisional and functional to strategic business unit, matrix and remain functional in common group as show in figure 3.2.3. Management levels and personnel within the organization will have to be responsible for various implementation tasks as defined in their strategy and operation plans. Radical strategy changes are introduced and spearheaded by the chief executive officer to drive the organization wide efforts in implementing and controlling the strategy.

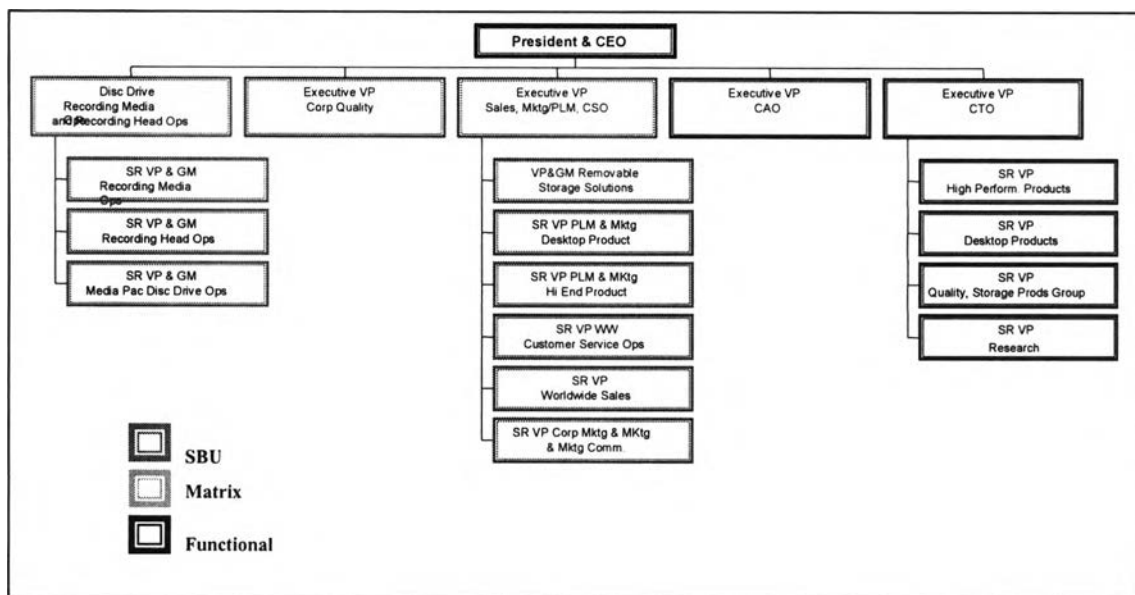


Figure 3.2.3: ABC global organization structure

ABC Thailand organization has four departments, direct report to Managing Director and one department direct report to global functional unit.

- Engineering Department
- Quality Department
- Production Department
- Human Resources Department
- Procurement Department (direct report to global Procurement and Logistic Unit)

Culture is the heart of a particular group or society-what is distinctive about the way members interact with one another and with outsiders-and how they achieve what they do. Organizational culture is the set of important understandings, such as norms, values, attitudes, and beliefs, shared by organizational members.

It is a complex mixture of assumptions, behaviors, stories, myths, metaphors, and other ideas that fit together to define what it means to work in a particular organization. People at each organization have learned a particular way to deal with a lot of complex issues.

ABC had a business plan to get to volume the faster and they do not necessarily need to be the first to design the product, a massive structure which could very quickly produce a lot more than the competitors could and get a lot of cost out of the product simply because of the fixed cost amortization.

3.2.4 Consolidate Holistic Plan

To create holistic plan for the balance scorecard (goals), the power of the BSC is not so much the performance indicators but rather the ability to link the goals to the strategic intent of the company. The holistic plan (Blueprint for Change Mapping) clarifies the relationships of the three perspectives in a development manner. It is the outcome from the company direction analysis together with company goals analysis, organization structure analysis and organization culture analysis. ABC Holistic plan as illustrate in Figure 3.2.4 was created by Management Team base on historical data analysis from each department.

