University of Economics, Prague

Master's Thesis

2019

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Faculty of Business Administration

Master´s Field: International management

Title of the Master´s Thesis:

Division Carve-Out: Change Management Case Study

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Declaration of Authenticity

I hereby declare that the Master´s Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, May 15, 2019   Signature

Acknowledgements

Hereby, I take the opportunity to express gratitude to my thesis supervisor, doc. PhDr. Daniela Pauknerová, Ph.D. for her guidance and support throughout my thesis, and for her insights that enhanced my work.

Furthermore, I would like to thank to Sales Manager of The Company, for the time and effort he devoted to the presentation and explanation of the entire carve-out case. Furthermore, I would like to also thank to the CEO and to five employees of The Company for the time and effort they dedicated to the comprehensive and time demanding interviews.

Title of the Master´s Thesis:

Division Carve-Out: Change Management Case Study

Abstract:

The main objective of the thesis is to analyze change and its management in former Industry Solutions division, today a standalone company (The Company), which took place during its carve-out from The Corporation. In the Case study, the author applies concepts and frameworks from the Methodology to evaluate The Company's change process, employees' resistance, and managers' leadership during the period of change. The qualitative research is based on information gathered from comprehensive interviews conducted with managers and employees of The Company. The analysis reveals, that at first sight successful carve-out (considering only improved financial results) had a variety of inefficiency drawbacks on the change management side. These drawbacks were caused by change leadership, which lacked proper communication and collaboration with employees. Consequently, employees resisted the change and managers were left to bear the entire burden of the carve-out. If they had used proper change management practice, the change would have been implemented more efficiently. Employees would have been engaged and had worked harder, managers would not have born the entire burden, and financial results could have been even higher. Based on the main findings, the author proposes The Company several recommendations for its upcoming organizational change.

Key words:

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1 Introduction

In today's fast-paced, continually growing and innovating business world focused on maximized efficiency, companies need to undergo organizational changes more and more often. For some, the reason is to excel on the market, and for the other, it is to remain competitive. Whether the change is strategic, structural, technological or people-oriented, most of the companies see the organizational change only as a design and implementation of new processes. However, in reality, this is only half of a successful change process. The second half that most of the companies are not aware of is the employee side of the change. If employees are not aware of why the change is needed, do not accept and desire the change, and do not have a related knowledge about the change itself, new perfectly designed change processes can still be implemented, however, they will never be efficient neither will they contribute much to the company's performance and results. Many companies invest considerable resources to the design and implementation of new processes, and then they tend to expect significant returns on their investment straight after the implementation. However, a new process implemented without attention paid to employees usually turns to have a rough start, what is then negatively reflected in efficiency and performance of the employees, and finally in results and earnings of the company. Therefore, it is necessary to educate companies about the best-proven practices of change management so that they can implement and master ever needed organizational changes successfully.

Change management emerged as a theory in the early 1960s, and since then presented many significant, respectable, and proven in practice change management models and processes, mainly focused on organizational change in the business sphere. However, still today many managers and employees going through significant organizational change are not aware of the theory, its methods, and of the extent of the positive impact, their application can have. Therefore, they cannot know that these methods can help them to achieve efficient and successful change implementation and improved results. These companies then usually suffer from long change implementation due to employees' resistance to change. Some corporations have gradually started to become aware of the importance of change management, and some of them have been already hiring change managers, especially when experiencing organizational change. However, in the world of small-medium businesses, the theory is mostly still unknown.

The author's motives for change management topic come from her job, where she is responsible for designing new processes in global corporations for the effective implementation of source-to-pay software solutions that radically change processes currently existing. In her work, the author has experienced that management in the companies expects improved performance and results once the new processes with the software solution are implemented. The management is not aware that their employees might not accept and adapt to the newly designed processes and solutions due to people's

natural resistance to change. Therefore, the author has to explain to the leading managers the importance of the people side of change, which if not being included in the change process, might result in the ineffective and unsuccessful implementation of the software solutions. The author has to spend time not only to explain the necessity of including employees to the change process but also to encourage the management to devote extra time and resources that are needed for that. Thanks to this experience, the author realized the necessity of being educated about change management and the lack of this knowledge on the market.

For the case study, the author selected a company that went through a change that particularly required a strong focus on employees. Former division Industry Solutions carved-out from the global corporation and formed a standalone company. This case enabled the author to highlight the importance of the people side of change and the impact of omitting it. Furthermore, the author was able to establish good relationships with the management and employees of the company, who were willing to devote considerable time and effort to the author's interviews. As a result, the author was able to analyze the change process that took place in every detail and find true drawbacks and strengths.

Due to the sensitivity of information provided, and per request of the parties involved, the author anonymized all names in the thesis. Below is the list of anonymized businesses and individuals:

- **The Corporation** - German conglomerate company, which is one of the largest industrial manufacturing companies in Europe. The key divisions of the company are Industry, Energy, Healthcare and Infrastructure.

- **The Company** - Former Slovak Industry Solutions division of The Corporation, today a standalone company.

- **Manager 1** - The Head of the former division of The Corporation, today the CEO and the Director of the board of The Company.

- **Manager 2** - Sales Manager in the former division of The Corporation, today Sales Manager and a Member of the board of The Company.

Statistics reveal that only one-third of organizational change was perceived as successful by their leaders and the majority of them does not know the exact reason why their change efforts turned unsuccessful. It is evident that many companies struggle with implementing change effectively. Based on books, academic journals and articles elaborating change management, change resistance and change leadership, current research problems are the following:

- How do leaders and employees perceive organizational changes?

- What kind of problems do they face during the process of change?

- Do companies manage to implement organizational changes successfully? If not, why? If yes, how?

Research approach consists firstly of comparing change processes of successfully implemented change programs with change processes of unsuccessfully implemented change programs. Secondly, the research approach consists of interviewing change leaders and employees and asking them about the specifics of their change in the company.

1.1   Objectives of the Thesis

This diploma thesis has one main objective, which could be obtained only after completing six sub-objectives.

1.1.1   Main Objective of the Thesis

The main objective of this thesis is to analyze change and its management in The Company that took place during its carve-out from The Corporation. The author aims to apply change management concepts and frameworks from the theoretical part to evaluate the company's change process, employees' resistance, and managers' leadership.

1.1.2   Subobjectives of the Thesis

The main objective of the thesis consists of the following sub-objectives:

- To conduct interviews with managers and employees of The Company to understand the change and its management in the company.

- To apply the Kotter's 8-steps change process framework as a benchmark for evaluation of the change process in The Company.

- Based on the Change Curve model to determine on what levels was the change resistance present.

- To apply the skills of change leaders who successfully implemented complex organizational changes as a benchmark for evaluation of change leaders of The Company during the carve-out process.

- Construct recommendations for the next organizational change based on the understanding of drawbacks and strengths of the change management in the company.

1.2   Structure of the Thesis

This thesis is logically structured by firstly presenting inputs in the theoretical part, which are then applied in the practical part. Outcomes of the thesis stem out from the execution. They are disclosed at the end of the practical part and then summarized in the conclusion.

1.2.1   Inputs

Inputs for this thesis outcome are firstly concepts and frameworks introduced in the theoretical part of the thesis: change drivers, change classification, change management process, change resistance, and change leadership demonstrated in the theoretical part. Secondly, inputs are also interviews conducted with managers and employees of The Company presented as transcripts in the appendixes of the thesis.

1.2.2   Execution

The author analyses the change and its management by evaluating the change process, employees' resistance and managers' leadership based on what she learned from conducted interviews.

1.2.3   Outcomes

Firstly, the outcome of this thesis is a presentation of the main findings discovered from the case study research, which leads the author to answer her research questions accurately. Secondly, it is a proposition of recommendations for the next organizational change.

1.3   Thesis's Expected Advancement of Knowledge in Change Management

The Company was chosen for the case study research also for its potential to be a representative of all small businesses in the market of electrotechnical solutions as one of the leading companies in this field in Slovakia. Any other similar company in the region has had the change management analyzed before by an external party with change management expertise. Therefore, the author aims to suggest how small businesses in the market of electrotechnical solutions in Slovakia manage organizational changes and what are their possible drawbacks and strengths. The main expected benefit of the thesis is the proposition of recommendations for upcoming organizational change specifically for The

Company. However, due to the representative nature of change management in the company, the author believes that these recommendations can serve as advice to all small businesses in the field in Slovakia.

2 Methodology

The theoretical part of this thesis starts with a presentation of the author's research problem and her research design towards this problem. The role of this part is to present a theoretical understanding of the topic with definitions, methods, and models for change management, drivers of change, classification of organizational change, change management process, resistance to change and change leadership, which are then applied in the practical part of the thesis.

2.1   The Author's Approach

The author firstly defines the research problem and secondly the research design towards this problem, which enables to verify the below-stated research questions.

2.1.1   The Author's Research Problem

The author's research problem consists of the three following research questions:

Research question 1: How did managers and employees of The Company perceive the carve-out from The Corporation?

Research question 2: What kind of problems did they face during the process of change?

Research question 3: Did they manage to implement the organizational change successfully? If yes, how? If not, why?

2.1.2   The Author's Research Design Towards the Problem

In order to answer her research questions, the author firstly proves the theoretical understanding of change management and presents the most widely recognized models and concepts for change management process, resistance to change and change leadership. On these models and concepts, the author applies the case of The Company which is known to her in detail from interviews conducted with managers and employees of the company. The application allows the author to evaluate the quality of change management process in The Company, to define levels of change resistance on the side of employees and to examine change leadership on the side of managers.

2.2 The Most Relevant Previous Findings in Change Management

Nowadays, organizations need to change and adapt more and more often to remain competitive on the market (Balogun & Hope, 2008). However, effective and successful organizational changes seem to be exceptional (Meaney & Pung, 2008). Most relevant research and statistics reveal that only one-third of all organizational change efforts were perceived as successful by their leaders (Meaney & Pung, 2008); (Beer & Nohria, 2000). Based on academic research, it is evident that successfully implementing change in organizations is challenging. The low success rates of the change efforts result most of the time from resistance to change on the side of employees (Ford & Ford, 2008).

2.3 Change Management

This chapter provides essential information about change management and its importance for organizations.

2.3.1 Defining Change Management

Jeff Hiatt (2006) defines change management as a study, which educates change leaders in how to prepare, guide and support their employees to successfully adopt change in their organization, and drive organizational success in the form of improved results and outcomes. Human Change Management Institute (2014) similarly describes change management as: *"[...] a collective term for all approaches to prepare, support and help individuals, teams, and organizations in making organizational change."* Change management is also considered as a set of processes, tools, and mechanisms that are designed to make sure, that when a company goes through an organizational change, it does not lose control, and problems associated with it do not occur (Kotter, 2011). Even though every organizational change is different and every employee is different, research proves that there are actions, which change leaders can take to influence employees in their transitions. Change management provides a structured approach for supporting employees to move from the state where they are to the state where they should be to reach the full potential of the organization given the market situation (Hiatt, 2006).

Many change management models and processes are based on grief studies. Researchers observed a correlation between patients grieving from health-related issues and employees in organizations grieving from losing their jobs, or from dissolvement of their departments. Numerous early change models captured the full range of human emotions

as employees grieved from job-related changes (Welbourne, 2014). Everett Rogers suggested in his work on the diffusion of innovations that change must be understood in the context of time, communication channels, and the impact on all affected participants. Placing people at the core of change thinking was a fundamental contribution to developing the concept of change management (Everett, 2003). Today, change management is a very crucial concept, which helps a variety of companies with their organizational change by educating leaders in how to support their employees to adapt to not only new structure, strategy, process or technology, but also to new behavior and mindset required for the complete transition. As Mrs. Ferguson stated: *"If you continue to think as you have always thought, you will continue to get what you have always gotten"* (Ferguson, 1987).

2.3.2   Importance of Change Management for Organizations

There are many reasons why organizations should focus on the implementation of effective change management. Two main motives, as described by change management expert Jeff Hiatt (2006), are the following:

1. **High costs of poorly managed change**

Neglecting employees results in numerous negative consequences leading to a poorly managed change:

- Managers are not interested in spending their time and resources needed to guide employees through the change

- The productivity of employees declines

- Suppliers notice the impact of the change and can see its disruption

- Customers suffer from the change implementation, which should be invisible and beneficial to them

- Employees start to feel more and more demotivated, stressed, depressed, confused and exhausted

- Valuable employees gradually leave the company

Employees spend time redoing their work as many of them tend to keep doing their tasks as they were used to do them before the change. Unexpected and avoidable work costs a lot of time and resources. Company and its investors suffer when projects are not meeting deadlines, and costs exceed budgets. All of the above-stated consequences harm the productivity, performance and financial results of the company. *"These consequences can be addressed and mitigated if a change project includes a structured approach to the people side of change"* (Hiatt, 2006).

2. Improved performance with effective change management

There is an increasing amount of data, which demonstrates the impact the effective change management has on the likelihood that a project delivers on its objectives. There is a strong correlation revealed in Jeff Hiatt's longitudinal benchmarking research from 2013, which discovered that **96%** of participants with excellent change management met or exceeded objectives, while only **16%** of those with poor change management met or exceeded objectives (Hiatt, 2006).
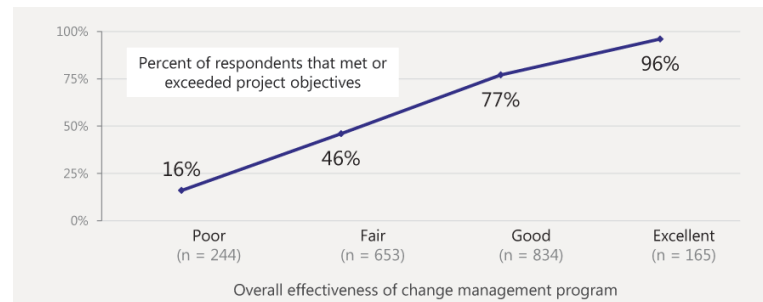
Figure 1: Correlation between change management effectiveness and meeting project objectives

Source: Prosci (Hiatt, 2006)

As illustrated in Figure 1, projects with proper and reputable change management practices were six times more likely to meet objectives than those where change management was neglected. Irrespective to the change being considered, focusing on the people side of change increases the probability of being successful. Furthermore, Jeff Hiatt's study reveals a direct correlation between effective change management and staying on schedule and budget (Hiatt, 2006).

2.4   The Drivers of Change

Drivers of change are the forces that cause organizational changes in organizations. Generally, companies experience two different types – external and internal drivers of change. External forces come from the outside of a company, and hence they are out of the company's control. These forces include economics, competition, technology, politics or legislation. For instance, new companies entering a market can decrease the market price, and as a result, they decrease earnings of an established company in the market. Internal forces of change come from the inside of a company, and therefore, they are under the company's control.

A typical example is altering a company's strategy, structure or culture by expanding, restructuring or hiring new management to directly impact the company's turnover and financial results (Barnett & Carroll, 1995). Understanding where an internal driver of change is coming from is the essential first step to overcome the challenges of change.

For leaders, it is necessary to comprehend the entire breadth of today's drivers of change and to be able to respond to each of them appropriately and in time, if they wish to successfully and efficiently drive the growth of their organizations. This chapter describes all of the drives of change in detail using one of the most recognized models in this area – Drivers of Change Model.

2.4.1   Drivers of Change Model

Drivers of Change Model (Figure 2) designed by Mr. and Mrs. Anderson in their book "Beyond Change Management" clarifies what drives the need for change (Anderson & Anderson, 2001). The model describes seven drivers of change, starting with the first four that leaders are the most familiar with, and following with the remaining three that the majority of leaders is not fully aware of. The linear sequence shows that the drivers move from what is external and impersonal (environment, marketplace, business and organizations imperatives) to what is internal and personal (culture, behavior, and mindset). It also illustrates that *"[...] changes in the larger external domains of environment and marketplace demand a change in the more specific domains of business strategy and organizational design, which, in turn, require change in the human domains of culture, people's behaviors and ways of thinking"* (Anderson & Anderson, 2001).
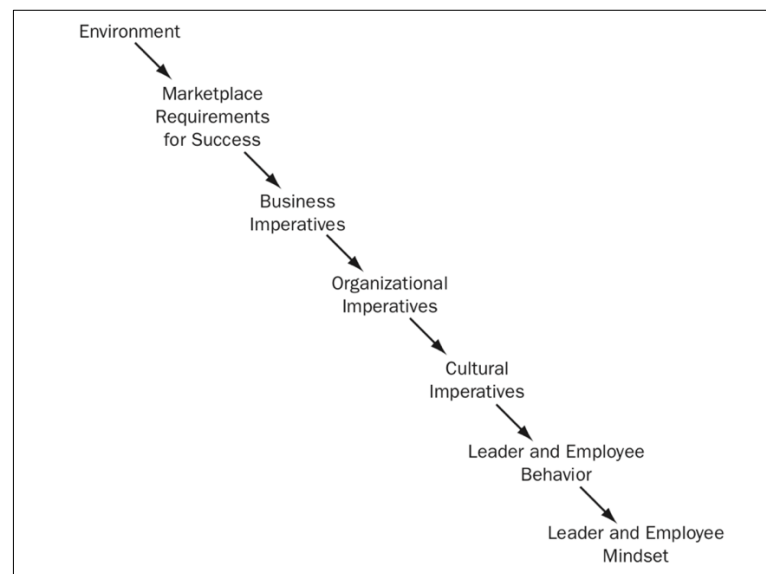
Figure 2: The Drivers of Change Model

Source: Beyond Change Management (Anderson & Anderson, 2001)

As Figure 2 demonstrates, Drivers of Change Model consists of seven following domains:

Environment

Change drivers coming from the environment are the forces of the broader context within which organizations operate and are external and impersonal to managers and employees. These drivers come from the social, business, economic, political, governmental, technological, demographic, legal or natural environment.

Marketplace Requirements for Success

Marketplace requirements are the requirements of customers, which define what a business needs to succeed in its marketplace and to satisfy its customers' needs. It includes not only actual product or service needs but also requirements complementary to the core product or service. For instance: speed of delivery, customization capability, level of quality, need for innovation, level of customer service and other. Changes in the marketplace requirements follow after or result from changes in environmental forces.

Business Imperatives

Given customers' continuously changing requirements, business imperatives indicate what the company must do strategically to be successful. It can require systematic rethinking and change in the company's mission, strategy, goals, business model, products, services, pricing or branding. Business imperatives are fundamental to the organization's business strategy for successfully meeting its customer requirements.

Organizational Imperatives

Organizational imperatives determine what must change in the organization's structure, systems, processes, technology, resources, skill base, or hiring in order for the company to implement and achieve its strategic business imperatives effectively and successfully.

Cultural Imperatives

Cultural imperatives illustrate how the norms, or the collective way of being, behaving, working, thinking and relating in the company must be altered to support and drive the company's new structure, strategy, technology or processes. Cultural drivers of change are internal and personal to employees, and they follow or result from changes in organizational imperatives, which are external and impersonal to employees.

Leader and Employee Behavior

Collective behavior establishes and displays an organization's culture. Behavior defines the style, tone or character of what people do. Therefore, it determines how people's way of being must be changed to re-create a new culture. Essentially, this driver of change

indicates how leaders and employees should behave differently to re-create the company's culture to implement and sustain the new organizational design efficiently and successfully.

Leader and Employee Mindset

Mindset includes the worldview, assumptions, beliefs and the way of thinking, which cause employees to behave and act as they do. Understanding that mindset impacts the behavior, decisions, actions, and results, is frequently the crucial first step in building a person's and an organization's ability to transform. Company's managers need to change their mindset to recognize changes in the environmental forces and marketplace requirements. Subsequently, they can determine the best new strategy for their business and design the best fitting new structure or process for the organization. Employees need to change their mindset to understand the underlying rationale behind the transition, explaining why the change is needed so that they can be motivated to changes being asked of them.

The external domains tend to be more familiar to leaders (environment, marketplace, business, and organization), while the internal domains (culture, behavior, and mindset) tend to be less. However, internal factors are equally essential. If leaders do not address internal domains following from the external, then their change efforts do not have to succeed. Today, most of the current issues with organizational changes result from change leaders not attending to the cultural, behavioral and mindset factors of transformation or not attending to them in ways that could make a real and significant impact.

2.5   Classifying Organizational Change

This chapter is devoted to the classification of organizational change based on different characteristics. Firstly, the author classifies levels of change, secondly types of change and finally categories of organizational change. This chapter is essential for understanding the spectrum of organizational change and the differences between different kinds.

2.5.1   Levels of Change

There are three main levels where change can occur in a business (Hiatt, 2006), (Geuder & Piattelli, 2010), (Parkin, 2016):

1. **Individual change** is a change in job assignment, transfer or change in job maturity level.

2. **Team or group** is a change due to inefficiencies or lack of communication

3. **Organizational** is a change due to relocation, restructuring, mergers or acquisitions.

Change does not occur necessarily at only one of the above-specified levels, it can also affect more levels at the same time. For leaders, it is essential to understand the impact of change across all levels so that they can develop appropriate measures and interventions.

2.5.2   Types of Change

The organizational change represents a significant change in the organization that has a direct effect on employees' workflows. Carter McNamara (2006) in her book for consultants and internal leaders defines various dimensions of organizational change that differ based on spread, radicality, intention, and planning. Edward Coutta (2008) defines dimensions of change in the same way.

Spread of Change

a) **Organization-wide change** is a significant change occurring across the entire organization. Examples include major restructuring, merger or acquisition, and right-sizing. Furthermore, companies undertake organization-wide changes when evolving to a different level in their life cycle. Since successful organizational change requires a change in culture, cultural change is another example.

b) **Subsystem Change** is a less substantial change occurring in a subsystem of a company, which includes adding or removing a product or a service. Moreover, subsystem change involves the reorganization of a specific department or implementation of a new process to deliver products or services.

