

Change Management in a Joint Venture

Identifying and driving changes and change communication at a Purchasing department

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Abstract

When joining two companies, many issues will be placed on the agenda. One of the crucial issues is the integration of the two companies in order to make the company act as one entity. This article is based on a master thesis written in the spring of 2009 at ST-Ericsson in the middle of the integration of this newly established joint venture. One part of the integration included changing ERP-systems and the need for change management to make these changes possible. To limit the thesis the focus has been on studying the change of a purchasing system and the change management needed for that. The study was conducted as two cases and the result was a simple framework with the most important attributes needed to succeed with a change similar with the one studied.

Introduction

During the last years Ericsson Mobile Platforms (EMP) has seen increasing industry consolidation and that their position in the value chain was threatened. To avoid extinction from the market a merger was necessary to strengthen their position in the value chain, avoid margin stacking and reclaim the competitive edge needed for survival.

A thorough analysis of the different players on the market showed that the most attractive partner was ST Microelectronics and their newly formed company ST-NXP Wireless. The final setup for the new company is a 50/50 joint venture created by bringing together ST-NXP Wireless and EMP.

The deal was closed in early February 2009. During the time this thesis was written, a large part of the important integration work was undertaken with the agenda to make ST-Ericsson into one unique entity with

minimum dependencies to the parent companies.

Since ST-Ericsson is a completely new company, changes are very present. Merging two companies will inevitably kick off high and low organizational changes, culture changes and system changes. A joint venture will result in moving from a stable and well known environment to a new, unstable environment. Therefore, managing these changes will be crucial to reclaim stability and maintain business continuity.

Changing ERP systems will affect all employees. It will not only affect the actual interface or environment one is working in, it can also affect the ways of working, processes and routines, and the chain of command.

Method

The approach for the thesis was a combination action research and a system approach. This was suitable since the authors were a part of the project group and

participated in the planning and the implementation of change management process.

Since the thesis was written at a company facing large changes and the focus area of the thesis was only a small population of all employees it could be characterized as a case and thus the case study method was used. Case studies were combined with the abductive method because of the iterative process used. In the cases specific parts of the change process were observed and studied in more detail. During the case studies the authors have taken the roles of participating observers with a quantitative approach. The character of both case studies is particularistic since they are only focusing on one specific situation, however, the conclusions might be applicable later on in similar situations.

The data collection of the thesis is based both on primary and secondary sources. The primary resource will consist of interviews and material from internal meetings, and also the authors' observations. Secondary sources are written publications such as books and articles. To reduce the effects of the authors' objectivity a group of eight student consultants have conducted a study regarding the change communication at ST-Ericsson.

The observed changes

The empirical part of the thesis was focused on two different cases that had been observed. As an evaluation the authors have used the result from interviews with people affected by the changes and the change communication. The first case regards the change of purchasing system and how this was communicated to the different stakeholders affected by the change.

The second case focuses on all the supporting functions at ST-Ericsson and how they cooperated in creating a change

communication office. The aim for the change communication office was to coordinate communication and be the link between the Program Management Office and the work streams (integration projects) that faced the most critical changes.

Analysis

Understanding what type of change and who the stakeholders were, was identified as critical for success of the change management. These two aspects were set as framework for the analysis and were the outline and the direction for how the change management was to be planned and implemented. By knowing the type of change one will know what type of communication that was needed. Having a stakeholder map helps evaluate and prioritize the efforts needed to get the right level of involvement. Based on the type of change and which type of stakeholder the receiver is, one can adjust the communication strategy depending on message and communication goal.

The communication section of the analysis is divided into several parts in an effort to analyze the communication from as many angles as possible. In order to analyze the communication, one of the real keys for successful change management, one have to be aware of the fact that communication is interacting with all parts of change management and that communication should always be on the agenda. If communication is left out and replaced only by information it will be much harder to make the change happen.

Since it is not possible to involve everybody in a change, especially when the change concerns up to eight thousand employees, it was found that it was necessary to differentiate who and when to inform and involve with the communication.

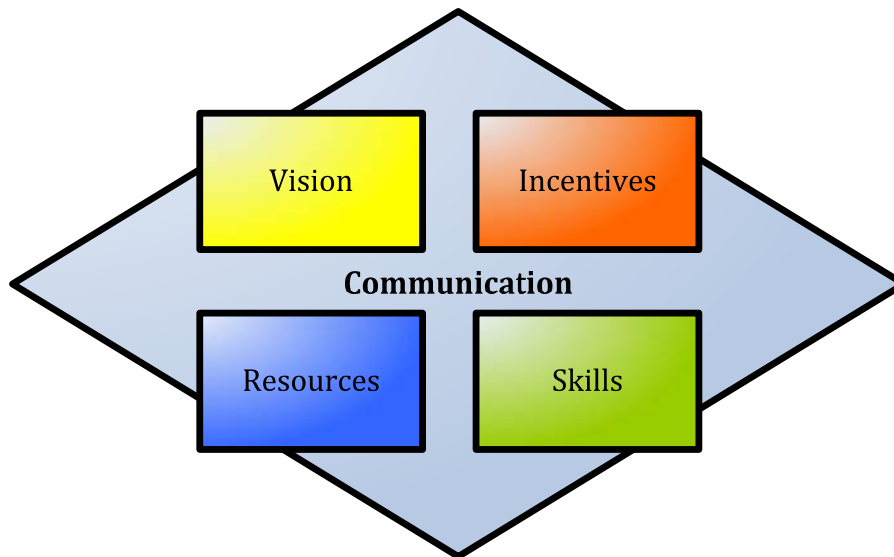


Figure 1. Attributes for successful change

Further on the analysis showed the pitfalls in communication and how message overload, distortion and ambiguity did make the change more troublesome.

One of the important parts regarding communication was how strategy and media depended on the type of change, the stakeholder, the recipient's perception of the change and the stage of the change process. Regarding how all these parameters change, the communication strategy and the media used must be adapted to work efficiently and effectively.

Finally the importance of motivating and encouraging through communication was shown. Creating the right sense of urgency and stimulate with short-term goals was critical to create the right environment for change.

Results and Conclusion

The ultimate goal of Change Management is to minimize the negative impacts of change on business performance. In order to do so the following attributes, shown in Figure 1, have been identified as keys for success:

- Having a clear vision and goals that can be easily communicated in order

to facilitate the understanding and acceptance of the change

- Provide the stakeholders with incentives, connected to the vision and goal, so that people feel motivated and committed.
- Secure and allocate the right resources from the beginning when initiating the change project.
- The people driving and participating should have or get the opportunity to get the proper skills that are needed for the change.
- Last but not least, communication. The communication is the overall most necessary tool of change.

These attributes have been identified through the numerous theoretical models studied combined with what has been observed as the most critical aspects in the empirical observations. The model in Figure 1 should be used as checklist and reminder from the beginning of a change process and follow the project to make sure that none of these attributes are forgotten. The attributes are all well connected and forgetting one of them could make the other obsolete and the change unsuccessful.

Further studies

As changes always will be present, especially in a young organization as ST-Ericsson, it would be interesting to study different cases of changes to get a broader study of how ST-Ericsson should be working with different kinds of changes. Further case studies of changes would also help ST-Ericsson to create stronger change teams and build up internal competence in change communication.

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