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INITIATING INNOVATION IN MATURE FINANCIAL ORGANISATIONS

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VOLUME 2

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Department of Marketing

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VOLUME TWO

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APPENDIX C: THE LETTERS OF APPROACH

The Chief Executive Officer,
Insurance Company,
ADDRESS

Date:

Dear   ,

STRATEGIC CHANGE IN THE UK GENERAL INSURANCE INDUSTRY

I refer to my telephone conversation on   when I briefly described the research that I am conducting at the City University Business School to complete my PhD degree.   I am now conducting field research and the purpose of this letter is to describe the scope of the project in a little more detail.

Within the Innovation Research Unit at the City University Business School I have established a research programme to identify how insurance companies have approached the challenges of recession, information technology and new entrants that have broken traditional Industry strategies.   I am inviting a group of insurance companies to take part in the research.   The selected companies have attempted to respond to shifts in the external environment by executing major change programmes to increase the level of innovative activity within the organisation.

The Objectives of the Research

The objectives of the study are:

1. To define the key tasks in the management of successful change programmes; and
2. To identify how and when during the change programme elements of the organisation such as structure, skills and culture are altered.

The Expected Benefits

Whilst there are many publications dealing with the subject of change and innovation in organisations most have two major shortcomings. Firstly, very few are industry specific. This study will be one of the first to focus upon the management of change in the UK General Insurance Industry. Secondly, many texts give little guidance upon how each of the elements that make up an organisation (such as structure, culture, staff skills and systems) should be managed at different stages in the change process.

It is essential that managers in the Industry possess a clear view both of how to manage change and design the new organisational forms that will be necessary to meet the demands of an increasingly volatile marketplace. This study aims to produce a comprehensive analysis of the process of managing change and designing new organisations within the General Insurance Industry. The conclusions of the study will draw both upon the research findings and the observations of leading researchers in the fields of organisational change and design.

A comprehensive analysis of the findings will be made available to all participants.

Your Contribution

I realise that you have considerable demands upon your time and therefore I will endeavour to make your contribution as short as possible. Typically I will ask for some of your time and that of a manager responsible for product development. In normal circumstances information gathering will be limited to questionnaire completion and one interview.

Confidentiality

In view of the nature of this study the identity of your organisation will not be revealed in any publication without your prior permission. It is usual practice to publish the results of such studies in the academic press and in this regard the identity of your organisation will be disguised in a form agreed with you.

It must be added that the research is only concerned with the *history* of changes in your organisation, no enquiries will be made regarding any *future* strategic plans.

This is an important study from both academic and Industry viewpoints. It will expand considerably our understanding of how organisations should be managed to rapidly and innovatively respond to changes in the competitive environment. For practising managers in the General Insurance Sector I believe that the research will have immediate benefits.

Successful completion of the research will enable me to complete my PhD degree at the University, which as you know, is an issue close to my heart! The programme is based upon a thorough review of past research in the change management field and my own practical experience in the General Insurance Sector.

I do hope that your organisation can join the research programme. I will contact your secretary in the next few days to arrange an appointment to discuss this issue further.

I trust that this letter finds you in the best of health.

Yours sincerely,

Robert W. Davies

The Chief Executive Officer,
Insurance Company,
ADDRESS

Dear   ,

STRATEGIC CHANGE IN THE UK GENERAL INSURANCE INDUSTRY

I refer to our discussions on   and I would firstly like to formally thank you for your participation.

I am mindful of the need not to absorb too much both of your own time and that of managers in the Commercial and Personal lines areas that will be contributing to the research. I have therefore decided that it will be possible, with certain guidance, to proceed directly to the first stage of the research being questionnaire completion.

You will find three sets of questionnaires enclosed with this letter. One is marked for your use, the others are for completion by managers with product development responsibility in the Commercial and Personal lines areas. Instructions are enclosed with the latter questionnaires which should make completion a straightforward issue. *It is essential that respondents complete the questionnaires independently.* Upon completion the questionnaires should be returned directly to me by the respondents in the envelopes provided.

I must ask you to consider one issue before completing the questionnaires. The purpose of the questionnaire is to provide a cross-sectional measurement of your

organisation at two points in time. In this connection we can consider the process of change in organisations to consist of three episodes:

1. Conception. During this period the *need* to change is recognised within the organisation. We will be examining in our discussions how the need to change was initiated.
2. Process of Change. This period covers the complex period of planning and implementing the change process. Frequently this is a non-linear issue as initial efforts fail and new initiatives appear.
3. Operation. This period follows the completion of the change plans defined in the second stage. The organisation will probably be in a relatively stable state but improvements may well continue to emerge on a regular basis.

I would like you to identify the date that signals the start of the conception stage before any interventions or changes are made. This is "Census Date One" on the questionnaire. "Census Date Two" should represent the time when the organisation has entered the operation stage. *When you have selected these dates please inform the other respondents so that they complete the questionnaires using identical census dates.*

The majority of the questions are straightforward but will require some reflection. Questions 22 and 23 ask for data that may not be readily available. If this is the case do not delay returning the questionnaire - the available information can be collected, if possible, at a later stage.

When the questionnaires are returned they will be analysed. Profiles of your organisation at the two census dates will be sent to you with the structure of the interview. After the interview process you will be issued with a case study to approve.

You will see that your company has been identified simply as "X," and a letter of confidentiality is enclosed.

If you encounter difficulties please telephone me on 01895 623252 or 0589 344612.

Thank you once again for your help.

Yours sincerely,

Robert W. Davies

Business Level Respondent,
Insurance Company Ltd.,
ADDRESS

Date:

Dear Respondent,

STRATEGIC CHANGE IN THE UK GENERAL INSURANCE INDUSTRY

It is now well known that during the period 1990 to 1994 the UK General Insurance Industry has been exposed to change on an unprecedented scale. Competitors have had to deal simultaneously with the effects of recession, a downturn in the business cycle, new entrants that have broken traditional strategies and the application of new forms of information technology.

Within the Innovation Research Unit at the City University Business School we have established a research programme to identify how insurance companies have approached the above challenges. Your CEO has agreed that your company will participate in the research programme. The purpose of this letter is therefore to describe the form that your participation will take.

The Objectives of the Research

The objectives of the study are to:

1. Define the key tasks in the management of successful change programmes; and
2. Identify how and when during the change programme elements of the organisation such as structure, skills and culture should be altered.

The Expected Benefits

Whilst there are many publications dealing with the subject of change and innovation in organisations most have two major shortcomings. Firstly, very few are industry specific. This study will be one of the first to focus upon the management of change in the UK General Insurance Industry. Secondly, many texts give little guidance upon how each of the elements that make up an organisation (such as structure, culture, staff skills and systems) should be managed at different stages in the change process.