Radicality of Change

a) **Transformational Change** is a change in an organization's structure, culture or business process re-engineering that fundamentally transforms the entire organization.

b) **Incremental Change** occurs as a result of continuous improvement. Examples include quality management process or implementation of a new computer system to increase efficiencies. Nowadays, organizations frequently experience incremental change and its leaders do not even recognize the change as such. It is because today continuous improvement is perceived as a must in order to survive on the market.

Intention of Change

a) **Remedial Change** can be intended to remedy current situations. For instance, to improve the poor performance of a product or the entire company, decrease burnout, help the company to become much more proactive and less subtle, or fix large budget deficits. Remedial projects are focused and urgent because they are addressing a current significant problem. The success of these projects is easy to determine because the problem is solved or it is not.

b) **Developmental Change** occurs when the intent is to make a successful situation even more successful. For instance, to increase the number of customers served, or to duplicate successful products or services. Developmental projects are perceived as more general and as unclear when compared with remedial. However, it depends on how specific the goals are, and how important it is for members of the company to achieve these goals.

Planning of the Change

a) **Unplanned Change** occurs because of significant and unexpected news to the company, which cause employees to react in an exceedingly reactive and disorganized manner. Unplanned change arises when, for instance, public relations problems occur, poor product performance quickly results in loss of customers or when other disruptive situations occur.

b) **Planned Change** occurs when managers in the company identify the need for a substantial change and proactively organize a plan to accomplish it. Planned change examples include successful implementation of a strategic plan, plan for reorganization or other realization of a change process.

Each type of organizational change has a different degree of complexity and uncertainty and requires a different use of implementation methods and commitment of resources (McNamara, 2006); (Coutta, 2008).

2.5.3   Categories of Organizational Change

Organizational change can be divided into, or perceived from, four distinct categories (Mintzberg & Westley, 1992); (Houghton Mifflin Harcourt, 2019); (nidirect, 2019):

a) **Strategic change** is concerned with the overall goals and purpose of the business, and any changes in the vision and mission of the organization.

b) **Structural change** occurs when the business changes its organizational hierarchy, the chain of command, management systems, job structure or administrative procedures.

c) **Technological or process-oriented change** focuses on new technologies, new skills, and operating processes.

d) **People-oriented change** concentrates on employees' performance, skills, attitudes, behaviors, mindset, and relationships.

Any type of significant organizational change is likely to be demanding, stressful and risky. Potential challenges may concern staff retention, redundancies, relocation incentives, merging of organizational cultures and processes, or altering the company's business structure. Before initiating organizational change, it is crucial for leaders to analyze whether the benefits justify the upheaval. By following a change management process, any company can minimize potential disruption and risks.

2.6   Change Management Process

The change management process is the sequence of steps or activities that managers follow to apply change management to a change in order to drive individual transitions and to ensure the company successfully implements the change and transforms itself to the desired state. The below stated phases had been identified from the research conducted by Jeff Hiatt (2006) as critical stages of a successful change management process.

- **Phase 1:** Preparing for Change

- **Phase 2:** Managing Change

- **Phase 3:** Reinforcing Change

Many models for change management processes have been designed; however, all of them consist fundamentally of the above-stated phases that form the core of any successful change management process.

2.6.1   The Kotter's Change Management Process Framework

John Kotter (1996) in his book Leading Change outlines an eight-step process for effective change management. This book *"is considered by many to be the seminal work in the field of change management,"* as stated by Aiken & Keller (2009), principals in McKinsey & Company. Kotter's eight-step process consists of the three fundamental phases identified by Jeff Hiatt (2006) that are the critical elements of every successful change management process. As Figure 3 illustrates, step 1,2 and 3 are part of Phase 1 in which managers should prepare their company for change. Step 4,5 and 6 are part of Phase 2 in which managers are responsible for managing change and steps 7, and 8 are part of Phase 3 in which managers should reinforce the change in their company.
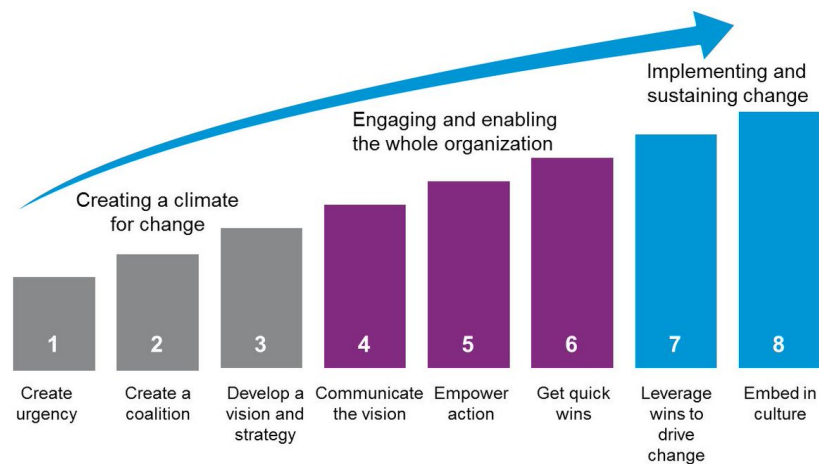
Figure 3: Change Management Process Framework

Source: Leading Change (Kotter, 1996)

The eight-step process for leading change effectively, as outlined by Kotter (1996), is the following:

1. **Establish a sense of urgency**. It is essential to create a compelling reason for why change is needed. Employees have to see the need for change and the importance of speed.

2. **Create a guiding coalition** - a cross-functional group of people with the power to lead the change. Employees should have support from top levels with the right skills and with the credibility to drive change.

3. **Develop a vision and strategy**. Employees should have a clear idea about the future state, know the objectives and step by step process to reach the new goal. Leaders of change should develop a strategic plan to guide the change process.

4. **Communicate the change vision**, to confirm employees' acceptance and understanding. Leaders of change should develop a communication strategy.

5. **Empower employees for broad-based action**. Leaders of change should remove any barriers that are in the way to make the team successful. They should also encourage risk-taking and creative problem-solving.

6. **Generate short-term wins**. Identifying and broadcasting early wins maintains the energy and speed of the progress. Leaders of change should recognize and reward people who contribute to the wins.

7. **Consolidate gains and produce more change**. Using the momentum from quick wins continues driving change. It is vital to consolidate gains and produce more change by having more people involved in the change process.

8. **Anchor new approaches in the culture**. Rewarding and encouraging new behaviors embeds into the culture. Leaders of change should reinforce changes

by highlighting connections between new behaviors and processes and organizational success.

Any company that expects an organizational change should consider following the 8-steps change management process in order to lead and implement the change efficiently and successfully.

2.6.2   The Prosci ADKAR Change Management Process Framework

The ADKAR model was created by Prosci founder, Jeff Hiatt, who presented it in his book (Hiatt, 2006). It is a change management process framework that guides individual and organizational change. *"ADKAR is an acronym that represents the five tangible and concrete outcomes that people need to achieve for lasting change: awareness, desire, knowledge, ability, and reinforcement"* (Hiatt, 2006). The ADKAR model is proven to help organizations to achieve significant benefits from their change initiatives. When applied to organizational change, this model allows leaders and change management teams to focus their activities on what will drive individual change and produce organizational results collectively. The goals or outcomes defined by the ADKAR model are sequential and cumulative. Therefore, they must be achieved in order. For a change to be implemented and sustained, an employee must progress through each of the five elements of the model.

Figure 4: The Prosci ADKAR Change Management Process Framework

Source: A Model for Change in Business, Government and our Community (Hiatt, 2006)

As demonstrated in Figure 4, the first element which leaders have to address to employees is **Awareness.** They can build awareness by sharing information about the change and communicating why this change is necessary. Leaders should clearly explain the change drivers and opportunities that have resulted in the need for change. It is crucial to address why change is needed now and explaining the risk of not changing. Employees should know the organizational reasons for the change, so they can better understand the change and align themselves with the organization's direction.

The second element of the ADKAR model is **Desire,** and it is the most difficult one to achieve. An employee has a desire towards the organization change when he or she sees a personal motivation or benefit in the new state. Desire represents the willingness to support and engage in a change. Employee's desire to change is all about a personal choice that can be influenced by leaders of the company. Therefore, leaders should focus on communicating benefits and providing motivations to employees.

Knowledge is the third element of the model. It represents the information, training, and education necessary to know how to change. Managers should provide employees knowledge about change, which includes the new behaviors and skills, processes, tools and systems, the roles and responsibilities. Each employee needs to have acquired change knowledge to be able to contribute individually to the implementation of the change. Only after every employee can do so, the change can occur at the organizational level.

The fourth element that follows after acquiring knowledge is the **Ability** to turn that knowledge into action. Ability means demonstrating a change understanding in a real-world environment. Managers impact the success of the change implementation by intentionally providing time, resources and coaching to help employees develop new skills and behaviors.

Reinforcement is the final crucial milestone. While making a change is hard, sustaining a change over the long term is even more difficult. It is a natural human tendency to revert to what is known. Emerging brain function research suggests that people are physiologically wired to return to the most comfortable and familiar state. Therefore, it is crucial for leaders to continually monitor and support employees' efforts to remain in the changed state.

2.7   Resistance to Change

Resistance to change has been recognized as a critically important factor that can influence the success of an organizational change effort (Waddell & Sohal, 1998). Research undertaken by Maurer (1996) indicated that one-half to two-thirds of all significant corporate change efforts fail and resistance is the *"little-recognized but critically important contributor"* to that failure. Research conducted by Oakland & Sohal (1987) also found that resistance to change was one of the major obstacles to the use of production management techniques by production managers. However, resistance to change alone is not the only and primary reason for these statistics. Kotter & et al. (1986) state that there is a tendency among managers to approach the change with simple beliefs that end up worsening the problems that arise.

People do not resist the change itself, they rather resist the uncertainties and the potential outcomes that change can cause (Waddell & Sohal, 1998). Resistance to change can be a

defense mechanism caused by employees' fear of the unknown future, and consequently by their frustration and anxiety. Employees might not resist the change as much as they resist a potential loss of status, role, salary, comfort or power that arises from their current position and expertise. Often, employees do not question the benefits of the change, but rather their ability to adapt to it. They tend to fear that they will not be able to develop new skills and behaviors that are required in a new work setting.

Leaders of change must be aware of any possible resistance to change that is likely to occur. It is essential to anticipate resistance at any level and design **preventive methods** against it. It is more efficient to prevent change resistance from occurring than to fight it once it happens.

2.7.1   The Change Curve

Kübler-Ross (1969) introduced in her book On Death and Dying a model demonstrating that terminally ill patients progress through five stages of grief after they are informed about their illness. Those stages are denial, anger, bargaining, depression, and acceptance. Kübler-Ross implied that this model could be applied to any dramatic life-changing situation. By 1980, the Change Curve became a crucial concept in the change management study. The curve, and with it associated feelings, are used to predict how a company's performance can be impacted by the initial communication and following the implementation of a significant organizational change.
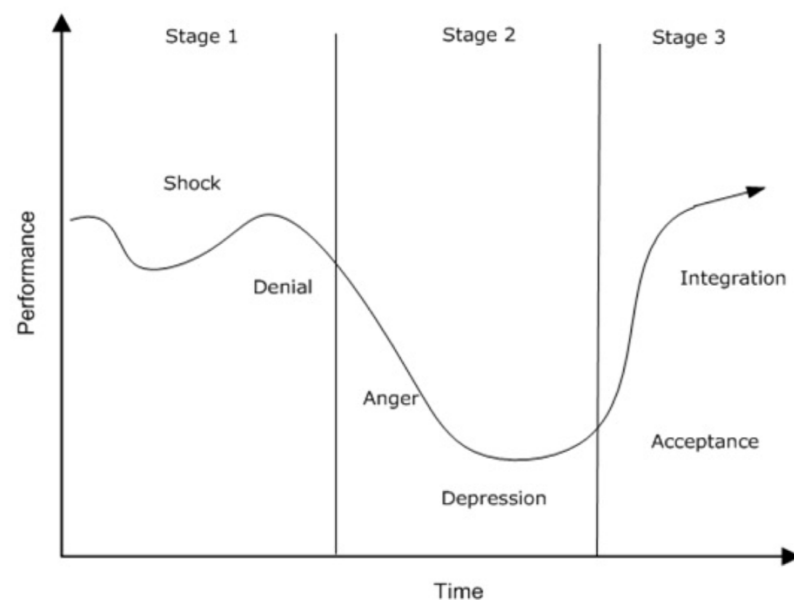

Figure 5: The Change Curve illustrated based on Kübler-Ross (1969) Cycle

Source: The Change Curve research publication (The University of Exeter, 2019)

The original five stages of grief: denial, anger, bargaining, depression, and acceptance, have adapted over the years. Nowadays, there are numerous versions of the Change

Curve. However, the majority of them is consistent in the use of the above mentioned underlying emotions, which are frequently grouped into three distinct transitional stages (The University of Exeter, 2019):

Stage 1: Shock and Denial

The very first reaction to change is commonly **shock**. Even though the initial shock does not last for an extended period, it can have a severe negative impact on employees in the short term, causing their temporary slowdown and loss of productivity. Performance of the company tends to drop steeply down and agreed deadlines tend to be missed because employees who are normally decisive and skilled in their job seek more guidance and reassurance. The shock is caused mostly by the lack of information, fear of the unknown, and fear of looking stupid by doing something wrong.

After the initial shock passes, employees experience **denial**. At this point, their focus tends to remain in the past. They are persuaded that everything was perfect as it was and they do not understand why there needs to be a change. They feel comfortable with the status quo and fear failure.

At the first stage, communication is crucial. Leaders of change should continuously repeat what the actual change is, reassure employees with the positive effects it may have, benefits it will bring to them and the company, and provide as much encouragement as possible. In this way, leaders can help to support employees experiencing negative feelings at the beginning of the transition.

Stage 2: Anger and Depression

After the feelings of shock and denial, employees often experience **anger**. At this point, employees blame the leaders of change or the entire organization for all the inconveniences they experience. Blaming someone else helps the employees to refocus the anger and anxiety from them on the perceived perpetrator of the potential impact the change might cause. Employees tend to be suspicious, skeptic and frustrated.

The Change Curve reaches the lowest point when the feelings of anger start to slowly disappear, and employees recognize that the change is real and unavoidable. Morale in the workplace is low as employees are losing their motivation. Employees are insecure and doubt themselves not only in new tasks there were given, but also in their professional careers. Period of **depression** is a result of realizing what is lost and what is new. In this period employees tend to feel deterred, dejected and isolated.

At the second stage, performance is at its lowest point. Employees tend to focus too much on small issues resulting from the change, what negatively impacts their performance in daily assignments. They are used to complete their tasks in a certain way, and everything new to it makes them uneasy. Some of them find themselves performing tasks in the same

way as before the change, what it is no longer appropriate. As a result, employees need to re-do their work, what decreases efficiency, worsens performance and results of the company.

Stage 3: Acceptance and Integration

After the negative emotions experienced during the second stage, a more positive and exciting attitude starts to arise. Employees **accept** that change is inevitable, and begin to work with the changes rather than against them. They start to realize the advantages of the change and can see new opportunities. They are relieved that they overcame the change and impatient to complete it.

The final steps lead towards **integration**. Employees now focus confidently on the future. They genuinely believe that real progress can be made and strive for their best to accomplish it. By the time the entire company reaches the final stage, the changed situation completely replaces the original situation and becomes the new reality. Employees are grateful for managers' effort and devoted to exploiting benefits and opportunities. The main feelings include gratification, relief, hope, and trust.

At the very beginning of the last stage, employees' productivity and energy remain low, but gradually start to show signs of recovery and progress. Employees have lots of questions, ideas, and plans. They respond well to being asked for new tasks or responsibilities. Nevertheless, communication remains critical. Steady progress helps to anchor more resilient and cheerful attitude. However, there is a high probability of returning to an earlier stage if the level of support drops unexpectedly.

The Change Curve is an efficient and helpful concept when managing individual, team or organizational change. Knowing where an employee is on the curve helps in deciding how and when to communicate which information, what level of support the employee requires, and when is the best time to implement final changes. Explaining to employees that others, not only in the company but anywhere else going through a significant change can understand them, because they all experience similar emotions, is the best way to reach and sustain the optimal performance (The University of Exeter, 2019).

2.7.2 Kotter and Schlesinger's Six Approaches to Overcome Change Resistance

"Many managers underestimate the variety of reactions to change and their power to influence those responses" (Kotter & Schlesinger, 1979). In their article for Harvard Business Review, Kotter & Schlesinger (1979) designed six change approaches that can help to prevent, decrease or minimize resistance to change in organizations. According to their research, the following four reasons explain why some people resist change:

1. **Parochial self-interest:** One of the main reasons why employees resist organizational change is their belief that they can lose something valuable to them as a result. In these cases, employees focus on their own personal best interest rather than on the best interest or benefit of the entire organization.

2. **Misunderstanding:** Employees also resist change when they do not understand its implications, and they suppose that it might cost them a lot more than they would gain out of it. Such situations occur when there is a lack of trust and communication between the change leaders and employees.

3. **Different assessments:** Another common reason why employees resist organizational change is that they assess the change situation from a different perspective than their managers, change leaders or those initiating the change. They can see more costs than benefits resulting from the change, not only for themselves but for their entire company as well.

4. **Low tolerance for change:** Employees also resist change because they fear they will not be able to develop new skills and behavior which will be required from them. All employees are limited in their ability to change, with some of them being much more limited than the others. Organizational change can unintentionally require employees to change too much or too quickly. The main difficulty in achieving the company's growth after the transition is managers' inability to change employees' attitudes and behavior as rapidly as their company and the market it is in require. It is a result of people's limited tolerance for change, that employees sometimes unconsciously resist a change, even when they are aware it is a good one.

Kotter and Schlesinger set out the following **six approaches to deal with the resistance to change**:

1. **Education and Communication:** One way to overcome resistance to change is to educate employees about it before the initiation. Communication of information helps employees to see the need for the organizational change and to understand the underlying logic behind. The education process can consist of private discussions, group presentations, and reports. An education and communication method is optimal when resistance to change is established on inadequate or inaccurate information and analysis, especially, when managers need the resisters' help in implementing the change. However, some managers overlook the fact that a program of this sort requires a good relationship between leaders and employees, which if not present, might result in employees not believing what they are told. It also requires time and effort, particularly in case of a larger organization, where numerous employees are involved.

2. **Participation and Involvement:** If managers involve potentially resisting employees in some aspect of the design and implementation of the organizational change, they can often prevent their resistance. With a participative change effort,

managers listen to their employees' ideas and advice, which they later consider and use. When change leaders believe they do not have all the information they need to design and implement a change, or when they need an enthusiastic commitment of others to do so, involving them directly is a very practical approach. In some cases, the commitment is needed for the change to be a success. However, the participation process has its drawbacks. Firstly, it can lead to a weak solution if the process is not carefully managed, and secondly, it can be extremely time-consuming. When the organizational change has to be implemented immediately, this approach is not optimal, as it can take too long to involve others.

3. **Facilitation and Support:** Another way for managers to deal with potential resistance to change is by being supportive. This approach includes, for instance, providing training for new and required skills, giving employees time-off after a difficult period, or listening and providing emotional support. Facilitation and support approach is effective the most when fear and anxiety are the main reason for resistance to change. However, even experienced managers can frequently overlook or ignore this type of resistance, as well as the effectiveness of the supportive method. The main disadvantage of this approach is that it can be very time consuming, expensive and in the end, it can still fail. If managers do not have enough time, money, and patience, then using supportive method is not recommended.

4. **Negotiation and Agreement:** Next way to deal with employees' resistance to organizational change is to offer incentives to active or potential resisters. For example, management could give a union a higher wage rate in return for a work rule change, or it could increase an individual's pension benefits in return for early retirement. Negotiation approach is especially suitable when it is clear that an employee will lose out as a result of the organizational change and at the same time, his or her power to resist is significant. Negotiated agreements can be an easy way to avoid significant resistance. However, in some cases, it can be costly. When a manager makes it clear that he or she will negotiate to avoid strong resistance, he or she opens up to the possibility of blackmail.

5. **Manipulation and Co-optation:** In some cases, managers deal with resistance to change by attempting to influence employees. Manipulation approach involves selective use of information and the conscious structuring of events. A co-optation is a form of manipulation. Co-opting a group consists of giving to one of its leaders, or someone the group respects, primary role in design or implementation of the organizational change. Co-optation can have relatively low costs and be an easy way to gain an individual's or a group's support. However, if employees feel they are being tricked to not resisting, or are being lied to, they may respond very negatively. Consequently, co-optation can create even more resistance. If the manager develops a reputation as a manipulator, it can damage

his or her ability to use other approaches, and even ruin his or her career. When having no other alternative or not enough time to implement any other approach, managers can resort to manipulating information channels in order to scare employees into thinking there is a crisis coming that they can avoid only by changing.

6. **Explicit and Implicit Coercion:** Ultimately, managers often deal with resistance coercively. They essentially force employees to accept the change by explicitly or implicitly threatening them with promotion possibilities, firing or transferring. Similarly, as with manipulation, using coercion is a hazardous approach, because employees inevitably dislike and oppose forced change. However, in situations where speed is essential and where the changes would not be popular regardless of how they are presented, coercion may be the manager's only option.

2.7.3   The Adaptive Organization

Change management process leading organizational change is fast and smooth if the organization is adaptive to change. However, for an organization to be agile, it has to prevent any possible resistance to change with a set of preventive methods. Such methods are crucial elements of the adaptive organization:

1. Willingness to make change

2. Identifying problems quickly (Internal and external looking)

3. Implementing solutions rapidly

4. Focusing on innovation (Upward communication)

5. Building and ensuring trust

6. Rewarding calculated risk taking

7. Candidness (Being open to give and accept feedback)

8. Enthusiasm

9. Long-term focus

10. Skill development

11. Learning organization

Before initiating an organizational change, any company should make sure it meets all of the stated criteria. Alternatively, the organization should be ready to implement those that it lacks in a short time in order to prevent change resistance and master change implementation without any difficulties.