To achieve outcome that will be perceived as the two strategic issues, the organization must have internal capability to meet customer requirements and the development of internal capability must be able to support the customer-related strategy. In the holistic plan below (Figure 3.2.4), the rectangle represent the factor for the various perspectives. The arrows represent the supported linkages. Each of the factors needs at least one key performance measure to monitor and control the business, Figure 3.2.5 and 3.2.6 illustrate the details of each strategic issue in term of goals and KPIs.

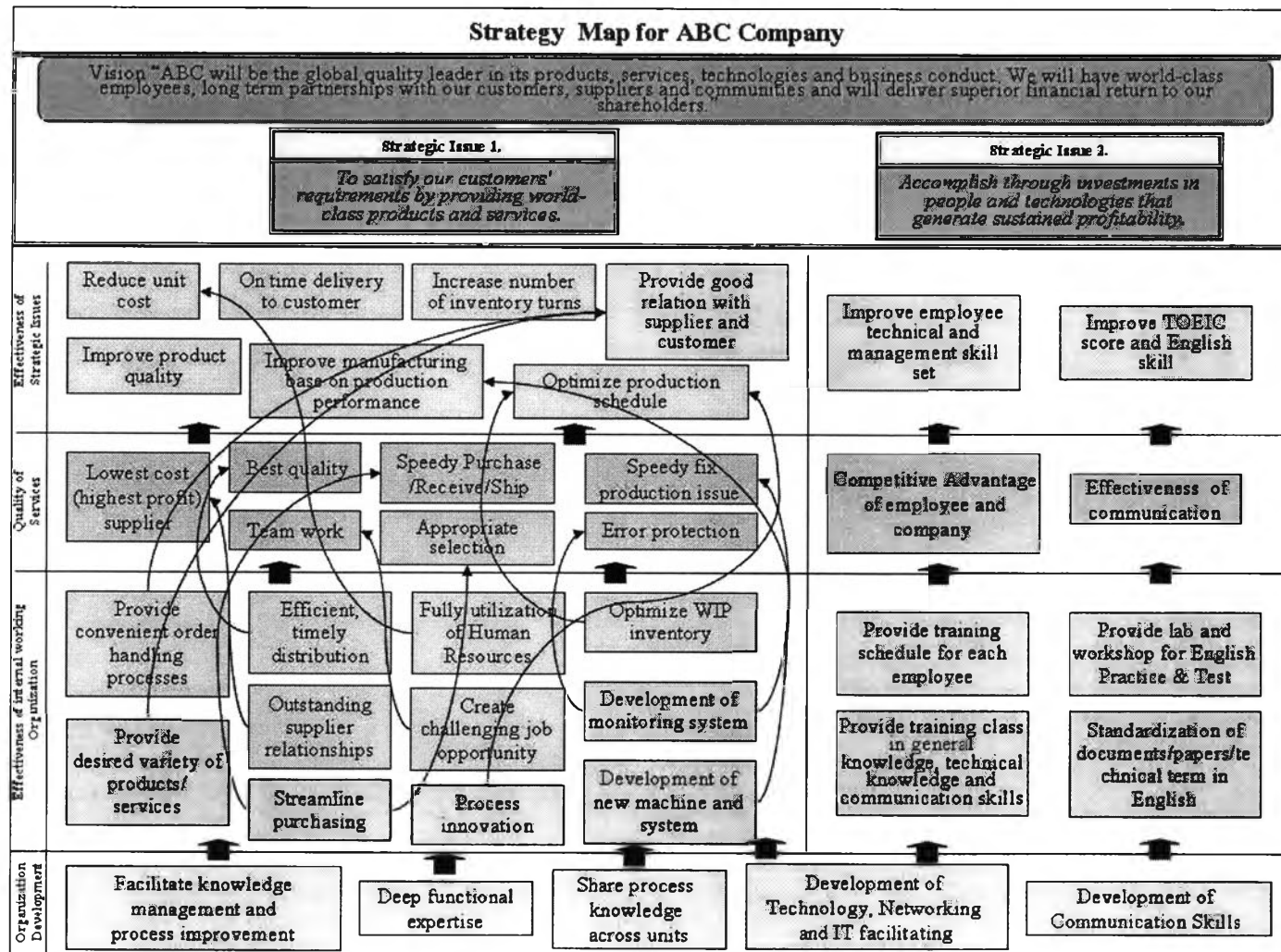