It is essential that managers in the Industry possess a clear view both of how to manage change and design the new organisational forms that will be necessary to meet the demands of an increasingly volatile marketplace. This study aims to produce a comprehensive analysis of the process of managing change and designing new organisations within the General Insurance Industry. The conclusions of the study will draw both upon the research findings and the observations of leading researchers in the fields of organisational change and design.

A comprehensive analysis of the findings will be made available to all participants.

Your Contribution

Your assistance is required in two areas. The first stage of the research consists of the completion of a questionnaire. The questionnaire seeks to measure your organisation at two points in time - these census dates will be given to you by your CEO. It is essential that the answers reflect the day to day activities in the commercial lines operation. Concentrate upon how work is *actually carried out* in this part of the organisation. *Do not discuss your replies with any other respondent.* Completion of the questionnaire should be a relatively straightforward process although a degree of reflection will be required. If you encounter problems please contact me using the telephone numbers shown below.

When you have completed the questionnaire it should be returned to me in the envelope provided.

The second stage consists of a semi-structured interview. You will be provided with an analysis of the questionnaire and the principal interview questions in advance. After the interview has been completed you will be provided with a short case study for approval.

Confidentiality

In view of the nature of this study your CEO has been issued with a letter of confidentiality. Your organisation will be disguised to deter identification.

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It must be added that the research is only concerned with the *history* of changes in your organisation, no enquiries will be made regarding any *future* strategic plans.

This is an important study from both academic and Industry viewpoints. It will expand considerably our understanding of how organisations should be managed to rapidly and innovatively respond to changes in the competitive environment. For practising managers we believe that this will be one of most pragmatic and specific research studies to be completed in the General Insurance Sector.

I look forward to working with you in the research programme.

Yours sincerely,

Robert W. Davies

APPENDIX D: THE CASE STUDIES

THE PACESETTERS

CASE STUDY SUMMARY: ORGANISATION ALPHA

1. SITUATIONAL FACTORS AND MAJOR CHANGE OBSTACLES:

Increasing financial losses, absence of a clear strategy and lack of staff confidence in top management characterise this case study.

It should be noted that the organisation consists of two divisions - a personal insurance operation and a commercial insurance operation.

2. THE PROCESS OF CHANGE:

We will consider here the issues of initiation, an overview of the change process, the stimulation of Business Innovation (BI) and post-change developments.

2.1 INITIATION:
Situation factors lead to appointment of new CEO by parent organisation. New CEO enters without new strategy or plan for change.

2.2 THE CHANGE PROCESS:

Four major episodes exist:
1. New CEO commences three month situation assessment. Conclusions are that formal structure conceals accountability and customer focus.
2. Simultaneous top management firings and introduction of new customer focused structure designed by CEO.
3. Business unit managers are set task of creating new plans and enhancing the new customer focused structure. Managers fail to develop acceptable plans. CEO publicly expresses his depression.
4. CEO shifts style from "interventionist" to "forging and supportive" - focus now on skill building. Business level strategy and new product groups appear that are initially led by CEO - new product development activity emerges - plans acceptable to CEO appear.
5. Business unit managers redesign operating structures to gain greater customer focus.

Schematically, this can be represented as follows:
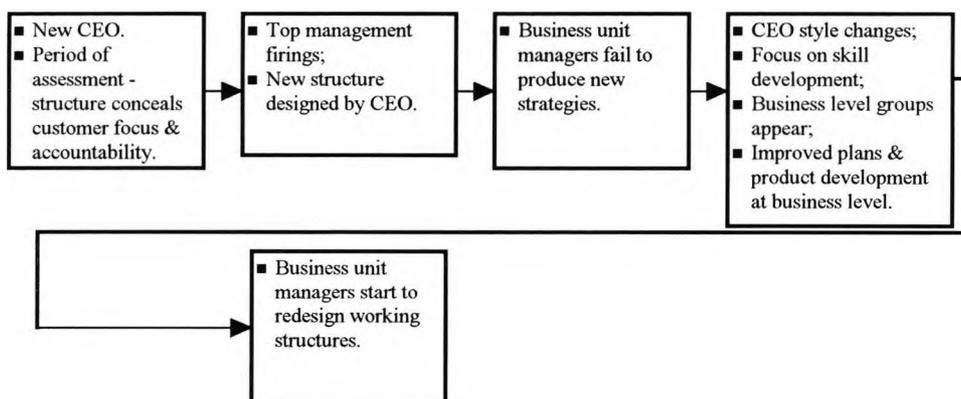
2.3 STIMULATING BUSINESS INNOVATION:

In the personal insurance area three steps can be identified - (a) introduction of new structure to gain improved customer focus; (b) skill development and (c) emergence of business level teams. In the commercial area the initial restructuring led to unlocking of resources and development of past ideas or emergent strategies started after a second change to the formal structure.

2.4 POST CHANGE DEVELOPMENTS:

Responsibility for structural redesign has shifted to business level managers. All report high motivation to change - in commercial unit the emergence of a highly motivated but challenging culture is reported.

EVENT STATE NETWORK: ORGANISATION ALPHA

1. The event state network illustrates the profile of the organisation at the beginning and end of the change process. The major events that constitute the process of change are shown together with their perceived effects. A full description of these events and their perceived effects will be found in the Case Dynamics Matrix.
2. All data is obtained from either the questionnaires or the subsequent interviews.
3. Symbol key:

BOXES are events.
The event no. corresponds
to that shown in the Cased
Dynamics Matrix.

BUBBLES are states or
organisational
characteristics.

Major casual influence

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Antecedent States

Intervening Variables

Formal Structure

Centralised, power in corporate centre, inward, functional focus

Informal Systems

Centralised power base inhibits development of informal structure

Intended Strategy

Unclear corporate direction, ill defined plans.

Staff

Focused upon Central Services

Management Style

Administrative.

Skills

Few product develop., planning ,change skills.

Shared Values

No unification. No confidence in top management.

3/93: **Event 2.1**
CEO introduces new, customer focused structure - matrix eliminated.

6/93: **Event 5**
Commercial insurance managers introduce new structure.

7/93: **Event 7**
CEO introduces **Personal** insurance steering group.

3/93: **Event 3** Managers asked to prepare value statement

3/93: **Event 2.2**
CEO asks new business unit managers to prepare new plans.

"Strategy vacuum" revealed - notably personal insurance.

6/93: **Event 4**
CEO rejects plans - expresses his "depression."

Commercial: work starts on developing emergent product ideas

1/93: **Event 1**
New CEO appointed. Starts review

3/93: **Event 2.3**
CEO fires top managers. Adopts "interventionist" style whilst devolving strategic decisions to business managers.

Staff focus shifts to business units

Commercial: R&D staff are "unlocked."

7/93: **Event 6**
CEO adopts "forging & supportive style."

Skill building starts

Uncertainty regarding the future.