2.8   Change Leadership

"Change [...] requires creating a new system, which in turn always demands leadership" (Kotter, 1995). Change requires good management, but above all, it requires effective leadership. However, what is the difference? These terms are not interchangeable. The distinction between them is significant. Change management refers to a set of structures and processes, which are intended to keep any change effort under control. The goal is often to minimize the negative impacts of the change. On the other hand, change leadership concerns the driving forces, visions, and strategies that fuel large-scale transformation. *"Change leadership is much more associated with putting an engine on the whole change process, and making it go faster, smarter and more efficiently. Hence, it is more associated with large scale changes"* (Kotter, 2011).

2.8.1   Change Leaders' Characteristics

As mentioned above, change requires good management as well as it requires effective leadership. Roger Gill (2003) describes in his journal article that change programs often fail because of poor management: poor planning, monitoring and control, lack of resources and know-how, and incompatible corporate policies and practices. He points out, that leadership for successful change needs to possess the following elements: vision, values, strategy, empowerment and motivation and inspiration. Based on Gill's journal article, Table 1 outlines more specifically the qualities effective change leaders should possess and actions they should take in order to implement the change successfully.

Table 1: Change Leaders' Characteristics

Source: Own Elaboration based on Roger Gill's (2003) journal article

Effective Change Leader	
Must have	**Must do**
Power to legitimize change	Embrace change when it is needed
Personal pain/interest - Personal stake	Stay actively involved
Vision and total in-depth view	Develop a vision for change and design a strategic plan to reach it
Public Role - Commitment and ability to support change publicly	Challenge status quo and encourage others to do the same
Performance Management - Ability to reward/confront	Communicate effectively
Sacrifice - Pursue change despite personal price	Be in position to notice, coach and collaborate

Former US president Harry S. Truman said: *"In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better"* as quoted by Whitson & Clark (2002). However, apart from the proper change leadership characteristics, successful leaders have also to have the proper management knowledge and experience. *"Any combination other than strong management and strong leadership has the potential for producing highly unsatisfactory results"* (Kotter, 1990).

2.8.2   Change Leaders' Skills

Center for Creative Leadership (2019) conducted research where they asked 148 change leaders about an organizational change they successfully designed, led and implemented in the past year. Researchers then asked 127 other change leaders about an unsuccessfully managed change that they were involved in during the same time frame. The research revealed that three competencies were repeatedly seen and evident in successful change initiatives: communication, collaboration, and commitment. Based on analysis of their research, the researchers concluded that these skills provide the necessary connection between the first part of an organizational change focused on processes and the second part of the change focused on employees, which can make or break the success.
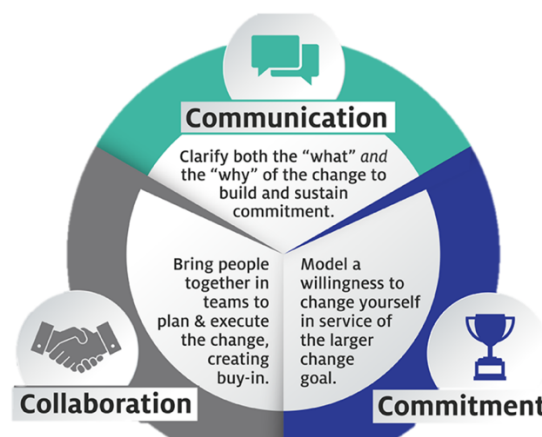
Figure 6: Key Skills for Successful Change Efforts

Source: Center for Creative Leadership (2019)

Main findings about the three key leadership skills necessary for successful change implementation are summarized above in Figure 6 and presented in detail in the following sections:

1. **Communication:** While unsuccessful change leaders had a tendency to focus on the "what" behind the organizational change, successful change leaders focused on communicating the "what" together with the "why". The "why" is critical and focuses on the underlying rationale and purpose behind the change. Leaders who

connected the change to the values of the organization and explained the benefits behind the change not only for the entire organization as such but also for each employee involved, were more successful. They achieved to drive the desire for change and to create a sense of urgency, both of which contribute to successful change implementation and improved the company's results.

2. **Collaboration:** Leaders of successfully implemented changes built teams, and encouraged employees to take responsibilities, challenges and calculated risks. They also encouraged employees to open up to new responsibilities, tasks, and opportunities to learn and advance. Furthermore, these managers also involved their employees in designing solutions, ideas, and advice for the change process and implementation. Successful change leaders also revealed that as a result of including employees early on in the decision-making process, they displayed a high level of confident and enthusiastic attitudes.

3. **Commitment:** Successful change leaders recognized when their beliefs, approaches, and behaviors needed to shift based on the change they were leading. One of the frequently mentioned approaches was displaying a positive attitude and enthusiasm towards the change, which they tried to "pass on" their employees. These leaders were resilient, able to solve issues on the go, did not give up when faced with adversity or opposition and stepped out of their comfort zone. They became role models to all the employees with their efficiency, ambition, and a positive mindset.

2.9   Carve-Out

Since the practical part of this work evaluates change management process in a division that was carved-out from a global corporation, this chapter presents an overview of the carve-out concept.

As a company grows and expands, whether by acquisition or organically, it can encounter issues which may lead management to decide for a divestiture. For instance, when high-performing business unit declines or becomes stagnant and drags down the performance of the overall company, or when business units within the company create negative synergies. In each case, a potential solution is to sell one or more impacted businesses in order to generate value from the sale and to readjust the company with its strategic shift (Dancy & Zielinski, 2018).

Carve-outs are usually decent businesses with a potential on the market, and with experienced management that just do not fit anymore in the larger selling company's strategy or setting. Even when they are problematic divisions, they can be turned around by the existing management with a different capital structure, which the buyer can

provide. Commonly, the existing management sees an opportunity and round up the capital to buy the business unit being sold, what can be accomplished through a leveraged buyout (Kenton, 2019).

When a specific division is divested from its corporate parent, the highly integrated processes, systems, people and data must be disintegrated from the parent organization and operating environment. The variety of factors that must be considered and managed makes carve-outs complex and risky. Human capital is one of the most challenging. Parent company often chooses to keep the talent or highly qualified employees before the transaction. If key talents and employees to be transferred with the sale are not identified early and managed correctly, there is a higher probability of defections or declined offers. Furthermore, employees who have spent years building a career in a specific division may now perceive that their unit is considered non-core, disposable or a poor fit. Employees often feel rejected and betrayed.

In order to successfully carve-out, the division should follow an integration framework and prioritize its initiatives and objectives. The division should emphasize the importance of credible, ongoing communications delivered by the right leaders. *"Carve-outs require careful change management and culture alignment by mitigating potential flashpoints and resetting expectations for high performance"* (Herndon, 2017).

2.10   Selection of Methods for Practical Part

All methods presented in the theoretical part of the thesis are qualitative, as well as is the case study analysis elaborated in the practical part. The author selected six methods from the methodology part, which enable her to evaluate the change and its management in The Corporation division carve-out case study. The case study was selected because specifically *"[...] carve-outs require careful change management and culture alignment [...]"* (Herndon, 2017). Hence, it allows the author to investigate how Slovak managers in the electrotechnology industry approach change management and the people side of change in case where it is really needed.

The case study is logically divided into two parts. The first part, Situation Analysis, presents the change, its reasons, and its impact. In this part, the author applies **The Drivers of Change** model to find out what were the triggers for The Company to carve-out. Additionally, the author applies **Change Classification** based on levels, types, and categories of change to find out what kind of change the carve-out was and what did change.

The second part, Evaluation, assesses the change management during the carve-out. In this part, the author applies **The Kotter's 8-steps** change management process framework as a benchmark for evaluation of the change process that took place during the carve-out

from The Corporation and starting off as a standalone company The Company. Next, **The Change Curve** and **The Kotter and Schlesinger's Six Approaches** to change resistance is applied as a benchmark for evaluation of employees' resistance to change. Finally, **Three Successful Change Leaders' Skills** are applied as a benchmark for evaluation of managers' leadership during the carve-out.

3   Case Study Part I: Situation Analysis

The first part of the case study introduces The Corporation and its divisions "Industry Solutions", whose global dissolvement initiated the carve-out in Slovakia. It presents the underlying reasons for the change, the change itself and its impact. Subsequently, The Drivers of Change model demonstrated in the theoretical part is applied to find out what were the triggers. After, the change is classified based on the typology presented in the theoretical part to uncover what kind of change the carve-out was and what did precisely change.

3.1   General Information about The Corporation and Divisions "Industry Solutions"

This chapter provides general information about global corporation The Corporation and its former divisions Industry Solutions. Furthermore, this chapter introduces The Corporation in Slovakia and Slovak former division Industry Solutions.

The Corporation

The Corporation is a German conglomerate company headquartered in Berlin and Munich, and the largest industrial manufacturing company in Europe with branch offices abroad. The key divisions of the company are Industry, Energy, Healthcare and Infrastructure & Cities. The Corporation's most profitable division is industrial automation, which generates the highest percentage of sales. The company's medical health-care division is a worldwide prominent maker of medical diagnostics equipment and generates about 12% of the company's total sales, what makes it the second most profitable unit. The company is present in the Euro Stoxx 50 stock market index. The Corporation and its subsidiaries employ approximately 379,000 people worldwide and reported global revenue of around €83 billion in 2018 according to its earnings release. The Corporation is listed at the stock exchange in Germany and USA (The Corporation's global website, 2019).

Divisions "Industry Solutions" globally

The Corporation's divisions Industry Solutions, operating globally, were developing innovative processes to boost productivity and strengthen competitiveness in a wide range of sectors. The divisions integrated all activities, from planning and construction through to operation and maintenance. With systems for water treatment and raw material processing, they were at the forefront when it came to environmentally friendly solutions. It was a project-based business. Divisions Industry Solutions operated until 2010 when

The Corporation made the final decision to dissolve the divisions worldwide (The Corporation's global website, 2019).

The Corporation in Slovakia

The Corporation in Slovakia consists of 5 daughter companies and currently it is present in 3 cities: Bratislava, Žilina and Košice. The Corporation has significantly contributed to technological progress and innovation in Slovakia and the company has been recently classified as one of the top and most attractive employers in Slovakia (The Corporation's Slovak website, 2019).

Division "Industry Solutions" in Slovakia

In Slovakia, division Industry Solutions belonged to one of the daughter companies. The division had its central branch, factory, and warehouse in Žilina, and branches in Bratislava and Košice. Slovak division had approximately 200 employees and was earning monthly revenue of more than EUR 20 million. Management consisted of Head of the division and two Sales Managers.

3.2   The Change: Slovak Division Carve-Out to a Standalone Company

This chapter is devoted to the organizational change. Firstly, the author provides information about the global dissolvement of Industry Solution divisions and reasons for why it occurred. Secondly, the author explains the situation in Slovakia, where the dissolvement of Industry Solutions division turned to a carve-out of the division to a standalone company due to initiates of the Slovak division's management. Finally, the carve-out and its impact are described in more prominent detail.

3.2.1   Global Dissolvement of Divisions "Industry Solutions"

In 2010, The Corporation earned total revenue of EUR 89 billion globally. Industry Solutions divisions earned globally out of the total revenue only EUR 5 billion. In was in this year, when The Corporation decided to dissolve Industry Solution divisions globally. The decision was made based on the following circumstances:

Firstly, it was due to the **proportionally small revenue earnings (5,6%)** that Industry Solutions divisions were earning, when compared to the total revenue of The Corporation.

Secondly, it was due to the Industry Solutions' **business nature**. Industry Solution division was a project-based business as opposed to other divisions. Project-based

businesses face unique challenges that many product-focused businesses do not. For instance: indirect costs, project budgeting, employee utilization, allocation to different tasks, contract management and much more. All of these challenges carry many risks. As a result of the **high risk**, projects are challenging to be finished on time. Industry Solutions divisions were globally not meeting project deadlines and received a fine of EUR 100 million.

Thirdly, it was due to the **global financial crisis** of 2007-2008. Scarce availability of credit led to a more widespread crisis in industrial manufacturing in the years of 2008 and 2009 due to the decreased demand for services. The financial crisis that had hit Europe had for a long time not quite affected Germany. However, major companies such as The Corporation had begun to complain about slow business and an uncertain future. They reported the cautious nature of their customers and a **sluggish demand** and announced that they would have to fight hard. The prospects were dreary. The Corporation was not able to achieve its predicted annual profit of EUR 5.2 billion (Wandolo, 2019). Specifically, Industry Solution divisions had a hard time to acquire clients and win projects.

When The Corporation decided to dissolve Industry Solutions divisions globally in 2010, employees of these divisions were afraid that they would end up unemployed. Unemployment levels were high as a result of the financial crisis. Hence, it was not an easy time to find a new job. The Corporation was reallocating employees from Industry Solutions divisions to other divisions in different countries, where some jobs were available. However, mostly only qualified employees as engineers could be reallocated. More than half of the staff was left unemployed.

3.2.2   Dissolvement of Division "Industry Solutions" in Slovakia

After dissolvement of Industry Solutions division in Slovakia in 2010, out of 80 employees of the division's central branch, only 20 could be relocated to other divisions, and 60 would have lost their job. Considering 14,5% unemployment rate in Slovakia in 2010, the highest over the past five years (Knoema, 2019), the situation in the company was very tense.

3.2.3   Carve-Out and Formation of The Company

However, the management of the Slovak division spotted in the dissolvement an opportunity. In 2010, Head of the division and Sales Managers started discussions with The Corporation about a carve-out option. The Corporation supported the idea. Eventually, the Slovak division management agreed with The Corporation on buyout and

takeover of the whole Slovak division (100% shares). In 2013, The Company was formed with the CEO as the Director of the board and Sales managers as Members of the board.

Mutual Agreements

Out of approximately 200 employees, only 45 had to leave in two batches. The rest was re-employed by The Company. The Corporation did not give the newly formed company many requirements. One of a few was, for instance, to purchase software SAP due to the ease of invoicing between The Corporation and The Company, as the company now buys materials from The Corporation for their projects implementations. Nevertheless, none of the requirements was in a contract form but only proposed as an agreement. The Corporation allowed The Company to keep all of its clients, to acquire new clients, to present its previous experience with The Corporation and to use The Corporation's reference. The Corporation also allowed The Company to use a similar logo and The Corporation colors. Furthermore, The Corporation helped the newly established company with organizational changes. The Company with The Corporation in Slovakia discussed and agreed on strategic changes. In 2013, they strategically divided the market. This deal was convenient on both sides. *"It was a win-win. The Corporation gets to sell us their materials, and we get to find our clients, agree on scope and price, and execute our projects with The Corporation's materials. Both parties became more profitable as a result of the carve-out."* (Manager 2)

Improved performance

Thanks to the carve-out, the newly established company almost doubled its turnover and earnings significantly increased. They were able to acquire EUR 16 million worth of projects in the first month. The reasons are the following:

1. Faster processes

Being a part of a corporation meant substantial bureaucracy. Furthermore, as The Corporation entered American stock exchange, compliance system in The Corporation became more strict and more complex. *"Processes in our company are faster and more efficient, as well as projects executions. All projects are now meeting its deadlines."* (Manager 2)

2. Lower prices

Furthermore, being part of The Corporation meant charging higher project prices to clients. It was due to the brand name that indicates certain quality standards. The Corporation also offers extended guarantees and additional or specialized services that result in higher prices of projects. *"Now we can charge lower prices for our projects. Therefore, we win tenders more often. The Corporation prices were just too high,*

especially for this region. We have been able to acquire many more clients, contract larger projects and hence generate higher revenues." (Manager 2)

3. Expansion

After global dissolvement of Industry Solutions divisions, the newly established company The Company could supply all the demand coming from the countries where the divisions were dissolved. Therefore, higher demand has been addressed by a higher supply. The Company has been serving former divisions' clients. Moreover, The Company has been addressing new clients, since the competition in the countries where the divisions were dissolved has been low. As a result, The Company started to expand with their branch offices to these countries. Currently, headquarters, production plant, and warehouse are in Žilina, and branch offices are in Bratislava and Poprad in Slovakia. Abroad, branch offices are in Moscow (Russia), Třinec (Czech Republic) and Sophia (Bulgaria).

3.3 The Drivers of Change for The Corporation and The Company

This chapter aims to uncover what were the drivers for The Corporation to dissolve Industry Solutions divisions globally. Furthermore, the aim is also to find out what were the drivers for The Company to carve-out, to form a standalone company and to change its former division's structure, culture, behavior, and mindset.

3.3.1 Drivers of Change Model Application

Based on the Drivers of Change Model, for The Corporation and for The Company, drivers of change come from:

Environment

Business and economic: Sluggish demand for The Corporation's services, but mostly for Industry Solutions services, resulted from the global financial crisis. The Corporation was not meeting its profit objectives. There was a high risk associated with Industry Solutions division's nature of business as indirect costs, budgeting, time, and feasibility constraints to deliver a project. In many cases, it resulted in not meeting the project deadlines.

Marketplace Requirements for Success

For The Corporation to succeed in its marketplace and to meet all of its customers' needs, projects needed to be delivered on time. Furthermore, Industry Solutions divisions'

customers demanded lower costs. Some of the potential clients were not even addressed due to the lack of time and resources. Industry Solutions divisions were behind the project plans of their current clients.

Business Imperatives

What The Corporation would have to strategically do to be successful, given its customers' changing requirements, was to lower the price of its services, to lower bottom-line operating costs and to deliver all projects on time. Furthermore, to improve profitability, become more competitive and customer focused. However, all of these business imperatives concern mainly Industry Solutions divisions. Since the global division forms only a small percentage of The Corporation as a whole, considering small proportional revenues (5,6%), the optimal solution was not to change The Corporation's strategy, goals, pricing, and branding, but rather to dissolve Industry Solutions divisions, as a result of business imperatives.

Organizational Imperatives

When a division declines or becomes stagnant and drags down the performance of the entire company, or when a division within the company creates negative synergies, an alternative solution is to sell or dissolve the impacted division in order to realign the company in connection with its strategic shift. Having organizational structure of a small size company enabled The Company to lower its price of services and its bottom-line operating costs. The company does not represent The Corporation anymore, which needs to keep its prices high in order to demonstrate its high-quality standards. The Company could start to operate independently, without The Corporation's high level of bureaucracy and compliance standards that became even more strict when The Corporation entered the American stock market. Furthermore, the ability to cover other regions that lost Industry Solutions divisions helped The Company to increase its turnover and profitability, and the ability to choose its clients independently helped the company to become more competitive, and customer focused. Consequently, they managed to implement and achieve its strategic business imperatives successfully. Another organizational imperative, resulting from the loss of support from The Corporation' HR, Finance, Research, Legal and IT divisions, was the covering of all the services on their own.

Cultural Imperatives

- Shift from corporate culture to start-up/family culture
- Shift from laissez-faire to accountability
- Shift from having instructions and approvals from The Corporation to having freedom of and being responsible for own decisions

- Shift from having financial support and security from The Corporation to facing all financial risks and challenges

- Shift to more challenging work environment with full responsibility

- Shift to culture with more space to be creative, to think out of the box and to pursue own ideas

- Shift to more economical and efficient culture

Leader and Employee Behavior

- Shift to taking more risks

- Shift to becoming more entrepreneurial and innovative

- Shift to acting more quickly and decisively in the new environment

- Shift to being more independent and responsible

Leader and Employee Mindset

a) **Leaders**

- Shift mindset from "the customer does not matter" to "the customer is primary"

- Shift focus from "study and document" to "act and learn"

- Shift to thinking like an entrepreneur

- Shift to enhancing and building customer relationships, and earning new clients

b) **Employees**

- Shift from "do as your supervisor tells you" to "be empowered to do the job as you see it"

- Shift from avoiding failure to learning through prudent risk-taking

- Shift from focusing only on given responsibilities to being open to try and help if capable and available

3.4 Classifying the Change for The Corporation and The Company

In this chapter, the author classifies the change for The Corporation and for The Company. The classification clarifies the change from different perspectives.

3.4.1   Levels of Change

The change occurred at two levels. Firstly, it occurred at an individual level and then cumulatively at an organizational level.

Individual Change occurred when an employee accepted and anchored to his/her behavior and mindset that:

- He or she is not working for The Corporation, but for a small company owned by his/her manager.

- He or she has now more responsibility and accountability.

- His or her day-to-day work is different and needs to be approached differently.

- He or she needs to think more economically and entrepreneurially.

Organizational Change is a change at the company level. However, new structure, new strategy or new technologies work in an organization only when all employees in the company accept and embrace the change at an individual level. For division Industry Solutions to carve-out from The Corporation to form a new company The Company, new structure and new processes had to be designed.

- Processes are faster and more efficient (no bureaucracy but efficiency).

- There is less work stability and financial security.

- It is more risky but also more profitable business.

- The company has a family culture.

3.4.2   Types of Change

This subchapter describes the organizational change for The Corporation and The Company based on its type. The organizational change can be defined by its spread, radicality, intention, and planning type.

Spread of Change

For The Corporation, carve-out of Industry Solutions division was not an organization-wide change because it affected only the division concerned, not The Corporation organization as a whole. Hence, from The Corporation perspective, it is classified as a **Subsystem Change**. However, from The Company perspective it was an **Organization-Wide Change** because it affected the entire newly formed company.

Radicality of Change

Carve-out was for The Corporation and The Company a **Transformational Change** because it affected organizational structures of both. The change cannot be classified as an Incremental Change, because it is not a result of continuous improvement, but of radical and transformational action.