Figure 3.2.4: ABC Holistic Plan by Blueprint for Change Technique Approach

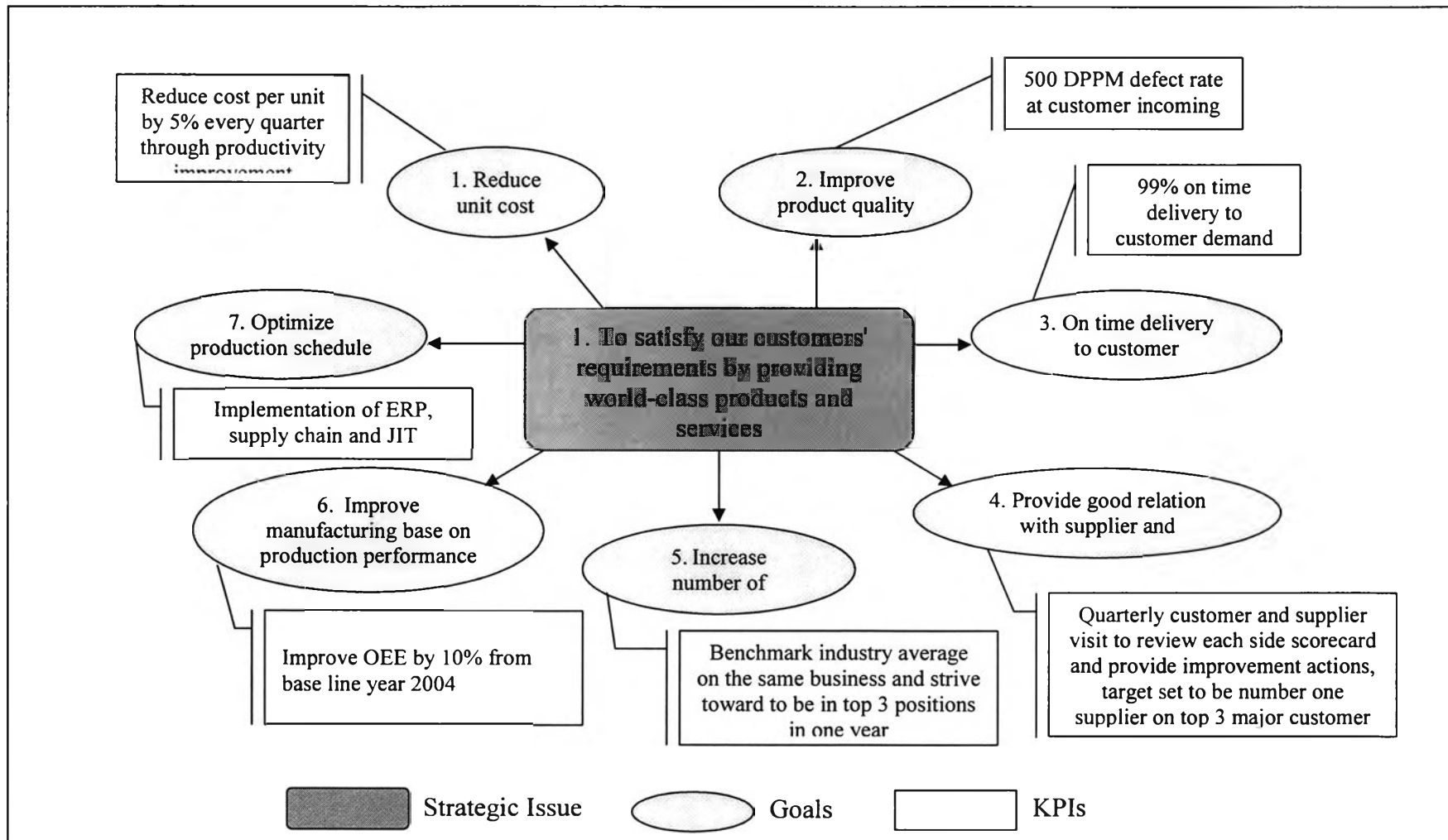


Figure 3.2.5: The First Strategic Issue, Goals and KPI

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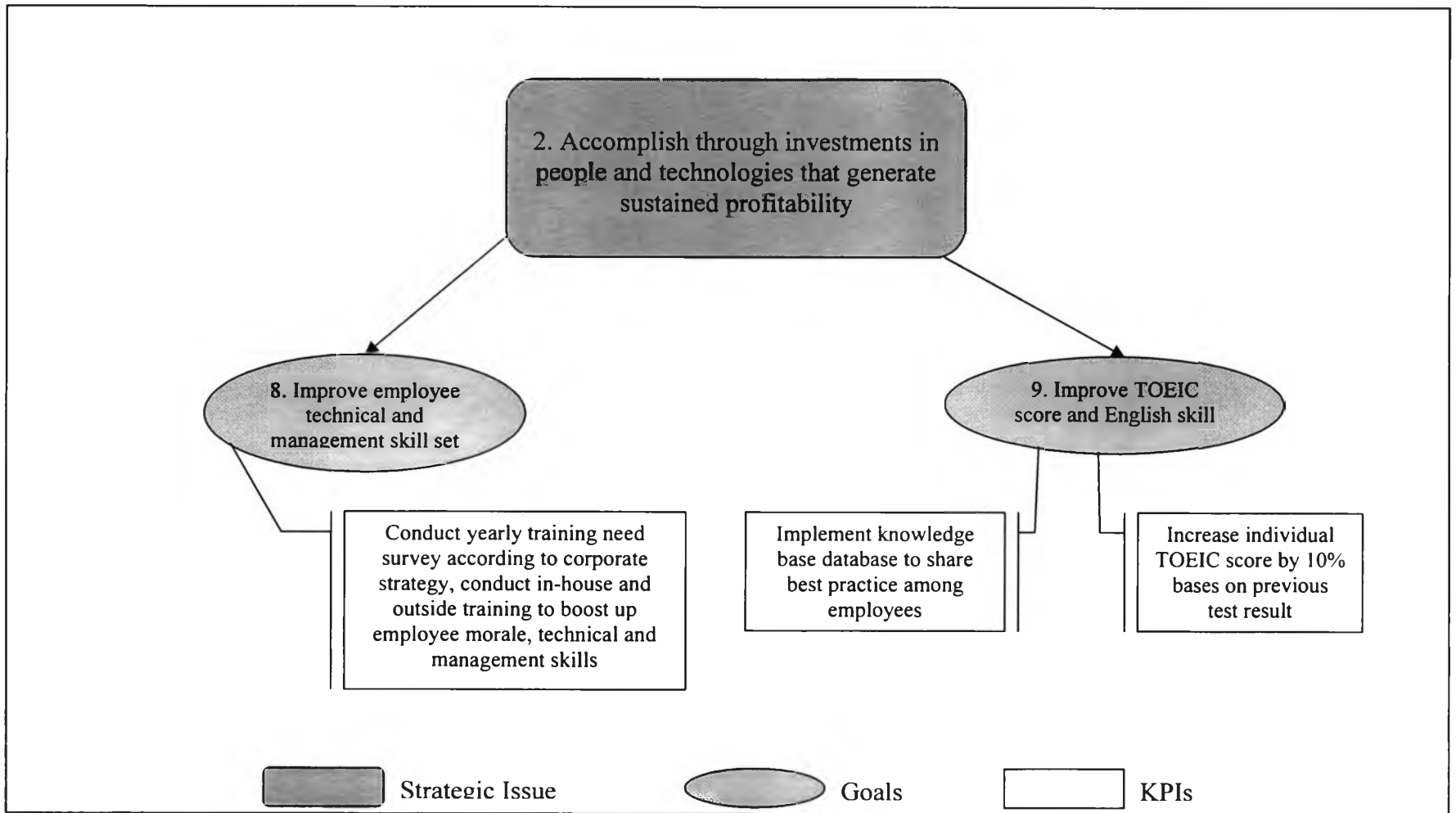


Figure 3.2.6: The Second Strategic Issue, Goals and KPIs