More uncertainty - managers cannot adjust to new CEO style

Intervening Variables — Outcome States

Formal Structure

12/94: Event 10
Commercial Insurance Director designs new delayered structure.

Decentralised customer focus, design led by business level staff.

Informal Systems

6/94: Event 8
Personal: PLATO introduced - first strategy group w/out CEO.

6/94 onwards: Event 8A
PLATO develops new product ideas and monitors development groups

?/94: Event 9
First product manager with full P&L responsibility appointed in **Personal**.

12/95: Event 11
Personal more product managers and R&D function introduced.

Intended Strategy

Value statements regularly reviewed.

Clear values

Personal: Initial new product strategies emerge.

Personal: Continuous new product development starts

Focused product development plans

Staff

Focused in business units

Management Style

"Forging and supportive"

Skills

Period of growing product development, R&D and teamworking skills within business units

Planning, marketing, product development.

Shared Values

Increasing confidence and unification of shared values reported.

Commercial: Competing shared values start to emerge. **Personal**: Unified shared values.

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CASE DYNAMICS MATRIX: ORGANISATION: ALPHA

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
1.	January, 1993	New CEO arrives from organisation's US parent. Underlying issues: 1. History of poor financial performance; 2. Lack of clear strategic direction in face of volatile competitive environment; 3. Poor management systems; 4. Lack of staff confidence in top management.	1. Uncertainty regarding the future of the organisation amongst staff; 2. CEO commences 3 month review of current operation. No change management plan exists at this stage. This review concludes that power is focused in the administrative centre of the organisation ("Central Services"), a matrix structure confuses customer focus and profit and loss accountability, business level staff are unempowered. CEO does not focus upon creation of new strategies before any change in structure 3. CEO decides changes to structure and top management are an essential first step.	
2.	March, 1993	Simultaneous: 1. Top management firings; 2. Introduction of new customer focused structure designed by CEO; 3. After 1 & 2 instructions given to new business unit managers to design day to day working systems for new structures and to prepare new business plans for presentation in June, 1993. Underlying issues: 1. Absence of top management innovation skills; 2. Power in administrative centre; 3. No customer or profit accountability; 4. Need to transfer power from the administrative centre.	*Expected* consequences: *1.* Progressive business plans; *2.* Continued restructuring at the business level into customer teams; *3.* Empowered staff *Actual* consequences: 1. Uncertainty - will the organisation survive? 2. Business level mangers unused to new management style - used to following strategies rather than creating strategies; 3. Managers still inexperienced in working in teams to develop new strategies; 4. A longer period will elapse before managers have access to the information needed to create new plans; 5. Under-developed planning skills are revealed.	Under-developed teamworking and planning skills are revealed.

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
2. (cont'd.)	March 1993	As described above.	6. *Within commercial insurances* greater responsibility devolved to level of product managers - also greater contact between business level staff and CEO.	See above
3.	March - June, 1993	CEO encourages business unit managers to design a corporate level "value statement" to guide future actions in the organisation. Underlying issues: 1. CEO's March restructuring reveals a strategic vacuum particularly in Personal insurances - were managers are used to following as opposed to creating strategies. 2. It is hoped value statement will guide creation of plans.	Refer to Event 4.	Need to adjust to new management style, absence of planning skills and failure of information systems will prevent business managers in developing acceptable plans.
4.	June, 1993	Presentation of business plans to CEO. CEO rejects plans and openly expresses his depression at the failure of managers to prepare coherent plans. Underlying issues: 1. Absence of planning skills; 2. Inexperience in teamworking to produce plans and 3. Failure of information systems.	Realisation on behalf of CEO that: 1. A "maturation" of skills is required; 2. A change in management style from "forging" to "supportive" must be made. Period of 12 months coaching follows.	
5.	June, 1993	Commercial insurance unit introduces new formal structure, removing the "general admin. unit" Underlying issues; 1. In response to CEO's call for business units to design their own structures this redesign emanates from within the commercial insurance business unit; 2. Reflects growing confidence in commercial insurances. 3. Change instigated by Director of Commercial Insurance.	1. This action "unlocks" new product development in this area allowing R&D unit to function and business teams to focus on product improvement. 2. Process of learning product development skills commences in commercial R&D area.	

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
6.	July, 1993	CEO adopts "forging and supportive" management style. Management "awaydays" introduced to focus on development of planning techniques and ideas. Underlying issues: 1. Need to develop managers' skills; 2. Need to develop "trust" within organisation.	Period of skill development follows.	
7.	July, 1993 onwards	CEO creates Personal Lines Steering Group (cross functional group to develop new business level strategies). Underlying Issues: 1. "Strategic vacuum" in personal lines; 2. Develops closer relationships between business unit and IT	1. Initial new products ideas appear 2. "Thought focusing" amongst business unit managers; 3. Idea to create PLATO "Personal Lines After Tomorrow" - first strategy group where CEO is not involved.	
8.	April, 1994	Increasing confidence and unification of shared values reported by informants. Underlying issues: 1. Staff become convinced company is here in the UK for the "long haul" - demonstrated by the commitment of additional resources.	Increasing confidence supports innovation activities.	
8.	June 1994	PLATO group formed. Underlying issues: 1. Growing confidence of CEO in capabilities of business unit managers. 2. Provides first opportunity for business unit mangers to conceive and plan their own business level strategies.	1. Increasing confidence at business level; 2. PLATO evolves into group initiating and monitoring project teams to develop new product ideas. 3. Locus of strategy making moves down the organisation.	

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
9.	Dec 1994	First product manager appointed in personal insurances. First devolution of P&L responsibility below Personal Lines Director. Underlying issues: Sets precedent for further devolution of responsibility.	Example provided for restructuring in Personal Lines area.	
10	December 1994	Commercial insurance structure delayered. Objective - to remove management layer above product managers to increase their true responsibility for their customer areas. Underlying issues: 1. Growing confidence; 2. This restructuring designed by Commercial Insurance Director.	Continued business innovation activity.	
11.	December 1995	Restructuring in personal insurances: 1. Further product managers created with responsibility for individual customer segments; 2. Permanent R&D function established.	To be identified.	
12.	December 1995	"Challenging" culture starts to emerge amongst product managers in commercial insurance area. Underlying issues: 1. Held to be as a result of "increasing confidence" and "confidence that the organisation is here for the long haul."	To be identified.	
13.	March 1996	Focus of structural change in Commercial Insurance is now upon internally generated change as opposed to top down directed restructuring.	Objectives are to continue to increase responsibilities of product managers.	

CASE STUDY SUMMARY: ORGANISATION BETA

1. SITUATIONAL FACTORS AND MAJOR CHANGE OBSTACLES:

In addition to the effects of new entrants and recession this organisation suffered from the financial effects of past decisions and power concentrations in traditional product areas and marketing. Major obstacles to change are cited as lack of accountability and responsibility, a culture that "hid the truth," concentrated upon old strategic recipes and poor inter-hierarchical communication.