Intention of the Change

Due to the poor performance and risky nature of Industry Solutions division's business, carving-out was a **Remedial Change**. The carve-out was not a Developmental Change because it was not intended to remedy current situations and to improve the poor performance of the division. It was focused and urgent because The Corporation was addressing a current and major problem.

Planning of the Change

The carve-out was a **Planned Change**. It occurred after leaders of The Corporation and managers of Industry Solutions division recognized the need for divestment and proactively organized a plan to accomplish it. The change occurred with successful implementation of reorganization plan and strategic plan designed for The Corporation and The Company.

3.4.3 Categories of Organizational Change

Based on characteristics of different organizational change categories, for The Company, the carve-out was a **Structural Change** because it involved change of organizational hierarchy, chain of command, management systems, job structure, and administrative procedures. The structure of the newly formed company changed considerably. The Company does not have to report to The Corporation's supervision. Processes are shorter and management gained more responsibility and accountability towards its employees and clients. Heads of different teams report only to the management, which makes the final decision. New employees were hired to cover functional roles that were previously supported by The Corporation, like IT, HR, Finance and Legal.

For The Company the organizational change was very stressful and risky. Over the period of change, the company encountered many challenges and had to face many issues. For instance, keeping employees' discipline and compliance after the transition, lack of trust on the side of employees, clients' perception of the newly formed company and profit optimization.

4   Case Study Part II: Evaluation

In order to assess internal domains, the people side of change, two sets of interviews were conducted. First set was conducted with **two managers** of The Company: the CEO and Sales Manager. Second set was conducted with **five regular employees** of the company who had worked in The Corporation's Industry Solutions division before the carve-out. The reason why only those who worked in the division before the carve-out were interviewed is that they experienced the change and are able to provide information about the change process that helps the author to evaluate the change management in the company. Main findings from the interviews are presented in the following subsections.

4.1   Evaluation of Change Management Process

Interview for managers and employees was designed based on the Kotter's eight-step process that guides a company towards effective change implementation. The outline allows the author to objectively and accurately analyze, compare and evaluate, how leaders managed the change process with how it should have been efficiently managed based on the Kotter's recognized and reputable model. The goal of this section is to find out what steps of the Kotter's change process took place in The Company and what steps did not take place but should have. Furthermore, asking managers and employees a similar set of questions provides a full picture of the change.

4.1.1   Establishing a sense of urgency and creating a compelling reason for why the change is needed

It is essential to create a compelling reason for why the change is needed. Employees have to understand the need for change and the importance of speed.

Process implemented

Managers organized three types of meetings where they addressed different issues and concerns regarding the change. *"Firstly, we organized a division meeting where we explained reasons for dissolvement of Industry Solutions division and our initiative for carve-out approved and supported by The Corporation."* (Manager 1) Managers addressed the importance of change in the organizational structure. They explained that as a standalone company, they have to hire new employees for roles that were previously covered by other The Corporation's functional divisions as Finance, HR, IT, Legal and other.

Furthermore, they addressed the importance of change in work processes. There was not anymore the need to report to The Corporation's supervision and to comply with some of their inefficient bureaucratic procedures. Hence, they explained to what extent the administrative burden will be loosened. At the meeting, they also pointed out, that those with responsibility in the administrative area probably cannot be re-employed, as well as those who are not critically needed for The Company operations, due to their limited budget. Consequently, some teams were changed, some employees were hired, and some had to be let go. *"Secondly, we organized meetings where we or team leaders explained to individual teams what the carve-out means for them as a group."* (Manager 1) *"Thirdly, we organized one by one meetings with employees, where we or team leaders discussed with each employee individually whether they would like to stay, whether there is a place for them, and whether their work responsibility and salary would change and how."* (Manager 1)

Evaluation of the process

Managers organized the information sharing about the change that was going to occur constructively and well. Meetings at division, team and individual level allowed managers to address the change at all of the fundamental parts of the organization structure that was going to change. However, they did not create a compelling reason for why the change was needed. Employees were informed well about the dissolvement and the carve-out, but solely from the information they were provided, they could not truly understand the underlying reasons for why the change was needed. When asked about the need for the change at the interview, some of them answered: *"There were some financial issues"* (Employee 3) or *"The Corporation no longer wanted to cooperate with us".* (Employee 4) Therefore, employees could not have the drive to pursue the change, if they did not truly understand the motives behind.

Managers properly educated their employees about what is going to change. However, they did not succeed in addressing why it is going to change.

4.1.2   Creating a guiding coalition

Leaders of change should create a cross-functional group of people with power to lead the change. Employees should have support from top levels with the right skills and with the credibility to drive change.

Process implemented

Since The Company is not a large company, there was not created any guiding coalition or a cross-functional group of people with power to lead the change. Instead, managers

of the former division and of the newly established company took the responsibility to lead the change.

Evaluation of the process

Managers did not hire any external or internal change leaders, because they believed, that in their position, responsible for running the former division, planning and organizing the carve-out and the formation of a standalone company, they should be responsible for managing the change process. They did not question their capability to run and implement the change: "*I believe that any manager who is capable and well performing in managing his or her team or division, is as well capable of driving change in the team or in the division he or she is responsible for. I believe that my skills were sufficient.*" (Manager 1) However, it was because they did not understand what does change management cover and require. They thought that they will manage the change successfully after implementing new processes and keeping the current clients or finding new. "*I was not provided with any kind of training in advance. There was not time for that. We had to focus on clients, strengthen relationships with them and secure the revenue streams.*" (Manager 2) They were not aware that change management is not only about capability but also about knowing the best practice methods and having the time to implement them. It is about guiding and supporting employees through the change process. As managers were busy with forming and running the company, they did not have time for employees. "*They were extremely busy, however, they stayed very well organized. There was not much of individual supervision and guidance, but I am aware that they really did not have time for that.*" (Employee 4)

Therefore, it is evident, that even though managers mastered the organizational part of the change, they did not do proper change management, and neglected the people side of the change.

4.1.3   Developing a vision and strategy

Employees should have a clear idea about the future state, know the objectives and step by step process to reach the new goal. Leaders of change should develop a strategic plan to guide employees through the change process.

Process implemented

Managers knew their vision, and they developed a strategy needed to reach it. However, the vision and the strategy were not anywhere explicitly written nor shared with employees but communicated solely among managers. "*Yes, the vision was operating as a profitable standalone company. The strategy to reach the vision was to change the structure and processes within the former division right before the carve-out. Even*

though it was not anywhere explicitly written, I could say that the strategy for me and my colleague from management was also to make the transformation as smooth and seamless *as possible."* (Manager 2) Furthermore, there was not designed any strategic plan of how to proceed through the carve-out process. *"There was not really any specific plan or guidelines provided to employees. Neither we, managers, had it. There was no time for that. We all had to figure it out on the go."* (Manager 1)

Evaluation of the process

Due to not having the vision and the strategy to reach it explicitly formulated, documented and shared, employees did not have a clear idea about their future state and the future state of the company. From meetings, they knew, very generally, that the vision should be to carve-out and to form a standalone company. However, they did not know the strategy that would guide them to reach the vision. *"The vision was to split from The Corporation and to start operating independently as a standalone company. The strategy was discussed and led by managers. I do not know and do not remember the exact step by step process."* (Employee 1) *"I am not sure now. Our managers were responsible for that."* (Employee 3) Managers should have developed a strategic plan that would guide employees through the change process, and the plan should have been transparent. In this way, employees would not have to experience a tough period of confusion, stress and insecurities. Employees worried and stressed about what will happen and how it will impact them. *"I did not know what to expect. Frankly speaking, I worried a little bit that our working conditions will get worse. I was also afraid about the finances and about the work stability."* (Employee 3) *"I was worried a little bit about the work stability."* (Employee 2)

Managers succeeded in developing the vision and the strategy to reach it, and they effectively communicated it among themselves. However, they did not share it with employees, neither they developed a strategic plan guiding employees through the change, what resulted in negative consequences.

4.1.4   Communicating the change vision

Leaders of change should develop a communication strategy to share the change vision and to confirm employees' acceptance and understanding.

Process implemented

Managers communicated the change vision mainly among themselves. To employees, it was explained very briefly at the division meeting. *"We communicated and discussed the change vision and the strategy between us managers. We had to make sure that we are on the same page and that we have the same expectations from the carve-out. We had to*

agree on how all the details will change. Afterward, we communicated it to employees at the division meeting. However, obviously not in such detail. We communicated and explained the key points. We wanted to be clear and precise." (Manager 2) Hence, managers' communication strategy consisted only of meetings: the division meeting, team meetings and meetings with each employee individually. When asked about the communication strategy at interview, Manager 2 responded: *"I was communicating with the other manager frequently on a daily basis, and we solved together most of the issues on the go. When we needed help from other employees, we called them or had a meeting with them directly and involved them to the particular issue. I think it was effective, not wasting time with explaining everything to everyone and bothering everyone with everything."* (Manager 2)

Evaluation of the process

Managers wanted to be efficient and clear with their communication. However, it resulted in completely omitting employees from the communication and decision process. Managers did not confirm employees' acceptance and understanding of the change vision and the strategy. Furthermore, they did not develop a communication strategy that would allow conversations and discussions about the change, but only organized meetings where they told employees what will change and what they should do. *It was communicated to us at our division meeting and then further at our team meeting. It was sufficient, I think. I did not question it."* (Employee 2) *"I learned about it at our division meeting. Yes, it was sufficient. I do not remember it well anymore."* (Employee 1) However, employees did not mind the way it was done with, neither they perceived it negatively.

Nevertheless, the managers' approach was not in line with the Kotter's concept. Managers should have communicated the change vision and the overall strategy to make employees involved and engaged in the change process.

4.1.5   Empowering employees for broad-based action

Leaders of change should remove any barriers that are in the way to make the team successful. They should also encourage risk-taking and creative problem-solving.

Process implemented

Managers did not directly empower employees for broad-based action. They considered the organization, management and implementation of the change process as an empowerment of employees. *"I helped with managing the change and with the overall organization. I explained to them the new structure and the new processes. It was their responsibility to comprehend and master the change process."* (Manager 2) They expected employees to perceive the carve-out as an enablement to continue to work at the

same place and they anticipated some gratitude. *"Without us, managers, there would be no carve-out. We gave them the opportunity to continue. We expected them to be in a way thankful and helpful in that regard. Therefore, we anticipated that they would contribute to the change process and empower themselves."* (Manager 1) Based on information from the interview, they did not directly encourage employees to approach risks and problems resulting from the change. Furthermore, they did not see any barriers in employees' way to succeed. *"There were not any significant barriers that would be in my team's or in the company's way to implement the change. Of course, there were many challenges, but with my colleague from management we successfully handled them on the go."* (Manager 2)

Evaluation of the process

Managers should have removed any barriers that were in employees' way to adapt to the change successfully. They should have also encouraged risk-taking and creative problem-solving. However, they did not succeed to accomplish that fully. When employees were asked in the interview, how did managers empower them, or help them, to master the change process, or to take actions related to the change that they would not take otherwise, the majority of them did not know. *"I do not recall anything specific."* (Employee 3) *"I do not know. There was nothing particular I would recall now."* (Employee 1) *"I know that managers were very busy during the carve-out process and did not have time for such a thing as empowering every employee to take actions related to the change that they would not take otherwise."* (Employee 2) When employees were asked how managers encourage them to approach risks and problems resulting from the change, the majority of them could not again name anything specific. When they were asked whether managers removed any barriers that were in the company's way to make it successful, the majority of them came up with one, different, example. However, these examples were not in line with the question. Those employees just wanted to come up with something to defend their managers.

This fact proves, that even though managers did not succeed in empowering employees for broad-based actions, employees did not perceive it, neither remembered it, negatively. However, if empowered, employees would have remembered what was the support from the management and what actions they took thanks to that. Their performance would have been improved as well as results of the company.

4.1.6 Generating short-term wins

Identifying and broadcasting early wins maintains the energy and speed of the progress. Leaders of change should recognize and reward employees who contribute to the wins.

Process implemented

Managers did not focus on generating any short-term wins. When they were asked whether somebody in the company managed to contribute quite significantly to the change implementation to reach the goal of the change, they did not know. They prioritized to work on deals with clients or organizing the change process. *"I do not know any specific cases. With the other manager, we were too busy dealing with the organizational change. There was no time for monitoring, checking on and supervising all the employees."* (Manager 1) *"I do not know particularly who contributed how and when. I was very busy with clients, and as always with our deliverables. There was really no time to monitor all the employees."* (Manager 2) Managers encountered many challenges and problems throughout the change process, and they always prioritized that over anything else. They perceived the successful solving of each problem as their short-term win. *"I focused on tasks that had to be executed first and issues that had to be solved first. I did not have time for anything else."* (Manager 1) One of the managers stated that he did not think of generating short-term wins because the change was not that complicated: *"The change that we went through was not that radical and not that complex."* (Manager 2)

Evaluation of the process

Managers should have identified and rewarded employees who contributed to the early wins. It would have maintained the energy and speed of the progress. Consequently, the change would be implemented with a better attitude, more efficiently and faster. However, managers did not know about this procedure, neither they had time to apply it. Over the change process they prioritized tasks they perceived as more important. When employees were asked in the interview whether somebody in their team or the company managed to contribute quite significantly to the change implementation to reach the goal of the change and whether they were rewarded for that, none of them had a positive reply. Therefore, the author asked them, whether they had a motivation to contribute when their successful actions were not noted nor recognized. The majority of employees did not feel motivated at the beginning. *"At the beginning, I was not really motivated."* (Employee 2) The rest of them was motivated, however, they pointed out that it was their personal motivation, not motivation coming from the management. *"Yes, I was. However, it was my personal motivation."* (Employee 5)

Hence, it is evident, that some of the employees had the right drive, but some needed the extra encouragement and support, which managers did not address.

4.1.7   Consolidating gains and producing more change

Using the momentum from quick wins continues driving change. It is essential to consolidate gains and produce more change by having more people involved in the change process.

Process implemented

Managers did not know about the consolidation concept: *"I was not aware of the consolidation concept. I did not even know it exists and how does it work. I did not follow any specific guidelines or steps for change management. I did not even know they exist as well."* (Manager 2) Neither had they seen the need to consolidate individual actions and gains to produce more change: *"Once that an employee learned and understood what he or she needs to do differently, has started and continued to do it in that way, then the change successfully occurred at an individual level. If this happened for all of the employees than the change successfully occurred at an organizational level. I did not see the need to consolidate individual actions and gains."* (Manager 1) When managers were asked in the interview how the successful individual actions towards the change continued driving and producing more change, and finally the change at the organizational level, they pointed out, that when an employee saw that people around are accepting and getting used to the new structure and processes, he or she also adapted. *"It is the collective behavior effect. Thanks to it the changed occurred successfully at the organizational level."* (Manager 2)

Evaluation of the process

Based on the best practice, by using the momentum from quick wins, managers would continue driving more change. It is important to consolidate gains and produce more change by having more people involved in the change process. Even though managers did not consolidate successful individual actions and gains, they ended up with more change being produced. It occurred because individual actions of each employee set a chain reaction that resulted in the organizational change. When employees saw others around them making progress towards the state that they also believed is the desired one, then they were under some pressure to make that progress as well. It had the principle of crowd effect. *"When you see other people around you increasingly adapting and taking the successful individual actions towards the change it continues driving and producing more change by other people unconsciously imitating them, and being motivated and influenced by them. The first adapters can also help and support those who struggle with change resistance. Gradually, everyone adapted."* (Employee 2)

Therefore, based on information learned from interviews, managers did not succeed in consolidating individual gains. Nevertheless, employees did not struggle and managed to produce, firstly individually and then as a company, successful organizational change.

4.1.8   Anchoring new approaches in the culture

Rewarding and encouraging new behaviors embeds into the culture. Leaders of change should reinforce changes by highlighting connections between new behaviors, processes and organizational success.

Process implemented

Managers did not reinforce changes in any specific or planned way. They told those at higher positions who were leading a team to embrace the change in their teams. Furthermore, managers did not highlight connections between new behaviors, new processes and organizational success in any particular or strategically planned way. *"I did not focus on this kind of a task. I did not know that it is important or that it is a part of some important process."* (Manager 2) Nevertheless, managers encouraged new behaviors and new approaches that were gradually anchored into the company culture. However, they did not reward employees for behaving in a new way. *"That would be very complicated and not so efficient."* (Manager 1) The culture of the company changed. It became more dynamic, fast-paced and agile. *"We could not operate anymore in the old way. Employees had to understand it from us. We needed the start-up drive."* (Manager 1) *The* company culture further changed in other aspects. *"Our work approaches became more independent with more trust and responsibility. We are more like a family now. I do not know. It happened by itself. Employees like the new state, new behaviors and mindset better, hence, they anchored it into the culture."* (Manager 2)

Evaluation of the process

Managers should have encouraged and rewarded new behaviors to embed them into the culture. They should have reinforced changes by highlighting connections between new behaviors, new processes, and organizational success. However, as they did not reward new behaviors, the encouragement was not that strong as it should have been. Furthermore, the rewarding would not be so complicated and inefficient, as one of the managers said if they just had their eyes opened and offered inexpensive rewards. The point of rewarding is not about the amount of monetary value given but about noticing, appreciating and motivating employees to have even more courage. When managers were asked how the new approaches were anchored into the culture, each of them responded differently, as demonstrated in citations in the previous paragraph. One of them stated that independent work approaches anchored into a family culture and the other one pointed out that more dynamic and agile approaches anchored into a culture similar to a start-up. These two different perspectives prove that managers did not have one clear and precise picture of how the new culture should look like and each of them was anticipating something else. If both of them were trying to anchor a different type of culture, it would lead employees to confusion.

Even though managers did not succeed in planning a strategic process to anchor new approaches in the culture, employees handled it well and accepted the new approaches indirectly communicated from managers into their new company culture.

4.2   Evaluation of Resistance to Change

This chapter evaluates resistance to change in The Company firstly based on the Change Curve concept and subsequently based on the Kotter and Schlesinger's six approaches to change resistance.

4.2.1   Application of the Change Curve

Based on the concept of The Change Curve, this section defines on what stages was the resistance to change present in The Company.

Stage 1: Shock and Denial

The first reaction to change was **shock**. When employees learned about the dissolvement of their division, and then about the carve-out of the division to a standalone company run by their managers, they were shocked. *"I was afraid because I did not expect the dissolvement and the carve-out to happen. For me, the news was surprising."* (Employee 2) Some of the employees were also stressed. *"Firstly, I was stressed about the whole situation and about the possibility of losing my job."* (Employee 1) These reactions resulted in a temporary slowdown and loss of productivity, what negatively affected the performance of employees and of the company. The shock occurred mostly due to the fear of the unknown, but also due to the lack of guidance through the change process. *"I did not know what to expect. I worried a little bit that our working conditions will get worse. I was also afraid about the finances and the work stability."* (Employee 3)

After the initial shock had passed, employees experienced **denial**. They felt uncomfortable with having to go through the change. They felt also threatened. Some employees feared personal failure. They feared that they would fail in the change process and that they would not manage to adapt. *"I can honestly say that I was not happy about the change but rather comfortless and worried about the future. I was not sure whether I can handle it"* (Employee 4) Some employees feared a failure from the managers' side and their newly formed company. After being betrayed and left out by The Corporation, they were very disappointed and lost trust in the company and its management. *"I was worried that the same would happen any time soon here in The Company. I started to question the reliability of management, the business we do and the industry we operate in, especially in that time of the financial crisis."* (Employee 2) At this stage,

communication was key. Managers repeated sufficiently what the actual change was at the division, team and individual meetings. However, they did not communicate why the change was needed, neither what effects it might have. Furthermore, they did not provide enough reassurance. *"I remember feeling insecure about what is really going to happen and about whether it will succeed. I also worried about what is going to happen with my career I spent years building in The Corporation."* (Employee 3)

Stage 2: Anger and Depression

After the feelings of shock and denial, employees started to feel **anger**. They started to express their feelings of betrayal to The Corporation and to the managers of the former division. *"After we presented the carve-out idea, some employees felt betrayed by The Corporation, and some felt betrayed by us."* (Manager 2) These employees were excessively suspicious, skeptic and frustrated towards the success of a newly established The Company and managers' capability to run it. *"At that time when we learned about the dissolvement from The Corporation, many people felt betrayed and disappointed. Even when we later learned about the carve-out idea approved by The Corporation, the situation was not much better. People felt like they lose their value. They felt like they would transfer to worse conditions. They felt like they would be downgraded."* (Employee 4)

After the anger started to wear off, employees gradually realized that the change is genuine. Anxiety in the workplace was high. They acknowledged that they lost their position in the large global corporation and that their only choice is to transfer to the managers' newly established small company. Employees moved to the stage of **depression.** *"I was sad and depressed about losing my career I built in The Corporation."* (Employee 3) *"After The Corporation announced the dissolvement, many employees felt betrayed, so the attitude in the office was very tense and depressing for a while. I can honestly say that I was not motivated to work."* (Employee 2) At this point, performance was at its lowest. Some employees continued to perform tasks in the same way as before, even though this was no longer appropriate behavior. It led to inefficiency and higher costs.

Stage 3: Acceptance and Integration

After the stage where emotions hit the bottom, a more optimistic and enthusiastic mood began to emerge. Employees started to **accept** that the carve-out is inevitable and began to work with the changes rather than against them. *"Once things started to work and move towards the carve-out, and I had a meeting with my manager who offered me a new contract I started to feel motivated."* (Employee 2) Employees started to search for new opportunities within the newly established standalone company, they were relieved that the carve-out has been survived and impatient for the change process to be completed. *"It is definitely more stressful now. However, I have more work, which involves more*

responsibility, facing more risks and solving more problems. I enjoy it now more. Having all the challenges has made me grow not only professionally but also personally. Thanks to the carve-out, I got promoted to the position where I work closely with the top management. It is great to see that people trust you and give you responsibility. It empowers you. I would not have this opportunity in The Corporation." (Employee 5)

The final steps led towards **integration**. The focus was moved on the future, and there was a sense that real progress can be made. Employees started to see benefits and strengths of the change. They felt like they have power over the change now, and began to anticipate and work on better results of The Company: *"We have a more open-minded, independent and flexible culture in our company. We only work on tasks and activities that actually add value to us. We can now change anything we like anytime and we do not have to ask for confirmations. Everything is fast, enables us to grow and reach new opportunities."* (Employee 3) By the time employees have been working in The Company for a while, the changed situation has completely replaced the original situation and it became the new reality. *"I think that by being only us, as a company, not part of some large global corporation, but just us The Company, brought us closer together and I am happy for that. I like it better now. We have more of a family culture in the company in contrast to the corporate culture we had before."* (Employee 1) The primary feelings included gratification, relief, and trust.

4.2.2   Application of Kotter and Schlesinger's Six Change Approaches

This section describes the Kotter and Schlesinger's six approaches to change resistance, which were used by managers of The Company.

1. **Education and Communication:** Managers educated employees before the carve-out with high-level information about what is going to change and what are the milestones of the change. However, in this up-front communication and education, managers did not address why is the change needed and important. Therefore, they did not help employees to understand the logic behind the change, what is fundamental if managers want employees to demonstrate change efforts. Hence, the first approach was implemented only partially, and as is evident from interviews, also not directly intending to overcome resistance to change, but rather based on managers' intuition. The reason might be that this approach requires a lot of time and effort.

2. **Participation and Involvement:** Managers did not make employees part of the change decision process. They did not involve them in discussions about what will change, why and how. They did not ask them about their opinions, neither about their acceptance. They just gave them information and instructions about what will change and what they have to do differently. Such a passive attitude towards employees was very likely to result in employees' resistance to change.

When employees are not involved in the decision process and discussions, they do not have an enthusiastic commitment to change. Commitment is frequently needed for the change to be a success. On the other hand, not only can it lead to a poor solution if the process is not carefully managed, but also it can be enormously time-consuming.

3. **Facilitation and Support:** Managers did not provide employees with much of facilitation and support due to their busy schedules. They always prioritized clients to secure enough revenue. They also prioritized any issues that occurred unexpectedly and needed to be solved right away on the go. Finally, they prioritized designing of the new structure of the company and of the new processes that had be constantly altered during the change process according to needs. Therefore, there was no time left neither the effort to support and guide employees through the change process. Neither were employees rewarded for their actions and gains that contributed to the change implementation. Managerial support would help employees to deal with fear, anxiety and adjustment problems that they were experiencing during the transition period and hence it would mitigate employees' resistance to change. However, facilitation and support are a very time consuming and expensive approach and still can fail. As time, money, and patience were not available, using this supportive method was not the most optimal option.

4. **Negotiation and Agreement:** This approach is appropriate when those resisting change are in a position of power. However, none of the employees was in the position; only managers were. All of the managers wanted to pursue the change, not to resist it, as they came up with the idea, initiated it and were responsible for its implementation. Furthermore, they are owners of the company's shares, hence, their change resistance was very unlikely. Alternatively, team leaders could be perceived as those who were in some position of power and could resist the change. However, managers collaborated closely with them throughout the entire change process to ensure their engagement. Furthermore, they gave them an incentive of promotion and of higher salary effective upon successful change implementation to ensure their commitment.

5. **Manipulation and Co-option:** In the change management case of The Company there were not many possibilities for co-option. However, managers could resort to manipulating information channels in order to scare employees into thinking that there would be significant financial losses or some other negative event, which they could avoid only by changing. Nevertheless, managers had other alternatives, and three years to educate, involve, support or coerce employees. They did not want to risk employees finding out that they were tricked into not resisting and being lied to. In a smaller company, the probability is higher, and the impact may be severe. If managers developed reputations as manipulators, it could undermine their ability to use needed approaches such as education and

communication or participation and involvement. At extreme, it could ruin their careers and their newly formed company.

6. **Explicit and Implicit Coercion:** This approach was applied to the largest extent. Managers implicitly coerced employees into accepting change by making clear that resisting to change can lead to losing jobs, transferring or not promoting employees. Using coercion was a risky approach because inevitably people oppose and dislike forced change. However, managers were in the situation where they had in the former division more employees employed then they needed in The Company. Therefore, they did not worry about losing some employees, rather they found it as a very convenient reduction of employees to the optimal number they needed because only those willing to change stayed. Furthermore, managers were not able to extensively pursue other approaches, which are more demanding for their time, money, effort and energy. If managers devoted all their time, money, effort and energy to employees, it would be at the expense of closing deals with clients, securing revenues, and designing new organizational structure and processes. Therefore, managers found this approach optimal for their case.

Successful organizational change is always characterized by the application of multiple Kotter and Schlesinger's approaches to change resistance, often in very different combinations. In the change management case of The Company, a combination of two out of the six approaches was applied. Firstly, managers educated and communicated to employees information about the carve-out of the division to a standalone company. Secondly, managers implicitly coerced employees to accept and adapt to the change, if they wished to stay with them in the newly formed company. Managers employed the approaches with a sensitivity to its strengths and drawbacks, and appraised the situation realistically.

4.3   Evaluation of Change Leadership

Change leadership of the two managers who led the organizational change in The Company is evaluated based on the three following competencies: **communication, collaboration,** and **commitment**. These three competencies are chosen because they were repeatedly demonstrated by change leaders in companies of different sizes and industries across the world who successfully implemented complex organizational changes. Furthermore, researchers concluded that these skills provide the necessary connection between the process part of change that models detail and the people part of change that can make or break its success.

1. Communication

Managers focused only on the "what" behind the change. At the division meeting they organized, they communicated to employees high-level information about what is going to change. However, they did not communicate underlying reasons for why the change is occurring, and why is the change needed, important and beneficial to go through, not only for them as a division, but for each employee individually. They simply thought that when they tell employees what is going to change, they will automatically know, at the right time, what to do, and change their way of work, behavior, and mindset.

"We explained them the structural change and new processes at the division meeting, we told them what is going to change and how. In the team meeting and in the individual meeting we answered all of their questions and provided more details. Hence, when we formed a standalone company, they should have been already familiar with the new structure and processes, and they should have known what to do." (Manager 2)

As a result, some employees did not have much of personal motivation to change, neither motivation in general to push the change through for the division. Furthermore, some of them did not fully understand what exactly is going to change, what are the steps and the process, and what does it mean for them. Therefore, some of them felt stressed, some felt betrayed and some disappointed. It is evident that the division meeting was not efficient in communicating the information and knowledge about the carve-out and the formation of a standalone company, but rather stressed and demotivated employees. However, many employees felt better after individual one-by-one meetings with one of the managers, where they could discuss the change, ask questions, and feel involved.

"Firstly, I was a little bit stressed about the whole situation and about the possibility of losing my job. However, after having a meeting with one of the managers I did not worry anymore. He explained to me directly what does the carve-out mean for me and he offered me a new employment contract for the same role." (Employee 1)

"I was afraid because I did not expect the dissolvement and the carve-out to happen. For me, the news was surprising. However, after I had a meeting with our team leader, who explained to me the whole situation in more detail, answered my questions, discussed with me how the carve-out will alter my work responsibilities and offered me a new employment contract for the same role in the new company, I was no longer afraid or stressed about it." (Employee 2)

Therefore, individual meetings were more efficient in communicating the change. However, each employee could receive different information. Still, reasons for why the change is needed, important and beneficial were not addressed even here. Based on the research provided in the theoretical part of the thesis, unsuccessful leaders tend to focus on the "what" behind the change, while successful leaders focus on communicating the "what" and the "why". The "why" is critical because it focuses on the purpose behind the change effort. In conclusion, managers did not connect the change to the values of the

organization and did not explain the benefits behind the change. Hence, to evaluate, managers were not successful at creating a sense of urgency and achieving buy-in, both of which could help them to contribute to more successful change outcomes.

2. Collaboration

Managers did not properly include employees early on in the decision-making process. They did not encourage employees in creating solutions and ideas on implementing the change. Managers decided about the carve-out on their own and then shared the news and instructions with employees.

"Firstly, we had to discuss and agree on the carve-out process with the other manager. We had to make sure that we are on the same page and that we have the same expectations from the carve-out. We had to agree on how all the details will change. Afterward, we communicated it to employees at the division meeting. However, obviously not in such detail. We wanted to be clear and precise." (Manager 2)

On the other hand, managers encouraged employees to take on responsibilities and tackle challenges. All employees were given more responsibility after the carve-out, when the number of employees had to decrease, so everyone who stayed had to cover for someone who left.

"I think that they empowered me by showing me that they trust me. Also, by challenging me. I got more work to do, I got more responsibility and I had to handle everything by myself." (Employee 4)

"They gave me the opportunity to have more responsibility. They empowered me to work more independently and also efficiently." (Employee 5)

In the beginning, employees could not have been described as having a high level of buy-in and can-do attitudes as they were disappointed, demotivated and depressed about carving-out from a large global corporation where they built their career, got already used to its processes, and had quite high salaries with always generous benefits. However, after the carve-out, the situation has improved.

"At first, the attitude in the office was very tense and depressing for a while. I can honestly say that I was not motivated but rather comfortless and worried." (Employee 2)

If managers included employees early on in the decision-making process, encouraged them in creating solutions and ideas on implementing the change, employees would have approached the change with enthusiasm and have strived for successful and fast implementation. There would not have been the inefficient period when employees felt betrayed, disappointed, demotivated and depressed. Their performance would have been

enhanced, the carve-out would have been smoother and results of the company would have been improved right from the beginning.

3. Commitment

Managers displayed a positive attitude and enthusiasm towards the change. They were genuinely committed to carve-out and operate successfully as The Company, because they were those who came up with the idea, got it approved by The Corporation, organized and managed the carve-out, established the standalone company, and were the owners of shares right from the beginning. Managers were resilient, did not give up in the face of adversity or opposition, and stepped out of their comfort zone.

"They tried to be well organized. As I worked closely with them, I know that there was still a lot of issues occurring continuously that they just could not predict or prevent, however, they perfectly managed to solve them on the go." (Employee 5)

In the beginning, it was challenging to remain calmness and positivity among employees, when many of them felt betrayed, disappointed and depressed due to insufficient communication and collaboration from the managers' side. Despite the difficult period, managers managed to keep good relationships with the majority of employees. Managers showed them that the lack of communication and collaboration comes from the lack of time they had due to their busy schedules.

"They were extremely busy, however, they stayed organized. They planned the whole process and the formation of a new company very well. There was not much of individual supervision and guidance, but I am aware that they really did not have time for that. They did the best that they could, I believe." (Employee 4)

After the carve-out phase, once The Company started its operations and all employees who stayed had their contracts signed with specified role, salary and bonus, there were not any more feelings of betrayal, disappointment, and depression. These feelings were replaced by trust, satisfaction, and gratification. Employees settled down quickly, found out that nothing extreme changed and that they might have overreacted in the beginning. They also realized that the most significant burden was born by managers, who successfully managed the carve-out and established a profitable standalone company. Managers gradually became role models to the rest of the organization with their ambition, efficiency, and dedication.

4.4   Main Findings from Evaluation & Interviews

This chapter presents main findings from the evaluation of the company's change process, employees' resistance to change and managers' leadership during the period of change, together with main findings from interviews.

4.4.1   Main Findings Focused on Managers

The two managers who were interviewed are the owners of shares and were the leaders of change during the carve-out and formation of a standalone company. Thanks to the interview, the author uncovered strengths and drawbacks of the change management that took place in The Company.

Focus on Clients Overshadowed Employees

One of the drawbacks of change management in The Company is that the focus on clients during the carve-out process overshadowed the focus on employees. Managers dedicated the majority of their time and efforts to strengthening relationships with current clients, to building relationships with new clients or to finding new potential clients.

"[...] I do not know particularly who contributed how and when. I was very busy working on the change management. I had to make sure that we carve-out smoothly, that our clients do not notice the change in the quality of our products and services delivered and that they are informed about the dissolvement and formation of a new company. Furthermore, I had to work hard on finding new clients and opportunities on the market to secure further revenue streams. There was really no time to monitor all the employees [...]." (Manager 2)

"[...] Firstly, we had to strengthen relationships with current clients and explain them the carve-out situation. Secondly, we had to focus on building relationships with new clients to secure sufficient revenue streams to be able to cover all the expenses previously covered by The Corporation. At the same time, we had to be ready to deliver the same value as when we were part of The Corporation. Thirdly, we had to focus on changing and adjusting the organization structure of our former division, so that it works efficiently right from the start of operating as a standalone company. Some teams were changed, some employees had to be fired and some hired, as I already mentioned." (Manager 1)

The intent of managers was clear. They focused strictly on clients because they wanted to establish and demonstrate their independence from The Corporation on the market. They wanted to prove that they can succeed on the market and have an extensive client portfolio even without strong The Corporation name and logo behind their services. However, the management did not realize that employees are those who play a key role in the change process, not clients. Managers did not realize that they risk their status and

reputation in front of their clients who could be affected by the lower quality of services delivered by employees who resist the change and do not adapt to the new structure and processes with new behavior and mindset. Furthermore, managers did not realize that they risk losing their valuable employees who may completely resist the change and end up leaving the company.

Focus on Profit Overshadowed Employees

Next drawback of change management in The Company is that the focus on profit during the carve-out phase overshadowed the focus on employees. Managers preferred to dedicate their time to profit generation and optimization rather than to guiding employees through the change process.

"[...] The time shortly before and after the carve-out was busy, stressful and risky. We had to make sure that we are earning money. Enough money to cover all the expenses that were previously covered by The Corporation. We did not have the time and resources for explaining and discussing culture, behavior, mindset and the details about the change. It was in our hands to implement it [...]." (Manager 2)

"Since we were not paid by The Corporation anymore, but directly by our clients, we had not the financial insurance as before. We had to be economically efficient. When offering new employment contracts, we focused only on "money makers" and employees "necessary" for operations [...]." (Manager 1)

The reason was that after the carve-out managers were responsible for covering all costs previously covered by The Corporation. Furthermore, managers had to bear additional costs connected with the carve-out as the purchase of The Corporation computers, cars, etc. They had to also invest in new assets related to the start of the company's operations. Therefore, they had to make sure that they are earning enough money to cover all the costs, while optimizing all their expenses to maximize profit. However, the net profit belonged entirely to managers. Therefore, it is possible to assume, that what drove them towards the profit was also a personal interest.

Disregard of Employees who Resisted the Change

Another drawback of change management in The Company is that managers disregarded employees who resisted the change. They did not put any effort into explaining them the situation nor to guiding them through the change process, but instead found easier and less time consuming to let them leave the company.

"[...] We did not have time and energy to persuade those employees who did not want to understand and did not believe neither to The Corporation neither to us." (Manager 1)

"[...] I explained to them the new structure and the new processes. It was their responsibility to comprehend and master the change process [...]." (Manager 2)

For managers, one of the reasons for disregarding employees who resisted the change was the belief that they were difficult to be convinced to accept it. These employees were supposedly already thinking about leaving the company after the carve-out, and most of them were at lower positions, not contributing significantly to the company. Therefore, managers did not see the value in changing their mind and hence just let them leave.

"[...] Thanks to the carve-out we actually got to see who was working here because of The Corporation. By this I mean because of The Corporation name, The Corporation reputation, stability and comfort and who was working here because he or she liked his or her work, build relationships with clients and with the team. Those who were here because of The Corporation left and we did not care, and those who were here because they enjoyed their work and the team they stayed, and we encouraged them to do so." (Manager 2)

The author considers it as a drawback of the company's change management, because the managers did not give these employees any chance to change their mind, they did not motivate or encourage them to stay. Such approach on the side of change leaders was not in line with any proper change management practice.

Preventive Methods against Degradation of Compliance and Discipline

Successful action that leaders of change took was setting up preventive methods against degradation of compliance and discipline. After the former division carved-out from The Corporation and formed a standalone company, the administrative burden was loosened, and the processes were shorter and more efficient. There was not anymore the need to report to The Corporation supervision and to comply with their bureaucratic and inefficient steps that were part of processes that the former division had to set up when it was formed. However, there was also not anymore the need for employees to comply with some of the processes that The Corporation set up for compliance and discipline. Hence, in order to prevent any fraud or slacking, managers implemented some preventive methods as a digital system for attendance, controlling, GPS to company cars, and expense tracking and reporting software.

"[...] Therefore, after the carve-out, processes got faster and shorter. However, we did not want employees to lose their compliance, accountability, and discipline. Hence, we implemented some preventive methods for that. For example, a digital system for attendance, controlling, GPS to company cars, and expense tracking and reporting software [...]." (Manager 1)

"[...] There were some strategic actions we took, as making sure that employees keep their discipline after we loosened the bureaucratic and compliance processes, for instance, by implementing a digital system for attendance, GPS to company cars, and expense tracking and reporting software [...]." (Manager 2)

This was a smart move in line with recognized change management practices. Managers kept the efficient rules that employees were used to obey in The Corporation, while they removed the bureaucratic and inefficient processes, which were necessary in The Corporation, but not anymore in the standalone company. Therefore, employees did not feel suddenly hanged in the air, neither they had incentives to slack or defraud in any way.

4.4.2 Main Findings Focused on Employees

Feeling of Betrayal and Disappointment

Next drawback of change management in The Company is that managers let some employees feel betrayed by them and by The Corporation. Managers also let some employees feel disappointed and demotivated by the change.

"In the beginning, I was not really motivated. After The Corporation announced the dissolvement, many employees felt betrayed. Some of them blamed The Corporation, some of them our managers and some blamed both. Hence, the attitude in the office was very tense and depressing for a while [...]." (Employee 2)

"At that time when we learnt about the dissolvement from The Corporation, many people felt betrayed and disappointed. Even when we later learnt about the carve-out idea approved by The Corporation, the situation was not much better. People felt like they lose their value. They felt like they would transfer to worse conditions. They felt like they would be downgraded. When you work for a large global corporation and you are building you career and then suddenly you get as on only option to transfer to a no name company that your managers established as a result of the dissolvement from The Corporation, you have the right to feel betrayed [...]." (Employee 4)

Some employees felt betrayed by The Corporation when it pursued the dissolvement of Industry Solutions division, where they spent years building their career and trusting it. Behind the logo, they saw financial security, stability, and employment for life. Some employees felt betrayed by managers of the former division. These employees did not understand that the dissolvement was not their fault. They did not understand that the opportunity to continue to work in the newly formed company was not automatic nor obvious, and that they got the chance only thanks to the managers' initiative, hard work and courage. Consequently, some of these employees later left the company. However, this misunderstanding could have been easily fixed, if managers put some effort into it. If they explained the employees the whole situation in detail, educated them about the vision, strategy and plan of The Company, and involved them in the change process, they would give them the motivation and encouragement to stay.

Lack of Knowledge Sharing about the Carve-out and the Company's Vision

The final drawback of change management in The Company is that managers did not share enough information with employees about the carve-out, formation of a new company, its vision, strategy, and quarterly plans. As a result, some employees felt insecure about the future, and some worried about what it is going to be like in The Company.

"[...] I can honestly say that I was not motivated but rather comfortless and worried about the future [...]." (Employee 2)

"I do not know. I remember feeling insecure about what is going to happen and about where are we going to be as a company. I also worried about what is going to happen with my career I spent years building in The Corporation." (Employee 5)

Consequently, employees who felt insecure and worried about the future were demotivated to work hard and achieve their goals, as they did not see any future value in it. Furthermore, they also felt comfortless and depressed in the workplace, what had a negative effect on their productivity and performance. However, in the end it harmed the performance of the company itself. Managers could avoid it by explaining employees details about next plans and making them feel as a part of the change process, not as a someone who is left behind.

Some of the employees were explicitly worried about their work stability, financial security and working conditions. These concerns are understandable and should have been addressed in the first place, right at the beginning when the change was announced.

"I was worried a little bit about the work stability. I thought that I can count with The Corporation in providing me some work stability and financial security because it is a large global corporation in a mature phase, so I really believed I do not have to worry about anything and then this happened. Therefore, I was worried that the same would happen any time soon here in The Company [...]." (Employee 2)

"I did not know what to expect. Frankly speaking, I worried a little bit that our working conditions will get worse. I was also afraid about the finances and about the work stability [...]." (Employee 3)

Managers should have been guiding employees through the change process, asking questions and collecting feedback. They would have found out that there are common insecurities which could have been addressed efficiently at once. However, as mentioned before, managers did not focus much on employees. Hence, they could not find out and address these insecurities once they emerged.

Overall Assessment

In conclusion, there were found five drawbacks and one strength in the carve-out's change management. These drawbacks resulted from neglecting the people side of the change. Consequently, it had a negative impact on employees' and managers' well-being and performance, what directly affected the company's results. This was the reason why, after the carve-out, The Company did not start at its full potential. Could it had been prevented? Why were employees neglected in the change process? Based on this chapter focused on the change management evaluation, it is evident that it was due to two reasons. Firstly, managers did not have enough time, because they focused entirely on clients and earnings. Secondly, managers did not know what the best practice is.

4.5   Recommendations for Upcoming Change

In recent years, The Company has been growing fast. Its increasing turnover and number of clients need to be addressed with increased number of employees. Therefore, The Company is continuously hiring new employees to all of its branches. However, the central branch in Žilina is running out of space for additional employees. Therefore, after seven years, the central branch is planning to relocate to a new office. In this occasion, management plans to alter the company' processes and workflows of employees, in order to keep the gradually growing company as efficient as possible. Generally, the case is, that after employees go through a larger organizational change in their company and successfully adapt, they become less resistant to further organizational changes. Hence, it is reasonable to expect, that employees' Change Curve will be next time narrower, as the depression stage will be bypassed, and after shock and denial, acceptance and integration will follow. However, since the carve-out, there have been hired new employees who do not have the experience with the organizational change. Hence, they will be more likely to resist.