2. THE PROCESS OF CHANGE:

We will consider here the issues of initiation, an overview of the change process, the stimulation of Business Innovation (BI) and post-change developments.

2.1 INITIATION:
Severe losses and absence of a response strategy led to the appointment of a new CEO and Chairman who brought with him a new Executive Director. A rapid period of situation assessment and communication to business level staff follows. The CEO enters without explicit strategies or change plans.

2.2 THE CHANGE PROCESS:

Four major episodes exist:
1. Members of existing top management fired. New structure (designed by CEO) established to bring greater accountability, customer focus and communication with top management team. Top management style described as "interventionist." Conducted within 12 weeks of arrival.
2. First new corporate level strategy - (developed by top management) focusing on new market, product area and distribution initiatives.
3. Further restructuring (driven by top management) to decentralise decision making to point of sale. At this point top management style shifts to "supportive." New skills are recruited.
4. Power clashes exist between Marketing Dept and business units - Marketing disbanded. Business unit product development groups are formed. This marks start of major BI in business units.

Schematically, this can be represented as follows:

New formal structure; Top mgrs fired; Interventionist management style.	→	New CEO plans major new market and product development.	→	Second restructuring; New skills imported; Supportive management style.	→	Final restructuring - break power barriers; Product development structures emerge; BI in business units starts.
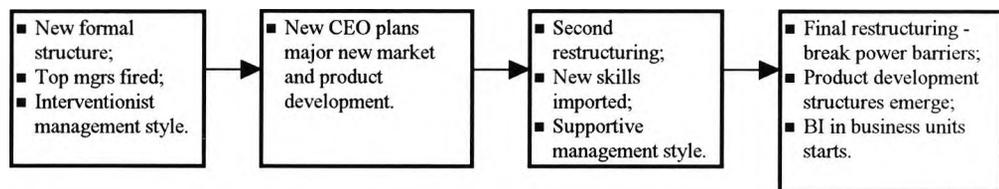
2.3 STIMULATING BUSINESS INNOVATION:

CEO refers to a cascade of activities that stimulated innovation in business units. Business unit respondents refer to the third and fourth episodes as key points for starting innovation in business units. None of the changes initiated by top management were directed at developing specific forms of BI.

2.4 POST CHANGE DEVELOPMENTS:

Organisation characterised by a high motivation to continue change and support for corporate level strategy, which takes the form of a values statement. Some evidence now of competing views on how organisation should respond to environmental changes within the frame work of the value statement.

CASE DYNAMICS MATRIX: ORGANISATION BETA

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
1.	March 1991	New CEO and Chairman appointed. *Underlying issues:* ■ Unprecedented financial losses; ■ No recovery strategy; ■ Organisational structure conceals accountability and responsibility; ■ Entrenched attitude that past strategies would win through - coupled with a lack of initiative.	■ New CEO appoints new underwriting General Manager; ■ Immediate business level communication programme launched; ■ CEO commences period of situation assessment.	At this stage CEO has no new strategy for the organisation other than an "understanding" of what business it should be in. No change plan constructed at this stage.
2.	April-July 1991	■ Members of top management team fired. ■ New formal structure and reporting relationships introduced. ■ Mission statement introduced. ■ MBO and performance awards introduced. ■ New Finance Director appointed. *Underlying issues:* ■ Poor staff understanding of crisis; ■ Lack of accountability (cited as a major change barrier); ■ The major centres of power (product areas) are in conflict; ■ Absence of recovery plan/direction. ■ Management style shifts to "interventionist."	■ Increasing awareness, but CEO feels staffs' reaction is "We've heard it all before - does he really mean it?" ■ Change brings fear at the middle management & business levels; ■ Increased contact with CEO & top management for business level managers. ■ Awareness by CEO & top management of extent of crisis and that financial recovery must be the first priority.	The mission statement is in reality a set of values and guidelines; stressing profit, service, cost control and quality. During this period the effects of decisions made by earlier managers continued to appear. No new strategies conceived - CEO states "The important thing was to make decisions." These first moves are seen by CEO as a precursor to innovation.

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
3.	June 1991 onwards	■ Further amendments to formal structure are planned.	■ These alterations when introduced are seen as start of innovation.	
4.	December 1991	■ CEO presents plans to Board to enter one new market (Direct Motor) and a new product area (Accident & Health) *Underlying issues:* ■ CEO's review reveals poor balance between business areas. ■ These strategies designed by top management.	■ These decisions will produce influx of new staff.	First change of competitive strategy conceived at top management level.
5.	December 1991	■ Budgetary controls introduced *Underlying issues:* ■ Still need to reinforce accountability and responsibility through management layers. ■ Old culture still exists within management layers.	■ Increased accountability.	
6.	January 1992 onwards	■ Style of top management team shifts from "interventionist" to "supportive."	■ This is an attempt to build a "team spirit of success."	This shift, together with increased accountability through the new structure and increasing shared values are seen as the major innovation enablers.
7.	January-March 1992	■ Formal structure changes introduced. ■ Skill tests for branch staff.	■ Authorities devolved to point of sale.	
8.	January-March 1992	■ New pricing skills brought into organisation.	■ Increasing confidence in decisions as a result of these skills and early product development.	
9.	March, 1992	■ Board approves plans for new business areas.	■ Recruitment of new staff increases.	

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
10.	October 1992	■ Marketing Department disbanded - activities absorbed into underwriting departments. *Underlying issues:* ■ Power struggle between marketing & other functions impedes innovation; ■ Underwriting (business units) need control of resources for total accountability. ■ Marketing seen as inhibiting focus in business units that it served.	■ Improvement in morale - "more people came on board."	
11.	January, 1993	■ Programme of communication to customers and suppliers starts. *. Underlying issues:* ■ Need to communicate company is changing	■ A demonstration to customers and staff that the organisation was to be taken seriously.	
12.	March 1993	■ Rotating product development group formed. *Underlying issues:* ■ Need to create differentiated products.	■ Initial focus on product improvement.	This group formed by member of top management.
13.	March 1993	■ Top management establish development team to research new market penetration.	■ "First in Industry" initiative eventually launched.	Team put together to develop idea of top management.
14.	March 1993	■ O&M report criticises branch operations.	■ Team based working introduced in branches.	

EVENT STATE NETWORK: ORGANISATION BETA

1. The event state network illustrates the profile of the organisation at the beginning and end of change process. The major events that constitute the process of change are shown together with their perceived effects. A full description of these events and their perceived effects will be found in the Case dynamics Matrix.
2. All data is obtained from either the questionnaires or the subsequent interviews.
3. Symbol key:

```
+-----------------------------+
| BOXES are events.           |
| The event no. corresponds   |
| to that shown in the Cased  |
| Dynamics Matrix.            |
+-----------------------------+
```

BUBBLES are states or organisational characteristics.