Based on the above stated and based on the evaluation of the carve-out change management, the author proposes the following recommendations for the upcoming change. By **hiring a change management expert** who would focus on the people side of the change, all drawbacks experienced in the previous organizational change would be remedied. Managers could focus entirely on clients to ensure maximized profit, while the change manager would be responsible for the people side of the change. Managers would not need to precisely know what the best practice is, because the change manager would be responsible for its design, organization, and implementation. Employees would not feel left behind, because the change manager would address all of their needs, uncertainties, and concerns. Their performance would improve, what would boost results of the company. Based on the Jeff Hiatt's research presented in the theoretical part of the

thesis, it is reasonable to assume that the benefit generated by the change manager would by far exceed his or her costs.

Before the upcoming organizational change, managers should **take part in a change management training**, where they would learn about the best change management practice. For instance, in one organized by Integrated Consulting Group in Bratislava, which offers the best in class change management trainings that helped already many leading companies operating in manufacturing and services all over Europe. If they took part in it well in advance before the next organizational change, they would not have to worry about not having enough time for it, and they would be ready to design best fitting transition process before the change begins. The direct managers' engagement would pressure and motivate employees to enhanced performance.

For the upcoming change, it is recommended to **create a change process plan**, **set objectives for employees, document and share the progress** continuously throughout the change. Based on the evaluation of the change management that took place during the carve-out, it is evident that employees lacked information and involvement. This was the first of two main drivers of their resistance. By creating a change process plan before the next organizational change, setting objectives, discussing them with employees, making it transparent, and documenting the progress as the change evolves, employees will be ensured that the transition is under control, they will not feel left out but involved, and they will know what to expect and what to prepare for. However, managers are also recommended to **support and guide employees through the change process**. The lack of support and guidance was the second driver of their resistance. Employees felt neglected and left to figure out their new tasks on their own. When being informed and involved in the change process, and additionally well supported and guided, employees will have no incentive to leave, resist or slack due to demotivation and depression. As a result, the entire organizational change will be managed more efficiently, what will increase the probability of successful implementation.

4.6   Work Limitations and Difficulties

The first limitation is that the author was able to interview only a portion of all the company's employees. Out of 80 employees of the central branch, the author interviewed five, chosen as a representative sample. An employee of each team was interviewed. Employee 1 was a technical analyst. Employee 2 was a member of finance team. Employee 3 was an industrial automation engineer. Employee 4 was a sales representative. Employee 5 was a building automation solutions specialist also responsible for business development. The reason for selecting a representative of each team and not interviewing all employees of the company is the comprehensive and time-demanding outline of the interview. In order to answer the thesis research questions, the

aim of the interview was to find out details about the change management process, the journey of employees through the process, their feelings, behavior and mindset at the time. On the other hand, the author interviewed two out of three managers. The third one was not interviewed because she did not take part in leading the change.

The second limitation is possible subjectivity. Information about the carve-out come solely from the interviews. There was no information related to the carve-out published online, neither there were any internal documents that the author could have been provided with to have additional data. Therefore, there is a risk that someone interviewed could conceal some facts. Managers could be afraid to tell the truth regarding some manner. There is also a chance that someone interviewed forgot to mention some facts. Employees could have been afraid to tell the author the truth because they could think that their managers would find out, and it would result in negative consequences. However, to minimize this limitation, the author made the interview anonymized, and informed managers and employees about it at the beginning.

The third limitation is the retrospective approach. As the carve-out occurred more than seven years ago, some employees did not remember details about the process. Furthermore, it was challenging to learn information about feelings, behavior, and mindset, which managers and employees experienced that long time ago.

4.7 Implications for Further Research

Based on the case study research, its findings, and work limitations and difficulties, the author proposes three implications for further research. The first implication is to conduct complementary quantitative research, which would aim to calculate performance of managers, employees and the entire company before the carve-out and after. If the performance of managers, turnover, and earnings of the company increased, while the performance of employees decreased, the quantitative research would prove and verify findings from the qualitative research of this thesis. Employees resistance to change would be confirmed in numbers.

The second implication is to conduct further research based on interviews designed in more simple and shorter outline with multiple choice questions. The goal would be to interview as many employees as possible to cover the majority of each team. It would enable the author to analyze, compare, and graphically display possible different performance, actions, approaches, behaviors, and feelings across different teams and managers. Such complementary research would as well verify findings from more quantitative perspective and provide further implications.

Third implication for next research is to replicate this thesis's research on a company from the same industry and of a similar size, which went through a carve-out or other

significant organizational change. The aim would be to verify whether its approach towards change and its management is the same, and whether The Company is really a representative company of its industry.

5 Conclusion

The main objective of the thesis was to analyze change and its management in former Industry Solutions division, today a standalone company (The Company), which took place during its carve-out from The Corporation. Managers of the former division initiated the carve-out after The Corporation announced global dissolvement of all Industry Solutions divisions. The author analyzed the change and its management with the evaluation of the company's change process, employees' resistance, and managers' leadership.

The thesis starts with the methodology presenting concepts and frameworks, which are subsequently applied in the case study, based on interviews conducted with managers and employees of the company. The following tables 2 and 3 demonstrate models used in the Case Study Part I (Situation Analysis) and Part II (Evaluation), with reasons why there were selected, and with a summary of findings revealed from their application to the real case.

Table 2: Summary of Findings from the Case Study Part I (Source: Own Elaboration)

Case Study Part I: Situation Analysis	
Model used	**Findings**
Drivers of change model to understand what were the triggers for The Corporation to initiate dissolvement of Industry Solutions divisions globally and for the Slovak Industry Solutions division to carve-out.	Triggers for dissolvement came from decreasing demand for The Corporation's Industry Solutions services, from market requiring lower prices and faster delivery, and from the organization creating negative synergies. For the division to carve-out, main drivers were to save jobs, exploit the opportunity of taking over clients and the market, gain the ability to serve its requirements better, and become more profitable.
Change classification based on different level, type, and category of change, to understand what kind of change the carve-out was and what did change.	The change occurred at the organizational level. It was transformational, remedial and planned type of change. As it required change of organizational hierarchy and chain of command, it is categorized as a structural change.

The outcome of the thesis, based on the Case Study Part I and Part II, is the presentation of the main findings. Table 4 illustrates six main findings discovered in the practical part. Based on the conducted interviews and the analysis of the change and its management, the author can accurately answer research questions set at the beginning of the thesis.

Research question 1: How did managers and employees of The Company perceive the carve-out from The Corporation?

Managers perceived the carve-out firstly as an opportunity to establish and demonstrate their independence from The Corporation on the market. Secondly, as a challenging organizational task in terms of designing new company structure and processes. Thirdly, as a huge responsibility towards their employees and clients. However, managers did not recognize the carve-out as a responsibility to support and guide employees through the change process. Consequently, from some of the employees' perspective, the change was perceived as betrayal and disappointment, and as a degradation of their career.

Table 3: Summary of Findings from the Case Study Part II (Source: Own Elaboration)

Case Study Part II: Evaluation		
	Model used	**Findings**
Change Process	**The Kotter's 8-steps change process** as a benchmark for evaluation of the change process.	None of the Kotter's 8 steps was fully implemented. Some steps were not implemented at all.
Resistance to Change	**The Change Curve** as a benchmark for evaluation of employees' resistance to change.	Employees went through all the three stages of grief after learning about and going through the carve-out. From the analysis, it is evident, that they resisted the change at the first two stages – Shock & Denial and Anger & Depression.
	Kotter and Schlesinger's six approaches to change resistance as a benchmark for evaluation of employees' resistance to change.	Combination of two out of the six approaches was applied. Managers partially educated and communicated to employees knowledge and information about the carve-out, and they implicitly coerced employees to accept and adapt to the change.
Change Leadership	**Three characteristics of successful change leaders** as a benchmark for evaluation of managers' leadership during the period of change.	Managers demonstrated only one of the three characteristics established by successful change leaders – Commitment. Communication and Collaboration were not fully proven.

Research question 2: What kind of problems did managers and employees face during the process of change?

Managers' main problem was a lack of time. The carve-out brought a number of new responsibilities, and managers always prioritized clients – the source of revenue. Projects had to be delivered meanwhile establishing new company and starting its operations. Therefore, managers did not have enough time for the people side of the change. Consequently, employees were not informed well about the change process and managers' plans. They lacked support and guidance, and had to figure out their new tasks on the go. Hence, some of them could not adapt immediately. As a result, they resisted the change, and felt demotivated and depressed.

Table 4: Summary of Main Findings from the Case Study (Source: Own Elaboration)

Main Findings	Drawbacks/Strengths	Impact
Focus on Clients Overshadowed Employees	Managers focused strictly on clients because they wanted to establish and demonstrate their independence from The Corporation on the market.	They risked their status and reputation in front of their clients, because employees resisted the change and some valuable employees left.
Focus on Profit Overshadowed Employees	Managers preferred to fully dedicate to profit generation and optimization than on guiding employees through the change process.	They earned enough revenue to cover new costs. However, some employees suspected that it was due to personal interest caused by their ownership.
Disregard of Employees who Resisted the Change	Managers disregarded employees who resisted the change because they believed that they were difficult to be convinced otherwise.	These employees were not given any chance to change their mind. They were not motivated, neither encouraged. Hence, they eventually left.
Preventive Methods against Degradation of Compliance and Discipline	In order to prevent any fraud or slacking, managers implemented a digital system for attendance, controlling, GPS to company cars, and expense tracking and reporting software.	Employees were kept efficient rules they were used to obey. Thus, they did not have incentives to slack or defraud in any way.
Feelings of Betrayal and Disappointment	Some employees felt betrayed by The Corporation and some by managers, because they perceived the transition to a standalone company as a degradation of their career.	These employees resisted the change, and experienced a period of anger and depression. Later, some of them left the company.
Lack of Communication about the Carve-out and the Company's Vision	Managers did not share with employees enough information about the carve-out, formation of a new company, its vision, strategy, and quarterly plans.	Some employees felt insecure about the future and demotivated to work hard, what had a negative impact on their productivity and the performance of the company.

Research question 3: Did managers implement the change successfully? Why yes, or, why not?

From a financial perspective, considering only turnover and earnings, both of which increased, when compared month before and month after the carve-out, the change could be considered as implemented successfully. However, from a change management perspective, considering employees who resisted the change, some of whom left the company and some of whom stayed but felt comfortless, depressed and demotivated, and

experienced a period of low productivity and performance, the organizational change was not effective and had its drawbacks (Table 4). The earnings were higher due to managers' commitment to be profitable. As owners, they risked their own money and were responsible for bearing all the labor and operating costs. That made them to fully prioritize the source of revenue and to leave employees behind. Consequently, employees resisted the change and managers were left to bear the entire burden of the carve-out, not having enough time to fix the resistance. If they used proper change management practice, the change would have been implemented smoother and more efficiently. Employees would have been engaged and have worked harder, managers would not have had to bear the entire burden, and financial results could have been even improved (Chapter 2.3.2).

Today, managers and employees have already an experience with a complex and challenging organizational change. They learned what it entails and demands. In this thesis, they were provided with drawbacks and strengths of their approach to change and its management and were given recommendations for the next organizational change. Therefore, they are this time better prepared to effectively master upcoming change management and implementation, and maximize its outcome.

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7   List of Tables & Figures

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8 Appendixes

Appendixes contain transcript of interviews conducted with managers and employees of The Company translated from Slovak language to English.

8.1 Interview with Managers

This chapter consists of interviews conducted with two managers of The Company, who were also managers of former The Corporation's division before the carve-out. The interview is outlined based on the Kotter's eight steps for effective change management process leading to successful change implementation.

8.1.1 Establish a sense of urgency

It is important to create a compelling reason for why change is needed. Employees have to see the need for change and the importance of speed.

How did you explain and communicate to employees the reason and the need for carve-out?

Manager 1: Firstly, we had a division meeting where we as managers of the division explained in the name of The Corporation why they decided to dissolve all the The Company divisions globally. As you might already know, reasons were the risky nature of the project-based business, low revenues and decreasing demand that was caused by the financial crisis. We as managers saw that coming, because at meetings with The Corporation, they had been implying this idea for a year or two before they announced it officially. They started discussions about dissolvement of Industry Solutions division right when the financial crisis hit the Europe in 2008. Hence, we anticipated it. When discussing it among us managers we came with a carve-out idea that we later presented to The Corporation. Since we were one of the fastest growing divisions in the region, The Corporation saw the potential in us and the value-added that the carve-out could bring to both of us and agreed with the idea. For us that was an exciting challenge.

Manager 2: We organized a division meeting where we explained reasons and the need for dissolvement of Industry Solutions divisions globally. Employees received also an email from The Corporation explaining the dissolvement of Industry Solutions divisions. At the meeting we also pointed out our initiative to carve-out our division from The Corporation to form a standalone company and continue with operations. Then, we had team meetings and meetings with each employee individually to communicate further details about change in the newly formed company structure, individual work responsibilities and new contracts.

How did employees perceive it?

Manager 1: When explaining reasons for dissolvement and then our idea for the carve-out approved by The Corporation at the division meeting, I could see that employees were surprised. Of course, they did not anticipate it as we did. They also seemed angry and disappointed. They perceived working for The Corporation as an employment for lifetime. They felt confident working for The Corporation. They had financial stability and assurance by working for a large global corporation with a good name. Of course, they received an email about the Industry Solutions division dissolvement from The Corporation headquarters, but we were those who had to explain them the situation and tell them about the dissolvement personally. Next, we had team meetings where team leaders explained to its teams what the carve-out means for them as a team. Furthermore, we had one by one discussions with employees, when we were discussing with each one of them individually whether they want to stay and whether their work responsibility and salary would change. Here, I could see again that they felt betrayed by The Corporation and partially by us as well, even though, it was thanks to us that they got the opportunity to keep their job.

Manager 2: Some of the employees felt betrayed by us, they seemed not to understand that it was thanks to our carve-out initiative that they got the opportunity to keep their job. These employees did not want to stay with us in the newly formed company. Some of them transferred to a different The Corporation division when they got an offer from them. However, some of the employees felt betrayed by The Corporation. From their perspective, the decision came suddenly, and they were not convinced by the reasons for dissolvement communicated by The Corporation. Some of them stayed and some left to another company. Mostly those at higher positions, as team leaders, who work closely with us managers really understood the reasons for Industry Solutions division dissolvement and did not feel betrayed by The Corporation. They neither felt betrayed and disappointed by us and they even appreciated our effort for carve-out.

How did you explain and communicate to employees the need for change in business goals, organization structure, work processes, employees' responsibilities and their day-to-day work, company culture, behavior and mindset?

Manager 1: Firstly, we had the division meeting where we explained reasons for dissolvement of Industry Solution divisions and our initiative for carve-out approved and supported by The Corporation. We addressed the importance of change in organizational structure. We explained that as a standalone company, we had to employ and integrate new teams and employees for roles that were previously covered by other The Corporation functional divisions as Finance, HR, IT, Legal and other. Until we found those people, we kindly asked employees who were to some extent eligible for that roles to cover them partially in time when they are available. At the division meeting we also

addressed the importance of change in work processes. There was not anymore the need to report to the The Corporation supervision and to comply with some of their bureaucratic inefficient steps that were part of processes we had set when the division was formed. The administrative burden was loosened. Therefore, after the carve-out, processes got shorter. Now the processes in the company are faster and more efficient, as well as the projects, all of which are meeting deadlines. However, we did not want employees to lose their compliance, accountability and discipline. Hence, we implemented some preventive methods for that. For example, digital system for attendance, controlling, GPS to company cars, and expense tracking and reporting software. We also kept using SAP. Change in employees' responsibilities and their day-to-day work was addressed at the individual meetings where a team leader eye-to-eye explained to the employee what is going to change for him or her after the carve-out. They discussed new contract and asked the employee if he or she is interested to continue given the conditions. We did not address change in culture, but it has changed a lot. After the carve-out it was only us, Industry Solution, and nothing else. Dissolvement from The Corporation and formation of a standalone company meant that we had to work on building trust between us and employees what resulted in family culture. We are much closer now.

Manager 2: There was no need to change business goals, because our scope of business did not change. The change was structural, not strategic in terms of new business goals. Organizational change was explained and communicated at the division meeting. Employees knew what is going to change. They knew that some roles will be dissolved and some will be added. We also had team meetings where the structural change was addressed and individual meetings where each team leader explained individually to each team member whether something is going to change for him or her in respect to his or her work responsibility. Team leaders asked about their interest to continue. They were also told to highlight the fact that this is not our fault but rather that it is thanks to us that they get the opportunity to continue. However, there was not enough time that we could devote to trying to persuade and explain it to those that were not able to understand it. The time shortly before and after the carve-out was busy, stressful and risky. We had to make sure that we are earning money. Enough money to cover all the expenses that were previously covered by The Corporation. We did not have the time and resources for explaining and discussing culture, behavior, mindset and the details about the change. It was in our hands to implement it. We had to focus on our accountability, risk taking and entrepreneurial mindset, as we became from day to day a standalone enterprise.

How did you address the importance of speed?

Manager 1: The importance of speed had to be communicated mostly among us managers, because we were those making decisions and giving directions. We were those in charge of change. We were in contact almost non-stop, discussing what has the highest priority and has to be done as soon as possible. At the division meeting, we also

highlighted to employees that the speed of change implementation and adaptation is crucial.

Manager 2: Speed was the most important in respect to clients. We had to explain that we are a "new" or a "different" company now and why. We also had to work hard on getting new clients to make sure we have the revenue stream. Therefore, we explained and communicated to employees who face clients what to say and how to explain the situation to clients they work with and why to also focus hard on acquiring new. We also told the employees that this has the number one priority and has to be done as soon as possible.

40 people in two batches had to leave the company. How did you address this matter speaking to your followers?

Manager 1: Since we were not paid by The Corporation anymore, but directly by our clients, we had not the financially insurance as before. We had to be economically efficient. When offering new employment contracts, we focused only on "money makers" and employees "necessary" for operations. In individual meetings we told them not to worry about their position. We offered them directly new employment contracts and highlighted all the advantages they get by working for us, for newly formed company The Company with the same operations and business. We also kept their salary at the same amount. For some of them, the most crucial and those with highest added value with discussed some performance bonuses. Therefore, these employees were not in stressful position. Those who were not necessary anymore had to leave. We just asked them to sign leaving agreement. The situation could be tense just between them, but that was not important to us.

Manager 2: Those employees who had to leave were mostly those without any specific expertise or those who were adding lower value. For example, administrative assistants that were needed for all the bureaucratic and compliance administration required by The Corporation. After the carve-out, we did not have to do this administration work anymore. Hence, to manage revenues and costs efficiently, we did not offer them new contracts. We focused on the important employees who were contributing to the revenue generation. To those we offered contracts and we explained them the change process carefully. Most of them stayed, because they already built a career with us in the division, we were not only colleagues but also friends. They had a responsibility, good name in the company, they understood the whole situation in The Corporation and in our division and hence they did not feel betrayed. They wanted to stay. Those that did not want to stay were mostly those at lower positions, without any significant contributions. Thanks to the carve-out we actually got to see who was working here because of The Corporation. Because of The Corporation name, reputation, stability and comfort and who was working here because he or she liked his or her work, build relationships with clients and with the team. Those who were here because of The Corporation left and we did not care, and

those we were here because they enjoyed their work and the team they stayed and we encouraged them to do so.

Were you successful in all the aspects?

Manager 1: I think so. In the first month of operations as a standalone company, the branch in Žilina was able to close EUR 16 million worth of deals. That is more than before. Turnover almost doubled and financial results significantly increased.

Manager 2: I believe that yes. It was a win-win. The Corporation gets to sell us their materials and we get to find our clients, agree on scope and price, and execute projects with the materials. Both parties became more profitable as a result of the carve-out. However, when we presented the carve-out idea, some of our employees felt betrayed. Some of them felt betrayed by The Corporation and some felt betrayed by us. Some of them stayed, mostly those who have built their career with us and some left, mostly those who did not value their work here. When looking back, I think that we could made more effort in minimizing the harm on employees in terms of feeling disappointed and betrayed. However, I do not know how.

8.1.2   Create a guiding coalition

Create a cross functional group of people with power to lead the change. Employees should have a support from top levels with the right skills and with the credibility to drive change.

Were you responsible for managing the carve-out process? Why were you chosen? Were other managers responsible for that? Did all of managers have the same role/function to manage the change or did it differ across managers?

Manager 1: Yes, I was. Me and my colleague from management were mostly responsible for the carve-out process, formation of a standalone company and kicking-off its operations. I was not chosen. It was my responsibility since with my colleague we came up with the idea of carve-out, presented it to The Corporation and got the support from them. Management is automatically responsible for such incremental change, or I can even call it, an internal project. Mostly in small-medium size companies. We had the same responsibility and role to manage the change. However, sometimes it differed. I could maybe say that mine was more general.

Manager 2: Yes, I was responsible for the carve-out management with my colleague from management. I was not chosen. We came up with the idea of carve-out, we pushed it through and we were in the management so naturally it was our responsibility. We had more or less the same role to manage the change. There was so much to manage that we had to split the workload. However, we did not split it by function but by the amount.

How did you plan to guide employees through the change? What support did you provide to them?

Manager 1: We had the meetings with employees where we explained the whole situation. However, there was not any specific plan or guidelines provided to employees. Neither we, managers, had it. There was not time for that. We all had to figure it out on the go.

Manager 2: I did not have any plan to guide employees through the change. We explained them the structural change and new processes at the division meeting, we told them what is going to change and how. In the team meeting and in the individual meeting we answered all of their questions and provided more details. Hence, when we formed a standalone company, they should had been already familiar with the new structure and processes and they should knew what to do.

Did you implement any preventive methods for resistance to change? If yes, what preventive methods were implemented and how?

Manager 1: Not directly. Depending on what you consider to be a "preventive method". By having meetings with each employee individually we wanted to strengthen the trust. To those employees that we wanted to keep we highlighted that we value them, that we trust them and that we want them to stay. We gave them reasons to trust us as well.

Manager 2: I am not perfectly sure what is meant by "preventive methods". If it means preventing resistance to change, then we had not implemented any such methods purposely or based on a plan. We explained to employees that nothing will change a lot and that we will still be the same team, same former division, just working as a standalone company. We told them not to worry, but to be enthusiast and work hard.

What do you think about your skills and your credibility to drive change? Was it sufficient? Were you provided with any kind of training in advance?

Manager 1: I believe that any manager that is capable and well performing in managing his or her team or division, is as well capable and capable to drive change in the team or division he or she is responsible for. I believe that my skills were sufficient. If they were not, we would not be here. I was not provided with any kind of training in advance. I did not know something like that exists and there was really no time for time. Time period before and after the carve-out was very busy, stressful and risky. We solved issues on the go.

Manager 2: I think that my skills and my credibility to drive change was sufficient. After the carve-out, we acquired EUR 16 million worth of projects as a standalone company. As a sales manager, this was mostly my accomplishment. If I was not successful in driving the change, we would not accomplished such results. I was not provided with any kind of

training in advance. There was not time for that. We had to focus on clients, strengthen relationship with them and secure the revenue streams.

8.1.3 Develop vision and strategy

Employees should have a clear idea about the future state, know the objectives and step by step process to reach the new goal. Leaders of change should develop a strategic plan to guide the change process.

Did you develop a vision and a strategy to reach it? What was the vision and what was the strategy?

Manager 1: The carve-out itself and formation of a successful standalone company was a vision. The strategy to reach this vision had many steps or aspects. Firstly, we had to strengthen relationships with current clients and explain them the carve-out situation. Secondly, we had to focus on building relationships with new clients to secure sufficient revenue streams to be able to cover all the expenses previously covered by The Corporation. At the same time, we had to be ready to deliver the same value as when we were part of The Corporation. Thirdly, we had to focus on changing and adjusting the organization structure of our former division, so that it works efficiently right from the start of operating as a standalone company. Some teams were changed, some employees had to be fired and some hired, as I already mentioned.

Manager 2: Yes, the vision was operating as a standalone profitable company. The strategy to reach this vision was to change the structure and processes within the former division right before the carve-out. Even though it was not anywhere explicitly written, I could say that the strategy for me and my colleague from management was also to make the transformation as smooth and seamless as possible. Furthermore, we aimed to become more profitable. This vision has been achieved as well. Now we can charge for our projects lower prices. Therefore, we win tenders more often. The Corporation prices were just too high, especially for this region. We have been able to acquire many more clients, get larger projects and hence generate more revenues.

Did you develop a strategic plan to guide the change process? What was it? Was it sufficient?

Manager 1: The Corporation developed a strategic plan to guide the process of dissolvement of Industry Solutions divisions. Since the dissolvement was approved by The Corporation board and by the top management, The Corporation hired 100 employees to guide the change process that would lead to successful dissolvement of Industry Solutions divisions. They developed a very specific strategic plan. This change management costed The Corporation EUR 500 millions. However, we did not have that

much time and resources, as I already mentioned. One of the change management employees hired by The Corporation came to our Industry Solutions division. He had to make sure that the dissolvement of our division and initiation of the carve-out is compliant and transparent. He checked that we informed all of our clients about the dissolvement of our division from The Corporation and that there is no sign or indication of corruption, or some other fraud commitment. The Corporation wanted to avoid risks and danger. They also wanted to make sure that the formation of a standalone company is compliant and that we do not present ourselves or address new clients as The Corporation, but that we are completely autonomous. The Corporation had it organized very well and it helped as a little.

Manager 2: No, I did not develop an explicit strategic plan to guide the change process. There were some strategic actions we took, as making sure that employees keep their discipline after we loosened the bureaucratic and compliance processes, for instance, by implementing digital system for attendance, GPS to company cars, and expense tracking and reporting software. However, these strategic actions were not part of some particular strategic plan that would guide employees through the change process.

What were the objectives to reach the new goal (efficiently working newly established company The Company)? Was it sufficient?

Manager 1: The objectives to reach the new goal were the strategy to reach the new vision. I think it was sufficient. Some of our clients that we worked with before the carve out still call us "The Corporation" even though we explained them that we formed a standalone company and are not part of The Corporation anymore. However, we still deliver them the same value, the same services with the same key employees and management. Furthermore, The Corporation allowed us to use a similar logo and the same company colors. Therefore, clients do not actually see the difference and prefer to call us the same old way, because that is how they has remembered us. That is for me the sign that we were successful. They trust us exactly as they did before, even without the The Corporation supervision and The Corporation logo. At the end, it was us, who built the relationship with them, not The Corporation.

Manager 2: I think that this is the same case as with the question asking about the new vision and the strategy to reach it. My answer would be the same as for that question. I believe our objectives were sufficient, we were in green numbers right from the start.

8.1.4   Communicate the change vision

Leaders of change should communicate the change vision to confirm employees' acceptance and understanding. They should develop a communication strategy.

Did you communicate to employees the change vision and the strategy to reach it? How? Was it sufficient?

Manager 1: Yes, at the meetings we explained it clearly. I think it was sufficient.

Manager 2: Firstly, we communicated and discussed the change vision and the strategy between us managers. We had to make sure that we are on the same page and that we have the same expectations from the carve-out. We had to agree on how all the details will change. Afterwards, we communicated it to employees at the division meeting. However, obviously not in such a detail. We communicated and explained the key points. We wanted to be clear and precise. There was still a lot of issues we had to solve on the go. However, we managed it. I believe it was sufficient.

Did you develop a communication strategy? What was it? Was it effective?

Manager 1: Not really. Our communication strategy consisted of different kinds of meetings I already mentioned. The division meeting, team meetings and meetings with each employee individually. Furthermore, we encouraged employees to contact us directly in case they feel unsure or insecure about anything related to the change. True is, that we did not have much time to be explaining everything multiple times. However, we gave guideless to our assistants that helped us with that. I think it was effective.

Manager 2: Communication strategy? No. I was communicating with the other manager frequently on daily basis and we solved together most of the issues on the go. When we needed a help from other employees we called them or had a meeting with them directly and involved them to the particular issue. Afterwards, we communicated together regarding the specific issue, again on daily basis, and for most of the times we solved it together successfully. I think it was effective, not wasting time with explaining everything to everyone and bothering everyone with everything.

How did employees perceive the change vision? What were their views? How did you make sure that employees accept and understand the change vision?

Manager 1: As I already mentioned, some of them felt betrayed. Part of them felt betrayed by The Corporation, because The Corporation pursued the dissolvement of Industry Solutions divisions, where they spent years building their career and trust. Behind the logo they saw financial security, stability and employment for life. Part of them felt also betrayed by us. They did not understand that it was not our fault. They did not understand that the opportunity to continue to work in a standalone company is not anything obvious and that this opportunity came to them thanks to our initiative, hard work and lots of courage. However, some employees understood. Mostly those working closely with us. Those who faced clients and built relationships not only with them but also with us, with the team they worked in and with our division as such. We cared about these employees and we made sure that they accept and understand the change vision.

We did not have time and energy to persuade those employees that did not want to understand and did not believe neither to The Corporation neither to us.

Manager 2: Some of them felt betrayed by The Corporation and some of them felt betrayed also by us. Those who actually understood what is going on and what is the situation supported us. We made sure that they accept and understand the change vision by having the multiple meetings with them, explaining the situation to them and by discussing it with them.

8.1.5 Empower employees for broad-based action

Leaders of change should remove any barriers that are in the way to make the team successful. They should also encourage risk taking and creative problem solving.

What did you do to help employees to master the change process? How did you encourage employees to approach risks and problems resulting from the change?

Manager 1: I think that communication was a crucial element in helping employees to master the change process. Hence, I would answer similarly as for the previous questions about communicating the change vision and communication strategy.

Manager 2: I helped with managing the change and with the overall organization. I explained them the new structure and the new processes. It was their responsibility to comprehend and master the change process. I do not think that I directly encouraged them to approach risks and problems resulting from the change. Maybe indirectly. I encouraged them to reach me or my colleague from management in any time they struggle or feel insecure about anything related to the carve-out and formation of a standalone company.

Did you empower employees to take actions related to the change that they would not take otherwise? How did you empower them? What actions did they take?

Manager 1: I organized and managed the change and that gave employees the ability and the empowerment to take actions related to the change that they would not take otherwise. I want to say that I enabled them to have a change. Without us, managers, there would be no carve-out. Our division would had been dissolved like all the The Corporation Industry Solutions divisions around the world. Only limited amount of employees would had been reemployed by The Corporation to other divisions. Most of employees would had lost their jobs and probably had struggled to find a new one given the high unemployment level in that time. We gave them the opportunity to continue. To provide such an opportunity was a huge responsibility and risk on our side. We expected them to be in a way thankful and helpful in that regard. Therefore, we anticipated that they would contribute to the change process and empower themselves.

Manager 2: I do not think so. Not directly. Nothing I am aware of. However, as I already mentioned, me and my colleague from management helped employees to get through the change.

Did you remove any barriers that were in your team's way (or in the company's way) to make the change? What barriers and how? How did it help to employees?

Manager 1: There was a lot of issues we had to solve on the go to implement the carve-out and to form a standalone company successfully. For instance, there was an issue what kind of company we will form. Being a relatively small division and having only three people in the management with limited capital indicated to us to form a "s.r.o." (Ltd.). However, we also had been advised to form an "a.s." (Plc.). It was a very crucial decision we had to make that would had significant effect on the results and the impact of the change. We decided for a.s. because people associate it with large, highly regarded and leading companies. It signals quality and stability, and that is what we want to offer our clients. We did not want to fall down from being a part of a large global corporation to being a small s.r.o. We worried that we would had lost a lot of employees, who built their career in a large global corporation and would not be interested in transferring to a small regional s.r.o. firm. Furthermore, we worried that we would had lost some clients. From their perspective, they would not be buying anymore from the large global corporation with well-known name, logo, quality standards and warranty, but from a small regional s.r.o. firm. Therefore, we decided to go for an a.s. that is usually something between. We are happy about the decision. We got to keep most of employees and clients that would had left because of that.

Manager 2: No. Not really. There were not any significant barriers that would be in my team's or in the company's way to implement the change. Of course, there were many challenges, but with my colleague from management we successfully handled them on the go.

8.1.6 Short-term wins

Identifying and broadcasting early wins maintains the energy and speed of the progress. Leaders of change should recognize and reward people who contribute to the wins.

Did somebody in your team or in the company manage to contribute quite significantly to the change process/implementation to reach the goal of the change? How?

Manager 1: Of course, somebody might. It is possible. However, I do not know the specific cases. With the other manager we were too busy dealing with the organizational change. We had to design new structure and processes for the newly established company, and work on its implementation. There was not time for monitoring, checking on and

supervising all the employees. Honestly, I hope that everybody in the company managed to contribute to the change process and implementation to reach the goal of the change.

Manager 2: I hope that yes. Frankly speaking, I do not know particularly who contributed how and when. I was very busy working on the change management. I had to make sure that we carve-out smoothly, that our clients do not notice the change in quality of our products and services delivered and that they are informed about the dissolvement and formation of a new company. Furthermore, I had to work hard on finding new clients and opportunities on the market to secure further revenue streams. There was really no time to monitor all the employees. I know that my colleague from management contributed quite significantly with designing the new structure of the newly formed company and with designing new processes, with finding new employees for the new roles and terminating contracts for those who were no longer needed. Furthermore, he made sure we would collaborate with The Corporation even after the carve-out and keep a good professional relationship.

How did you reward him/her? How were you able to recognize his/her contribution?

Manager 1: Based on my previous answer, I was not able to recognize his or her contribution and neither to reward him or her.

Manager 2: As I already stated, unfortunately, I was not able to recognize his or her contribution and neither to reward him or her.

Did you focus on generating these short-term wins to maintain the energy and speed of the progress? Did you motivate employees to contribute?

Manager 1: I did not focus on generating these short-term wins to maintain the energy and speed of the progress. As I said, I was too busy with my own agenda that was more crucial and important to the change management and implementation itself. I focused on tasks that had to be executed first and issues that had to be solved first. I did not have time for anything else.

Manager 2: I do not think that this question or this step of the change management process applies to our case. The change that we went through was not that radical and not that complex. Nevertheless, we motivated our employees to contribute. Without contributing, adapting and changing their way of work, they would not be here. We would not be here.

8.1.7   Consolidate gains and produce more change

Using the momentum from quick wins continues driving change. It is important to consolidate gains and produce more change by having more people involved into change process.

How were the individual actions or gains taken by employees consolidated to produce the organization change?

Manager 1: Again, I do not think that this question applies to us and to our case. We did not directly consolidate any individual actions or gains taken by employees. Once that an employee learnt and understood what he or she needs to do differently, has started and continued to do it in that way, and acquired new company structure and processes than the change successfully occurred at an individual level. If this happened for all of the employees than the change successfully occurred at an organizational level. I did not see the need to consolidate individual actions and gains. I thought that the consolidation happens automatically once all the employees accept and embrace the change. I was not aware that this consolidation is a common practice. I did not know about it.

Manager 2: I was not aware about the consolidation concept. I did not even know it exists and how does it work. My profession is not a change manager. I did not follow any specific guidelines or steps for change management and I did not even know they exist. I was doing just the best I could, the best I knew and the best I considered for our newly formed company.

Did the successful individual actions towards the change continue driving and producing more change?

Manager 1: I hope so. As I said, I do not know specifically.

Manager 2: They should had. There was continually more and more people involved in the change process, and that resulted in more change produced. As an employee saw that people around are accepting and getting used to the new structure and processes, he or she also adapted. It is the collective behavior effect. It was very important for us to accomplish it. Thanks to it the changed occurred successfully at the organizational level. Therefore, I was not aware about any consolidation pattern. We counted with the collective behavior effect.

How did you make sure that there are gradually more and more people involved in the change process by taking the actions?

Manager 1: When I had time, I always checked with team leaders whether employees are adapting. If they were not, we would see it eventually in our KPIs and other company results. However, the carve-out was that kind of change in which an employee had to

eventually adapt in order to continue to work. There was no other way. Yet, as is always the case, some employees were faster and some slower.

Manager 2: I was continuously checking with some of them. However, mostly with the ones that are at higher positions and with those that face clients. Those were the most crucial ones for me to check on, because their contribution is significant to the company and its results. Hence, I needed to make sure that they are adapting, that they do not resist the change and that they are happy with how things have changed and are changing. If they adapt, the rest also adapts. It is important to start at the top with key employees. I made sure that there are gradually more and more people involved in the change process by taking actions in this way. After the key employees adapted, the collective behavior started slowly to take off.

8.1.8   Anchor new approaches in the culture

Rewarding and encouraging new behaviors embeds into the culture. Leaders of change should reinforce changes by highlighting connections between new behaviors and processes and organizational success.

How did you reinforce changes?

Manager 1: I did not reinforce changes in any specific or planned way. I supported and encouraged those at higher positions that took the lead and embraced the change in their teams. Furthermore those who were excited about it and showed me that they care about the new state we are moving to.

Manager 2: I encouraged and praised those who were doing good job and adapted fast to the new organizational structure and processes.

How did you highlight connections between new behaviors, new processes and organizational success?

Manager 1: Again, I did not highlight connections between new behaviors and processes and organizational success in any particular or strategically planned way. I did not consider it as necessary.

Manager 2: No, not really. I did not focus directly on this kind of a task. I did not know that it is important or that it is a part of some important process.

Were new behaviors encouraged and rewarded? If you agree that the culture in the company changed – How did it change and in what? Were the new approaches and behaviors anchored into the culture? How?

Manager 1: Yes, of course. As I said, we encouraged new behaviors. We did not reward them directly for all the employees. That would be very complicated and not that efficient, I think. Culture in the company certainly changed. It changed because we started to work differently. We started to work in a different organizational structure, and with different processes and approaches. As the structure we worked in became more narrow, processes became shorter and faster, we started to face a lot of risk and for us as a newly established company, the market we operate in became much more competitive. Therefore, our company culture became also more dynamic, fast paced and agile. It had to change if we wanted to survive on the competitive market. We could not operate anymore in the old way. Employees had to understand it from us. Our work environment became more independent, challenging, growing and agile.

Manager 2: As I already mentioned, new behaviors were encouraged and rewarded in some way. It was important for us to motivate employees to change and to like the new state they are moving to. The culture in the company changed. As we became a standalone company and had to work together independently, and also efficiently as we get only what we earn, we had to build lots of trust and communicate with each other better. Thanks to it, we became much closer. In general, I can say that we have now more of a family culture. New approaches and behaviors were definitely anchored into the company culture. How? I do not know. It happened by itself. Employees like the new state, new behaviors and mindset better, hence, they anchored it into the culture. There is not much we could do in this manner, I suppose.

8.1.9   Complementary questions

Managers of The Company were asked follow-up questions to provide the author of the thesis more details about the consequences of the carve-out.

Is working for The Company more or less stressful than working for The Corporation? Why do you think so? Do you have now more or less work?

Manager 1: Working for The Company is definitely more stressful than working for The Corporation. I think so, because I face now much more risk. I am now directly responsible for all the employees, for all the work and salaries they get. I am directly responsible for our clients and the work we deliver to them. I am responsible for finding and acquiring new clients. I am accountable for all the revenue we get and for all the expenses we have to pay. I need to work on the right balance to get as much profit as possible. For that profit I am also responsible. At the end, it is actually the money I earn. It is much more work and much more responsibility.

Manager 2: It is certainly more stressful. It is because I have now more responsibility and more work. More responsibility towards our employees and towards our clients. If we do not earn enough revenue, we have nothing to pay our employees. There is not anymore the The Corporation supervision that offered a protective layer. It also offered a well-known name, logo, quality of service and warranties. We do not have it now. It makes finding new clients more difficult and stressful as well as reasonably pricing our projects. In past, if we did not get enough projects and did not earn enough revenue The Corporation covered us. Furthermore, we bear now all the responsibility, scope and costs of projects in respect to our clients. It is more risky now and that makes it certainly stressful.

What about financial security and work stability? Was it better before or now?

Manager 1: Financially, I am definitely better off. We have all the profit just for us. We do not share it with The Corporation anymore. In terms of work stability, now it is certainly not that stable as before, because there is not the support from The Corporation anymore.

Manager 2: Financial security is better now, because we do not share the profit with The Corporation. Work stability was better then, because we got the stability support from The Corporation.

How did your day-to-day work activities change?

Manager 1: Not significantly. It changed a lot during the phase we went through the change, because I had to deal with lots of organizational tasks and issues. I had to design new structure and process and work and its implementation. This was not part of my work before the carve-out and neither it is now. Hence, it changed mainly at that time. Now it is more or less the similar. Despite the fact that I face more risk and responsibility now.

Manager 2: They did not change a lot. I did sales before and I do it as well now. My role in the company is still the same. Only during the carve-out process it changed, because I was also responsible for the change management.

8.2   Interview with Employees

This chapter consists of interviews conducted with five employees of The Company, who were also employees of the former The Corporation division before the carve-out. The interview is outlined based on the Kotter's eight steps for effective change management process leading to successful change implementation.

8.2.1   Establish a sense of urgency

It is important to create a compelling reason for why change is needed. Employees have to see the need for change and the importance of speed.

What were the reasons for the carve-out?

Employee 1: The Corporation decided to dissolve all the Industry Solutions divisions. However, our managers initiated the carve-out.

Employee 2: Due to the financial crisis, performance and other issues The Corporation decided to dissolve Industry Solutions divisions. Due to that managers came up with the idea of carve-out.

Employee 3: There were some financial issues.

Employee 4: The Corporation no longer wanted to cooperate with us. However, our management decided to form a standalone company and operate autonomously from The Corporation.

Employee 5: There were many reasons as I remember. One of them was the financial crisis that was at that time. Another reason was the performance of Industry Solutions divisions globally. There were not meeting deadlines for projects and then had to pay quite large fines. Furthermore, this type of industry and business is very risky. At the time of crisis there was a struggle to find clients and get projects so that led The Corporation to decide for global dissolvement of Industry Solutions divisions. Our management then initiated the idea of carve-out and The Corporation approved and supported it.

Was the dissolvement of all the Industry Solutions divisions globally needed? Why? Was it pressing/urgent?

Employee 1: Probably yes, otherwise it would not be pushed through. I do not think that it was very pressing or urgent, because it took two or three years.

Employee 2: Yes, it was. It was quite a complex and demanding process to dissolve all of the Industry Solutions divisions globally, The Corporation would not do it if it was not necessary.

Employee 3: I think so. If it was not, The Corporation would not do it.

Employee 4: From our perspective it was not perceived as very needed and urgent. However, from The Corporation perspective it was. The Corporation had its reasons and we had to respect it.

Employee 5: It is hard to say. From time to time, The Corporation dissolves its divisions and buys new companies. It is a dynamic industry and a dynamic business. There were some differences and difficulties, so The Corporation decided to go this way. Surely there

was some need. However, I am not sure precisely how much needed it was. Nevertheless, it was not very urgent. It took almost three years.