Major casual influence

Antecedent States

Intervening Variables

Formal Structure

Protected culture, hid accountability.
Corporate centre has little control, clashes of power

Informal Systems

Highly centralised.

Intended Strategy

Unclear plans.

Traditional. Outdated products.

Staff

Under half in business units.

Management Style

Directive.

Skills

Little change skills, no initiative.

Shared Values

Belief that old ways would win through, staff unaware of depth of crisis.

4-7/91 Event 2A
New structure:
■ Increased customer focus;
■ Increased accountability.

3/91 Event 1C
Situation assessment starts.

4-7/91 Event 2B
Mission statement introduced. (Set of values - not corporate level strategy).

3/91 Event 1
New CEO appointed.

3/91 Event 1A
New CEO appoints new underwriting director.

4-7/91 Event 2
Top managers fired.
New finance director.

3/91 Event 1B
Major communication programme starts.

4-7/91 Event 2B
Performance awards introduced.

Period of assessment continues.

Management style focuses on communication & intervention..

Disbelief, fear at the business level.

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Intervening Variables

Formal Structure

12/91 Event 5
Budgets introduced to increase accountability.

1/92 Event 7
Branch operations restructured:
■ Skill tests for staff;
■ Decentralisation of authorities follows.

Informal Systems

Intended Strategy

Continuing assessment

12/91 Event 4
CEO presents plans to go into major new businness areas..

12/91 Event 4
CEO presents plans to go into major new businness areas..

3/92 Event 9
CEO's plans approved by board..

Innovative activities reinforced.

6/91 Event 3
Review of distribution strategy starts.

First innovative activities start

Staff

1/92 onwards Event 8
Period of hiring external staff.

Management Style

Shift in top management style commences from "interventionist" to "supportive."

Skills

Major period of reskilling starts. (Event 8)

Shared Values

Old values, lack of accountability still exist.

Increasing confidence, particularly at business level, but some old values remain.

Outcome States

Intervening Variables

Formal Structure

10/92 Event 10	3/93 Event 12	3/93 Event 13	3/93 Event 14
Marketing Dept disbanded - activities absorbed into business units.	Product development group formed.	Top management set up R&D teams to look at new market development initiatives..	O&M criticises working at branches

Defined authorities, clearer customer focus.

Informal Systems

Experimentation with team based working.

Intended Strategy

Communicated values.

Major period of business development innovation starts.

Explicit product development plans

1/93 Event 11:
Communication programme to customers starts.

Staff

50% increase in ppn. of staff in business units (67%).

Management Style

Participative

Skills

Increasing skill specialisation.

Shared Values

Power clashes inhibit progress.

"More people come on board."

High support for current strategy, high motivation to change.

CASE STUDY SUMMARY: ORGANISATION GAMMA

1. SITUATIONAL FACTORS AND MAJOR CHANGE OBSTACLES:

Extreme financial pressures led to the acquisition of this organisation by an international group. Three factors should be noted: (1) this is the only study where at the beginning of the change process the CEO focused on encouraging a specific form of Business Innovation (BI) - product augmentation; (2) as none of the organisation's products had been reviewed for nearly 20 years a rapid product improvement programme was undertaken and (3) historically the organisation had operated in a sector with little or no competition. No change skills were present, culture, skills and localised power bases proved to be major obstacles.

2. THE PROCESS OF CHANGE:

We will consider here the issues of initiation, an overview of the change process. the stimulation of BI and post-change developments.

2.1 INITIATION:

Severe losses and the absence of a response strategy led to internal promotion of new CEO. This CEO, working in the organisation before the crisis had developed a new strategy (based on product augmentation) and the design of a supporting formal structure. CEO therefore took position with an explicit corporate level strategy and structural design ready to implement.

2.2 THE CHANGE PROCESS:

The following episodes are identified:
1. Appointment of new CEO, communication and introduction of new corporate level strategy and structure. Accompanied by top/middle staff exits and new staff (including product development specialist) joining. Product development concentrates on updating traditional products and defending existing client base. Defence activities successful, feeling of "euphoria" overtakes organisation.
2. First new product using augmentation approach developed and launched. Sales fail. Business level cross-functional team formed to investigate - discovers poor sales skills and that staff don't understand new strategy. Period of training follows. This group grows organically and becomes focal point of augmentation research and development. Sales targets exceeded.
3. Second restructure takes place into market based teams for day to day activities with champions to network between these teams and product development group.

Schematically, this can be represented as follows:
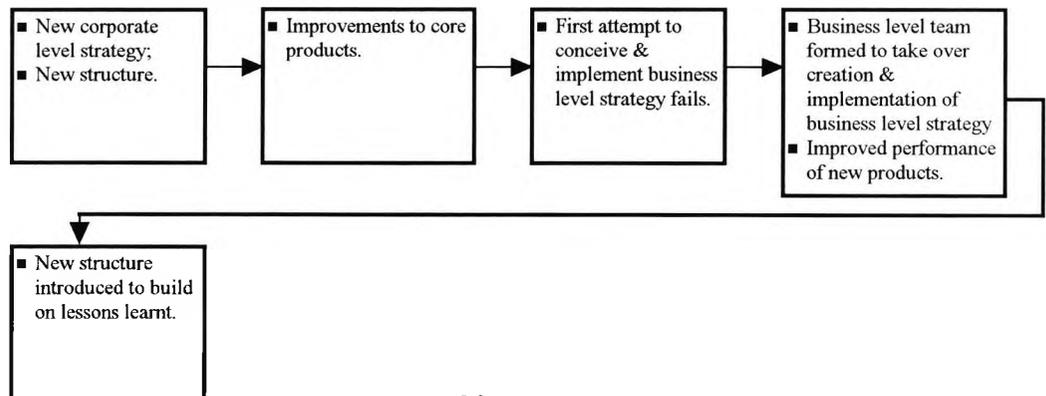
2.3 STIMULATING BUSINESS INNOVATION:

First attempts using new structure designed by CEO fail, due to poor comprehension of corporate strategy. Business level group investigates and takes over product development. Second formal structure follows building on findings of product development group.

2.4 POST CHANGE DEVELOPMENTS:

Focusing on improving lateral communication - team based structures induce "siloing," or lack of lateral communication. CEO's main focal points are now increasing shared values, skills and confidence. CEO consciously shifting style from "interventionist" to "watchman." Target and objective setting major part of leadership style.