Weren't you afraid of losing your job? 40 people in two batches had to leave the company, what was the reason that you did not have to? How did you feel about the whole situation? Was the time period of change stressful for you?

Employee 1: Firstly, I was a little bit stressed about the whole situation and about the possibility of losing my job. However, after having a meeting with one of the managers I did not worry anymore. He explained me directly what does the carve-out mean for me and he offered me a new employment contract for the same role for The Company as a newly formed company. The reason I did not leave is that I did not have to. My role is needed in The Company as well as it was needed in the former The Corporation division. As I have also the experience, it was kind of obvious then.

Employee 2: I was afraid, because I did not expect the dissolvement and the carve-out to happen. For me, the news were surprising. However, after I had a meeting with our team leader, who explained me the whole situation in more detail, answered my questions, discussed with me how the carve-out will alter my work responsibilities and offered me a new employment contract for the same role in the new company, I was no longer afraid or stressed about it.

Employee 3: At the beginning I was worried a little bit, but then when they explained us the whole situation and offered me a new contract I did not worry anymore. I did not have to leave because my role in the company is kind of important and I have spent here few years already building my career. I have a good relationship with my team and with managers, so I believe that they appreciated my work in the division and they did not want to let me leave.

Employee 4: No, I was not worried about losing my job. I knew that my role would be needed as well in The Company. I had good results, good performance, strong relationships with the team and clients, so I did not have to worry much.

Employee 5: I was not afraid of losing my job. I work closely with managers and I have a good relationship with them, with my team and with our clients. I knew that The Corporation is going to dissolve all of the Industry Solutions divisions and managers were suggesting a carve-out. One of the managers explained me the whole situation and we discussed it to details. We also talked about my role in The Company and I was offered a new employment contract. I had no reason to worry.

8.2.2 Create a guiding coalition

Create cross functional group of people with power to lead the change. Employees should have a support from top levels with the right skills and with the credibility to drive change.

Since the carve-out process started, who was responsible for managing it? What was the support from them? How they helped you to get through the change?

Employee 1: It was mostly our two managers. We had a division meeting with them, where they told us about the The Corporation decision to dissolve our division and about the carve-out idea they initiated, and The Corporation approved and supported. Some of us had a meeting with one of them individually. They explained us what is going on in closer detail and answered our questions.

Employee 2: Mostly Manager 1. He explained the reasons The Corporation had to dissolve all of the Industry Solutions divisions worldwide at our division meeting and also talked about his initiative for the carve-out and formation of a standalone company. He managed the whole organizational change, designed a new structure for our team and explained how the processes within our newly formed company will be different and what we should do differently.

Employee 3: Our managers were responsible for managing the carve-out process and the formation of a standalone company. There were also some employees from The Corporation headquarters responsible for managing the dissolvement and the carve-out of our division. The support from them was that they gave us directions for what we should do, what is going to change and how.

Employee 4: The management was responsible for the carve-out process. The support from them was that they gave us the guidelines for what is going to be different and how we should approach it. They helped me to get through the change by explaining me the new structure and new processes within The Company and what it will mean for me. Then, they highlighted how it will alter my role.

Employee 5: Our management had the responsibility. They explained us the carve-out process and everything around it very clearly and in detail. That was the support from them and it helped me to get through the change.

What do you think about their skills and their credibility to drive change? Was it sufficient?

Employee 1: Yes, it was. They are good in what they do.

Employee 2: I think so. They have the skills and the credibility to drive change.

Employee 3: Yes, of course. They are good managers. They are responsible and accountable. They are not afraid to take calculated risks. They are bold and they are good leaders. I can say that I fully trust them.

Employee 4: Yes, definitely. They were extremely busy, however, they stayed very well organized. They planned the whole process and the formation of a new company very well. There was not much of individual supervision and guidance, but I am aware that they really did not have time for that. They did the best that they could, I believe.

Employee 5: Yes, I think so. They were very well organized. As I worked closely with them, I know that there was still a lot of issues occurring continuously that they just could not predict, prevent or plan ahead, however, they perfectly managed to solve them on the go.

8.2.3   Develop a vision and strategy

Employees should have a clear idea about the future state, know the objectives and step by step process to reach the new goal. Leaders of change should develop a strategic plan to guide the change process.

What did you think that will happen after the carve-out? What did you think how it will be like working for The Company? In what did you expect that it will be different and in what the same?

Employee 1: I thought and I hoped that it will be very similar. Truly, it is.

Employee 2: I was worried a little bit about the work stability. I thought that I can count with The Corporation in providing me some work stability and financial security, because it is a large global corporation in a mature phase, so I really believed I do not have to worry about anything and then this happened. Therefore, I was worried that the same would happen any time soon here in The Company. I started to question the business we do and the industry we operate in, especially in that time of the financial crisis. Nevertheless, I soon realized that in The Company I do not have to. I do not have such bonuses and benefits as when working for The Corporation, however, I get paid the same and I am surrounded by people I can count on, I trust and like to work with independently from any third party.

Employee 3: I did not know what to expect. Frankly speaking, I worried a little bit that our working conditions will get worse. I was also afraid about the finances and about the work stability. However, it turned fine and I am happy now we got the opportunity to continue in our separate way, thanks to our managers.

Employee 4: Honestly, I worried about the further possibility to build up a career, grow professionally and personally, and to have the right mentoring and support from my supervisor. However, thanks to carving-out, I got more responsibility and accountability. I got to face more challenges and risks, and also to work closely with our managers.

Employee 5: I expected it to be almost the same and it is very similar.

What was the vision and what was the strategy to reach it? What were the objectives to reach the new goal (efficiently working new established company The Company)? What was the step by step process? Was it transparent?

Employee 1: The vision was to split from The Corporation and to start working independently as a standalone company. The strategy was discussed and led by managers. I do not know and do not remember the exact step by step process. It was probably transparent.

Employee 2: Well, we wanted to form a standalone company operating autonomously from The Corporation. I do not recall precisely the step by step process. It has been almost 7 years.

Employee 3: I am not sure now. Our managers were responsible for that. They organized it and managed it well.

Employee 4: We had a vision to transfer to a standalone company operating independently from The Corporation. We wanted to maximize efficiency and optimize operations, processes and our company structure as such. In their strategy, the management focused mainly on that. It was very important for us because we were not anymore getting any financial or functional support from The Corporation. Hence, in order to work perfectly independently, to be able to pay all the salaries and still generate enough profit, we had to be efficient.

Employee 5: The vision was to form and to transfer our operations to an efficiently working newly established company The Company. If we wanted to work autonomously, pay all the salaries, generate enough profit and still grow, we had to strengthen relationships with our clients and build new relationship with new clients to secure new revenue streams. Furthermore, it was important to convince and to prove to our clients that we are still capable to deliver the same value of our products and services. To assure them that the quality of our projects will not change.

8.2.4   Communicate the change vision

Communicate the change vision, to confirm employees' acceptance and understanding. Leaders of change should develop a communication strategy.

How did you perceive the vision of the change? How was it communicated it you? Was it sufficient?

Employee 1: I learnt about it at our division meeting. Yes, it was sufficient. I guess I perceived it as a good idea. I do not remember it well anymore.

Employee 2: It was communicated to us at our division meeting and then further at our team meeting. It was sufficient I think. I perceived it well. I did not question it.

Employee 3: I found out about it at our division meeting. Firstly, I was surprised a little bit but then I liked the idea. I did not have to worry about losing my job and about being in a situation where I would have to be looking for a new one. In the time of financial crisis and the time of very high unemployment, it would be very difficult.

Employee 4: I learnt about it from our managers. I perceived it personally as a good idea given the circumstances. I believe it was sufficient.

Employee 5: Manager 1 told me. I know that there were also meetings where he explained it to all the employees. I think that it was sufficient. He did not have much time to supervise and guide everyone, but he organized and managed the whole process well. Otherwise, we would not be here.

How did managers make sure that you accept it and understand it?

Employee 1: I had a meeting with my manager. He asked me whether everything is clear and whether I do not have any questions or comments to that.

Employee 2: We had individual meetings with managers or team leaders where they ensured we understand the carve-out process and that everything is clear to us. We discussed it together for some time.

Employee 3: By organizing the meetings I believe.

Employee 4: They organized the individual meetings.

Employee 5: As I already said, I discussed it with my manager in detail. He asked me for my opinions and made sure that everything makes sense and it is clear.

8.2.5   Empower employees for broad-based action.

Leaders of change should remove any barriers that are in the way to make the team successful. They should also encourage risk taking and creative problem solving.

What did managers do to help you master the change process? How were you encouraged to approach risks and problems resulting from the change?

Employee 1: I think that this question is similar to the previous one. However, I was not encouraged to approach risks and problems resulting from the change in any specific way.

Employee 2: As I said, they tried to engage and encourage us. How specifically I was encouraged to approach risks and problems I do not remember. It was a long time ago.

Employee 3: I do not recall anything specific.

Employee 4: They explained us what does the carve-out process involve and what does it mean for us. I think that the clear explanation, the discussion with them and the offer of a new contract were encouraging enough.

Employee 5: I think I already mentioned how they helped me through the change process. I was encouraged to approach risks and problems resulting from the change by having the motivation to perform well in the newly established company. I wanted to use the opportunity of new responsibilities that involved facing more risks and solving more problems for my professional growth.

Did managers empower you to take actions related to the change that you would not take otherwise? How did they empower you? What actions did you take?

Employee 1: I do not know. There was nothing specific I would recall now.

Employee 2: I know that managers were very busy during the carve-out process and did not have the time for empowering every employee to take actions related to the change that they would not take otherwise. I think that it was employees' responsibility to have the intent and the initiative to take the actions, and find their way to do them.

Employee 3: I do not remember. However, this should be the responsibility of employees to take the actions independently by themselves.

Employee 4: Yes, certainly. I think that they empowered me by showing me that they trust me. Also, by challenging me. I got more work to do, I got more responsibility and I had to handle everything by myself.

Employee 5: Yes, they did. They gave me the opportunity to have more responsibility. They empowered me to work more independently and also efficiently.

Did managers remove any barriers that were in your team's way (or in the company's way) to make it successful? How did they do this?

Employee 1: Just with initiating and implementing the carve-out they removed our barrier of having to search a new job. They gave us the opportunity to make the change happen and further continue to work in a standalone company.

Employee 2: In general, I believe that yes. However, I do not know specific cases.

Employee 3: I do not know. I do not remember exactly.

Employee 4: I think that yes. I remember that they were discussing what kind of a legal form for our new company they should establish in order to make it the most favorable for us employees and for our clients.

Employee 5: Yes, I have one in my mind now. When processes got shorter and faster, and when there was not The Corporation supervision, bureaucracy and compliance

system anymore, managers were worried that the discipline in our newly formed company would get looser and that it would have a negative impact on our performance. Hence, they implemented some preventive methods such as digital system for attendance, GPS to company cars, and expense tracking and reporting software.

8.2.6   Short-term wins

Identifying and broadcasting early wins maintains the energy and speed of the progress. Leaders of change should recognize and reward people who contribute to the wins.

Did somebody in your team or in the company manage to contribute quite significantly to the change implementation to reach the goal of the change? How? How was he/she rewarded?

Employee 1: I do not know. I do not remember anybody contributing quite specifically.

Employee 2: It is possible. However, I really cannot recall who contributed significantly and how. It has been almost seven years. Nevertheless, I believe that everybody should contribute to the change implementation to enable the company to reach its goal of the change. Otherwise, the change cannot happen at the organizational level.

Employee 3: I know that some people did. However, I do not remember exactly how and whether they were rewarded.

Employee 4: I think that everybody should contribute as much as he or she can to the change implementation to enable the company to reach its goal of the change. It is the responsibility of every employee who goes through any organizational change. Employees are then rewarded by successfully implemented change, efficiently operating newly formed company that is the place of their new work and the source of their new salary.

Employee 5: Not really. The change itself was not that radical and significant. Therefore, there was not really that much space, from the position of a regular employee, to contribute quite significantly to the change implementation.

Were you motivated to contribute? How?

Employee 1: Yes, I was motivated to contribute. Mostly after the personal interview with my manager.

Employee 2: At the beginning, I was not really motivated. After The Corporation announced the dissolvement, many employees felt betrayed. Some of them blamed The Corporation, some of them our managers and some blamed both. Hence, the attitude in the office was very tense and depressing for a while. I can honestly say that I was not

motivated but rather comfortless and worried about the future. However, once things started to work out towards the carve-out and I had a meeting with my manager who explained me the situation and offered me a new contract I started to feel motivated.

Employee 3: Yes, I was. However, it was my personal motivation.

Employee 4: At that time when we learnt about the dissolvement from The Corporation, many people felt betrayed and disappointed. Even when we later learnt about the carve-out idea approved by The Corporation, the situation was not much better. People felt like they lose their value. They felt like they would transfer to worse conditions. They felt like they would be downgraded. When you work for a large global corporation and you are building you career and then suddenly you get as on only option to transfer to a no name company that your managers established as a result of the dissolvement from the corporation, you have the right to feel betrayed. How each employee approached it depended on his or her relationship with our managers and on the trust that was between them.

Employee 5: I do not know. I remember feeling insecure about what is going to happen and about where are we going to be. I also worried about what is going to happened with my career I spent years building in The Corporation.

8.2.7 Consolidate gains and produce more change

Using the momentum from quick wins continues driving change. It is important to consolidate gains and produce more change by having more people involved into change process.

How were the individual actions (gains) towards the successful change implementation consolidated to produce the organization change?

Employee 1: There was not any specific consolidation. At least any that I would know of. All of this is very abstract for me. I cannot imagine how it could be done.

Employee 2: I do not think that managers were somehow specifically consolidating the individual actions or gains towards the successful change implementation to produce the organization change.

Employee 3: I think that the individual actions of every employee, once taken or competed, produced the organization change, without any specific consolidation plan or strategy.

Employee 4: I do not know. It sounds like an organizational task or plan that managers would be responsible for.

Employee 5: I think that the individual actions set a chain reaction that resulted in the organizational change. I am not aware of any specific consolidation organized by managers. I thought that the organizational change as such happened somehow by itself once every employee started to take individual actions towards the successful change implementation.

Did the successful individual actions towards the change continue driving and producing more change? Were gradually more and more people involved in the change process by taking the actions?

Employee 1: Yes. Gradually more and more people were involved until the change occurred at the organizational level. Those who resisted the change or were not able to adapt left.

Employee 2: Yes, definitely. It was something like a crowd effect. When you see other people around you increasingly adapting and taking the successful individual actions towards the change it continues driving and producing more change by other people unconsciously imitating them, and being motivated and influenced by them. The first adapters can also help and support those who struggle with change resistance.

Employee 3: Yes, I think so.

Employee 4: Yes, gradually everyone adapted. When you see people around you are making a progress towards the state you also believe is the desired one, then you are under some pressure to make that progress as well. Those who were not able to adapt were mostly employees who did not see the goal of the change as the desired state. They did not want to work in a standalone company run by our managers. They did not have personal nor professional motivation for the change. They did not believe in the new system and hence it made no sense for them to stay.

Employee 5: Yes. This is the chain reaction I mentioned before.

8.2.8   Anchor new approaches in the culture

Rewarding and encouraging new behaviors embeds into the culture. Leaders of change should reinforce changes by highlighting connections between new behaviors and processes and organizational success.

How did managers reinforce changes? How did they highlight connections between new behaviors, processes and organizational success? Were the new behaviors encouraged and rewarded?

Employee 1: Not really. Everyone had to adapt and contribute to the change implementation process. We formed a new standalone company and that meant that

everyone who got to keep his or her position and role in the company had to realize that he or she is not working anymore for The Corporation but for The Company and for our new CEO, Manager 1. Every employee had to start thinking and working in that way. Who did not manage it, could not simply work in The Company. New behaviors were encouraged with the opportunity to keep your job and rewarded with your salary.

Employee 2: I do not remember. I do not know exactly. Nevertheless, I think that new behaviors were most likely encouraged by managers, however, not directly rewarded.

Employee 3: I am not sure about that. New behaviors were probably encouraged. However, I do not think that they were rewarded. Definitely not in financial terms.

Employee 4: It would probably make sense to do so, however, I do not think that managers had time for that. I believe they encouraged new behaviors, mostly to those employees with who they worked directly with and often. However, I do not think that there were any financial rewards for that. Rather, I believe that these behaviors started to be gradually required.

Employee 5: As I already mentioned, the change itself was not that complicated and complex. Therefore, I think that managers did not see there the need to highlight connections between new behaviors, processes and organizational success in any formal or official way. Managers reinforced change by telling us, at least to those with who they worked with directly, that they are doing a good job by being able to adapt their work, behavior and mindset to the new structure and processes. Yes, it was encouraged as I already mentioned, however, it was not rewarded in monetary terms.

If you agree that the culture in the company changed – How did it change and in what ways? Were the new approaches and behaviors anchored into the culture? How?

Employee 1: I think that now we have more of a family culture in the company in contrast to the corporate culture we had before. It changed, because as we became a standalone company, we had to become more independent, and that not only as a company, but also as employees. That required at the beginning a good communication and lots of trust. Furthermore, I think that by being only us, as a company, not part of some large global corporation, but just us The Company, brought us closer together.

Employee 2: Yes, it changed. I think that our company is now more agile and this fact is directly reflected in our culture. We are more focused on our clients. Furthermore, each employee is getting more trust and independence. I would say that the culture is more entrepreneurial. However, when the organization in the company changed, the culture had to change subsequently. Only then The Company could maximize its efficiency and results.

Employee 3: I think that now we have more open-minded, independent and flexible culture in our company. We only work on tasks and activities that actually add value to

us. We can now change anything we like anytime and we do not have to ask for confirmations. Everything is fast, enables us to grow and reach new opportunities. I think that this is natural for a small standalone company, however, it is a significant change when compared to being part of The Corporation. I think that everybody had to adapt to this new way of working and then it became our culture.

Employee 4: It changed a lot. It is different when you work for some higher authority you do not know than when you work for your CEO, who you not only know personally, but have a good relationship with and you get to actually work with him on some projects. Therefore, from my perspective, we have more of a closer, family culture in the company. We trust each other and work more independently. We are challenged, we get more responsibility and to some extent we do decisions on our own. This is our new culture that had to replace the old one, if we wanted to be efficient and flexible as a standalone company.

Employee 5: Our new company culture is less focused on safety and order, and more focused on results and learning. I can also say that the new culture encourages challenges and calculated risk taking. It changed, because as we became a smaller standalone company we started to face more risks and challenges. We had to change to be able to adapt fast, so we could cover and serve as much of the market as possible.

8.2.9   Complementary questions

Employees of The Company were asked follow-up questions to provide the author of the thesis more details about the consequences of the carve-out.

Did your salary increase? Did you get promoted? Do you get now more or less benefits? What about the work stability? Was it better before or now?

Employee 1: My salary stayed more or less the same. I did not get promoted. I have less benefits. Large global corporations usually offer more work benefits, because they can afford it. Smaller standalone company usually cannot. Hence, if I wanted to stay, I had to accept it. Before the dissolvement, I thought that the work stability was great. I thought that I could consider The Corporation as an employer for lifetime, however, as you can see now, it was not true and now I find better work stability here in The Company.

Employee 2: My salary increased and I got promoted. I have less benefits than before the carve-out. As you see, the work stability is better now. I trust our management, and of course myself as well, on being able to work here for some time.

Employee 3: My salary stayed pretty much similar. I did not get promoted. I have less benefits now. That is due to the fact that I do not work for a corporation anymore. However, I find the work stability better here.

Employee 4: My salary increased but I did not get promoted. I think I have less benefits now than before the carve-out. Regarding the work stability, I think that it should had been better in The Corporation but actually it is better here.

Employee 5: My salary increased, and I got promoted. I think I have less work benefits now than I had before the carve-out. The work stability is, for me personally, better now.

Is working for The Company more or less stressful than working for The Corporation? Do you have now more or less work? Do you have now more or less responsibility? Did your day-to-day work activities change? If yes, in what? Do you enjoy it more or less now?

Employee 1: It is more stressful. I got more responsibility after the carve-out, however, that also meant more work. My day-to-day work activities slightly changed. I do not have the administrative burden consisting of pointless bureaucratic procedures as I had in The Corporation, however, I have more ad hoc work coming from managers. It is definitely more challenging. However, more interesting as well.

Employee 2: I think that it is more stressful now than it was before the carve-out. I have definitely more work that involves more responsibility. My day-to-day work activities changed partially. I do not communicate with The Corporation divisions and teams anymore but with representatives of other companies. Furthermore, I am responsible for some procurement. It is definitely more challenging than before, but I do not mind it.

Employee 3: Working for The Company is more stressful than working for The Corporation. I can say that I have more work than I had before the carve-out and this work involves more responsibility. My day-to-day work activities changed by the extra work I have now. Nevertheless, I am fine with it.

Employee 4: It is more stressful now than it was before the carve-out. I can say that I have more work than I had before. However, it is because I work directly with managers. After the carve-out, they face more risks, they have more clients and more projects where they try to enlarge the scope as much as possible. As I work directly with them, they delegate me all the issues and challenges coming from the projects, which I have to solve consequently. However, I got more responsibility what enabled me to grow professionally. I am happy for that.

Employee 5: As I already mentioned, it is definitely more stressful now. I have more work, which involves more responsibility, facing more risks and solving more problems. Nevertheless, I enjoy it now. Having all the challenges has made me grow not only professionally but also personally. I got promoted to the position where I work closely with the top management. It is great to see that people trust you and give you the responsibility. It empowers you.

Do you have now more or less colleagues?

Employee 1: I think that I have more colleagues now.

Employee 2: I think that the number of employees increased since the carve-out.

Employee 3: I have now more colleagues.

Employee 4: I think that for me it stayed pretty much the same.

Employee 5: I have less colleagues now.