CASE DYNAMICS MATRIX: ORGANISATION GAMMA

EVENT NO.	DATE :	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
1.	March 1993	Rights to Gamma's portfolio, together with staff taken over by international group. ■ New CEO appointed from within Gamma. ■ Immediate communication to staff on the depth of the crisis to create a sense of urgency; ■ New corporate level strategy introduced - to move from core insurance products to fee based risk management services (a strategy focused on product augmentation). ■ New organisational structure introduced to improve customer contact & focus. ■ CEO deliberately adopts "interventionist" style. *Underlying issues:* ■ Unprecedented financial losses within Gamma that prevents future trading; ■ Entrenched attitude that past strategies would could still work; ■ Localised power bases or "fiefdoms"; ■ Poor sales and marketing focus in old structure; ■ Poor communication - no lateral flows, no face to face communication with staff or customers, no accountability. ■ Rapid action was necessary to defend the company's existing portfolio. Immediate action was needed to re-launch products that had not been updated for nearly 20 years.	■ Fear of the unknown - the company hadn't been through change - major product had remained unaltered since 1974. ■ A polarisation of staff into the "believers" and "disbelievers." Many staff couldn't understand the new strategic direction even at top management level and felt that new functions - such as sales - weren't needed. ■ The intended effect is to allow the organisation to "add the flesh and bones" to CEO's new strategy; ■ In the medium term a skill and comprehension vacuum is revealed. ■ Organisation structure develops in two distinct phases - this first restructure to gain increased contact with customer and a second to focus on finer customer segments. Initial period of restructuring covers twelve months - main changes made by October, 1993.	On assuming his position CEO describes an urgent need "to move from structures that have failed." CEO of firm belief that structural change was needed to change thought patterns of staff in order to implement a new strategy based on product augmentation. CEO had opportunity to develop ideas for this product augmentation strategy before the first census date - this idea originally conceived in 1991. The new strategy and structure were therefore designed in advance. During this planning phase the strategy was conceived first, then the structure both to implement it and develop the product or business level strategy. In new structure product development is centred in marketing - a product development specialist was brought in at this point. Large increases in operational efficiency were made - process changes were stimulated by objective setting.

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EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
2	March - April 1993	Core products reviewed and updated. *Underlying issues:* ■ Most of existing customers' policies were to be renewed in April; ■ Improved policies needed as (a) no improvements since 1974 & (b) to meet standards of new parents	■ Existing customer base protected; ■ Temporary state of "euphoria"	
3.	March 1993 onwards	New staff join from parent, "disbelievers" leave.	Change skills and technical skills supplemented, erosion of change barriers,	Many "disbelievers" left voluntarily.
4.	October, 1993	First fee based product launched. *Underlying issues:* ■ First use of "intrinsic" R&D.	Temporary state of euphoria continues.	
5.	Mid 1994	Poor sales of new fee based product. Investigation launched	■ Staff - particularly sales did not understand the new product concept; ■ Sales skills are under-developed. ■ Cross-functional team set up to develop products.	
6.	Mid-1994	Product development team established.	■ Team grows organically and is focal point of business. ■ Realisation that understanding of customer is flawed; ■ Skill training starts. ■ Product ideas start to originate from business level October 1994 onwards.	

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
7.	January 1996	Cross functional teams market based structure introduced.	■ Increased customer focus but declining lateral communication. ■ Product development team moves to be focal point of new product ideas. ■ Concept of market champions introduced - customer segment specialists networking between product development and business teams; ■ Continued development of confidence.	Marketing Manager has high input into design. First shifting away from CEO as structural architect. Market champions start to become focal point of change. An attempt to improve lateral communication.
8.	December 1995	Targets for sales of new products exceeded.	Increasing confidence emerges mid-1995 together with increased autonomy for product development. Realisation grows in organisation that the new strategy is correct.	
9.	Current date onwards	Conscious effort by CEO to shift management style form "interventionist" to "watchman" and develop challenging culture.	Challenging culture only just entering the organisation.	Largest problem faced by CEO throughout the change process was getting staff to understand his vision.

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EVENT STATE NETWORK: ORGANISATION GAMMA

1. The event state network illustrates the profile of the organisation at the beginning and end of the change process. The major events that constitute the process of change are shown together with their perceived effects. A full description of these events and their perceived effects will be found in the Case Dynamics Matrix.
2. All data is obtained from either the questionnaires or the subsequent interviews.
3. Symbol key:

```
+---------------------------+
| BOXES are events.         |
| The event no. corresponds |
| to that shown in the Cased|
| Dynamics Matrix.          |
+---------------------------+
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BUBBLES are states or organisational characteristics.

→

Major casual influence

Antecedent States   **Intervening Variables**

Formal Structure

Many localised power centres. Poor customer focus, communications.

3/93: Event 1B CEO introduces new structure. Implementation covers 1993.

Informal Systems

Low formalisation and intermediate centralisation but no clear direction.

Intended Strategy

Focus on defence.

3/93: Event 1 CEO introduces new services based strategy.

Little Business development innovation.

3-4/93: Event 2 Core product range re-issued. Client base retained

10/93 onwards: Event 4 True new product development emerges - first services product launched.

Staff

75% at business level

3/93: Event 1C New CEO appointed, top and middle management changes.

3/93 onwards: Event 3 New staff join. "Disbelievers" leave

Management Style

Administrative

3/93: Event 1A CEO adopts "interventionist" style coupled with increased communication..

Skills

Traditional. Few marketing & sales skills.

Increasing change, product development skills

Shared Values

Complacency. Administration focus.

Fear of the unknown - staff divide into the "believers" and "disbelievers"

State of euphoria

Intervening Variables — **Outcome States**

Formal Structure

6/94: **Event 6**
Cross functional product development team established to investigate poor sales.

1/96: **Event 8**
Cross functional market teams introduced to give finer customer focus.

Cross-functional teams focused on customer

Informal Systems

6/94 onwards: **Event 6A**
Cross functional product team develops organically

Locus of structural design shifts to the business level

Intended Strategy

6/94: **Event 5**
Poor sales of new product.

Realisation understanding of customer flawed - R&D increased

New business ideas originate from business teams. Business targets exceeded (**Event 8**)

Locus of innovation shifting to business teams

Staff

More resources, in business units and middle

Management Style

Increasingly participative, built on targets & objectives

Skills

Sales training.

Cross-functional training.

Shared Values

Increasing acceptance of new corporate strategy.

Challenging culture appears.

CASE STUDY SUMMARY: ORGANISATION ZETA

1. SITUATIONAL FACTORS AND MAJOR CHANGE OBSTACLES:

High levels of competition, new entrants, an unexpected recession, imperfect knowledge of competitive environment and reliance on traditional strategies are principal situational factors at the first census date. Major obstacles to change stated as "a state of disbelief," belief in old strategies and power residing in functional areas that were responsible for organisation's past success.

2. THE PROCESS OF CHANGE:

We will consider here the issues of initiation, an overview of the change process, the stimulation of Business Innovation (BI) and post-change developments.

2.1 INITIATION:
Severe financial losses brought realisation to top management that existing strategies were ineffective, their view of external environment was flawed and that immediate action was necessary to stem losses and to overcome a sense of disbelief in the organisation. The first major act was to gather together a group of top managers that were able to break down traditional barriers (referred to as "the big-booted policemen"). This group designed a new formal structure. At this stage a new competitive strategy was not conceived - actions focused on financial survival.

2.2 THE CHANGE PROCESS:
Two clear episodes exist.
The first commenced in April 1992 with the first customer focused structure designed by top management aimed at reaching three objectives: (I) Financial recovery; (II) Dismantling old power bases and shared values and (III) Encouraging new skills - principally pricing. The results by December 1993 were financial recovery, increasing confidence and the start of a review of old business level strategies. This is phase dominated by a strongly directive management style.
The second phase is the realisation that organisation needs greater customer focus. A new structure is designed by a *new team of top managers* - those that could encourage experimentation who would run new organisation. This was introduced over a twelve month period from April 1994 and is described by business unit staff as "the key date for innovation." Results are development of R&D and product development skills, new business level strategies (most notably augmentation development) and team based working designed by staff within the business units.
Schematically the process can be summarised as follows:

New formal customer focused structure; Directive management style.	→	Financial recovery; Breaking old shared values; Learning new skills.	→	Second formal customer focused structure; Supportive management style.	→	Experimentation; New BDI plans emerge; Business unit staff design own structures; Challenging culture emerges..
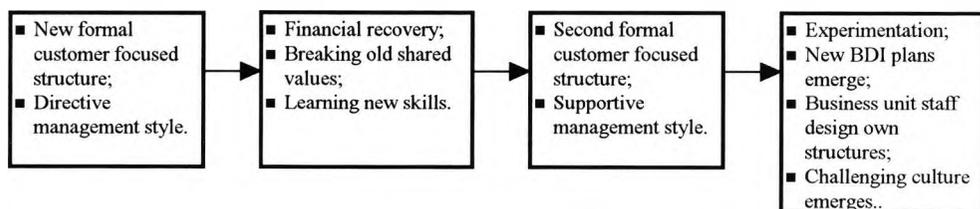
2.3 STIMULATING BUSINESS DEVELOPMENT INNOVATION:
No different methods were used to stimulate different forms of BI. The first episode in the change process allowed the organisation to build new confidence and develop new skills, but it is the second structure, coupled with a change in top management style that is reported as "the key date for innovation."

2.4 POST CHANGE DEVELOPMENTS:

Developments after the second census date (selected by top managers as the end of their original change programmes) centre upon continued development of pricing skills and the emergence of a more challenging culture.

CASE DYNAMICS MATRIX: ORGANISATION ZETA

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:
1.	July 1991 forward	Poor financial results come to attention of top management. *Underlying issues:* ■ High levels of competition; ■ Unexpected recessionary downturn; ■ New low cost entrants; ■ Entrenched attitude that past strategies would win through; ■ Imperfect knowledge of competitive environment; ■ Late 1980s expansion programme.	■ Realisation that existing strategies were ineffective; ■ Realisation that perception of external environment was flawed and the organisation possessed insufficient data to from a new perception; ■ Immediate action was required to stem financial losses and gain a greater understanding of the customer.
2.	December 1991	Rating increases - the first step to financial recovery.	
3.	December 1991	■ Planning commences at top management level on new customer focused service unit; ■ Top managers capable of instigating change transferred into this new structure (at AGM, Finance, Claims and Personnel management levels); ■ Externally recruited strategy planning manager brought in. *Underlying issues:* ■ Realisation that structure and traditional functional power bases will inhibit change.	■ To break the power base of the traditional underwriting / functional management; ■ To gather managers together that were "big booted policemen types" to break down internal barriers; ■ Bring in external ideas to challenge current thought sets; ■ When announce this would be a symbolic move that top management "meant business." ■ Planning focused on immediate recovery - new competitive strategies were not developed at this stage. ■ Product development limited to definition of those products that would stay and those that would be terminated.
4.	December 1991	Board issues challenge that general insurance operation cannot reach break-even by end 1992 - if it does there will be a crate of champagne.	Desire to "beat the board"

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:
5.	April 1992	■ New customer services structure designed by top management team implemented; ■ Middle and top management redundancies - focusing on 50+ group. ■ This change accompanied by improved communication to all staff of the way forward; ■ Head of new structure encourages experimentation; ■ Sales and marketing remain separate units; ■ Strongly directive leadership style emerges. *Underlying issues:* ■ Implementation of first stage of change process - the financial recovery and learning phase.	■ Concerted voice and strategic message from top of organisation; ■ Old interpretative schemes are challenged; ■ Barriers to change start to be removed; ■ Period of learning at the business level commences; ■ Activities start to focus on needs of customers; ■ Decision layers reduced - for example pricing - from 7 to 2; ■ New pricing methods introduced; ■ Symbolic projects introduced to encourage experimentation.
6.	December 1992	Break even achieved - champagne for all	Growing confidence within the new structure.
7.	December 1992	Regional office network is streamlined - eliminating old regional managers. A national network of claims, credit and development staff introduced.	Develops concept of team-based working.
9.	End 1993	Increasing confidence at business level., initiatives are sponsored by top managers.	Traditional product strategies are reviewed.
10.	April 1994	New top managers must be introduced as a change in style and skills were required at this level - from barrier breakers to developers. Includes further external recruitment (IT Director). *Underlying issues:* Planning for second phase of change - innovation starts.	Review of formal structure.

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:
11.	April-December 1994	■ Enhanced customer focused structure designed by new top managers introduced. Precipitated by recognition that a more precise customer focus was required. Also it was recognised that to encourage innovation each business team had to be self-reliant for resources. ■ Further staff who could not adapt are removed. ■ Leadership style moves to coaching and experimentation.	■ Greater strategic focus; ■ The "key date for innovation;" ■ Greater trust emerges between historically separate functions. ■ Ideas for new business level strategies emerge. ■ Need is recognised to co-ordinate customer group activities across the traditional life and non-life division. ■ Emergence of team-based working; ■ Greater emphasis on R&D - an important innovation precursor; ■ Stimulates challenging culture.
12.	April/May 1994	Start investigation into long-term distribution strategy.	Longer term corporate level strategies start to emerge.
13.	June 1994 onwards	Business units start to redesign their own structures introducing multi-skilling.	Business units start to design their own strategies and structures - recognition that structures must be "seamless" across functions in terms of customer perceptions.
14.	December 1994	Consultant brought in to enhance planning skills.	Review of long-term distribution strategy.
15.	January -March 1995	Direct distribution operation launched.	First public new strategic thrust goes live.
16.	June 1995	Direct distribution strategy reviewed - outside events moving faster than originally expected. Decision made to bring together life and non-life distribution plans. Realisation that EDI will affect organisational structure.	■ Need to increase still further assessment of environmental trends. ■ Further restructuring may be required.

EVENT STATE NETWORK ORGANISATION ZETA.

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Major casual influence

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Antecedent States   **Intervening Variables**

Formal Structure

Centralised. Business level strategy decisions taken by top mgt., power centred in traditional product areas.

12/91: Event 3
Planning commences at top mgt level for new customer focused structure

Informal Systems

Individual actions discouraged.

Intended Strategy

Defined, but lacks explicitness & futurity.

Reactive, little true innovation, reliance on "recipes."

7/91: Event 1
Top mgt. face financial crisis, realisation that traditional strategies are inadequate.

12/91: Event 2
Price increases - first reaction to crisis.

12/91 Event 3B
Corporate & business level strategies will focus only on financial recovery - no product development or improvement.

Staff

Veteran staff, traditional, loss making functions dominate.

12/91: Event 2A
First redundancies

Management Style

Administrative

12/91: Event 4
Board issues "champagne" challenge.

Interventionist, barrier breaking style emerges.

Skills

Functionally biased.

12/91: Event 3A
"Barrier breaking" managers brought into project - new strategy mgr hired.

Shared Values

Low motivation to change, mixed views on support for current strategy.

Top mgt realise current strategies & perceptions of external environment are inadequate.

Top mgt. strive to beat the challenge.

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Intervening Variables

Formal Structure

4/92: Event 5
New customer focused structure designed by top mgt team launched.

12/92: Event 7
New delayered regional structure introduced.

First experiments in team based structures..

Informal Systems

Intended Strategy

First reviews of traditional strategies start.

Staff

4/92: Event 5A
Middle & top mgt redundancies focusing on 50+

Management Style

4/92: Event 5B
Improved & more extensive communication to staff.

Interventionist, but symbolic projects to encourage experimentation.

4/92: Event 6
Break-even achieved - "champagne for all."

Skills

"Period of learning" commences

Shared Values

Old interpretive schemes are challenged.

Increasing confidence reported at business level..
(Event 9)

Intervening Variables ———— **Outcome States**

Formal Structure

4-12/94 Event 11
Enhanced customer focused structure introduced. "Key date for innovation."

Less centralisation, less restriction of individual actions.

Informal Systems

6/94 onwards Event 13
Business units start to redesign structures.

Greater scope for experimentation.

Intended Strategy

4-5/94 Event 12
Major long-term strategy review starts.

Regularly redefined.

Major business development activities start.

Explicit product development strategy.

Staff

4/94: Event 10 New top mgrs introduced to focus on development & innovation - internal & external appointments.

4-12/94: Event 11A
Further staff who cannot adapt leave.

Cross function business teams dominate.

Management Style

Management style shifts to coaching and experimentation.

Participative.

Skills

Greater emphasis on R&D and product development skills.

Greater focus on product development and R&D.

Shared Values

Challenging culture emerges.

THE FOLLOWERS

CASE STUDY SUMMARY: ORGANISATION DELTA

1. SITUATIONAL FACTORS AND MAJOR CHANGE OBSTACLES:

The corporate level strategy, developed from 1982 was held by top management to be adequate to cope with changes in the competitive environment. The management in this respect felt that it was ahead of the competition. The obstacle seen by management was ownership in that the organisation's owners restricted the resources that were available to develop the above strategy. The start of the change process is marked by management's attempts to break free from the control of the parent.

2. THE PROCESS OF CHANGE:

We will consider here the issues of initiation, an overview of the change process, the stimulation of Business Development Innovation (BDI) and post-change developments.

This case study is characterised by two levels of activity - firstly top management's efforts to gain the resources to develop their corporate strategy and secondly activity within business units that act effectively independently to take advantage of developing market opportunities.

2.1 INITIATION:
At top management level a team of senior managers is formed purely to focus on resource acquisition. At business unit level managers see opportunity for profitable growth.

2.2 THE CHANGE PROCESS:

Four major episodes exist:
1. Top management team developed to obtain financial resources to implement strategy.
2. Business unit managers see opportunity for growth but products outdated. Using resources obtained by top managers, business unit managers commence an operation to increase skills (insurance underwriting) within business units.
3. On completion of the skill enhancement business unit managers embark on a decentralisation of decision making programme. Business units develop their own product development mechanisms. A product development committee formed by top managers is largely by-passed.
4. Differences appear between top managers regarding future strategy. Business unit informants are concerned at the low motivation to continue change.

Schematically, this can be represented as follows:

Pre-existing strategy. Inadequate resources to implement.	Top management focus on MBO; Business unit managers see opportunity.	New skills; Decentralised structure; new product development..	Product development structure designed by top management bypassed; Disagreements on how to proceed; Declining motivation to change.
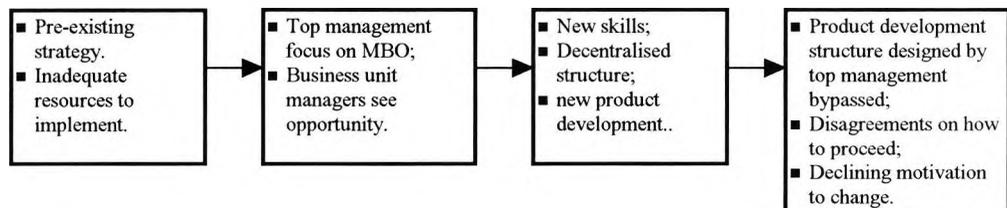
2.3 STIMULATING BUSINESS DEVELOPMENT INNOVATION:

BDI is stimulated by actions of business unit managers in response to environmental opportunities. Business managers saw it as their responsibility whilst top mangers focused on obtaining financial resources.

2.4 POST CHANGE DEVELOPMENTS:

Differences exist at top management level regarding development of future strategy. All informants report declining motivation to change which is seen as organisation's next major challenge.

CASE DYNAMICS MATRIX: ORGANISATION: DELTA

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
1.	January, 1992	Parent organisation asks for strategy review.	■ Top managers' perceive this to be an opportunity to fully implement their corporate level strategy, originally conceived in 1982 as a focused brokers specialist insurer, but lack of resources hindered full implementation. ■ Top managers' attentions turn to gaining financial resources to execute.	
2.	January, 1992	Top management form a team of nine top/senior managers to construct implementation plans. Need to create commitment to Delta's strategy recognised.	■ Financial plans produced. ■ Management changes are made to obtain clearer customer focus - Personal Lines and Commercial Lines managers appointed from within. ■ Top managers adopt "more caring" attitude to staff.	
3.	March, 1992	Plans shared with an extended group of middle level managers.	■ An attempt to gain commitment - which was successful as 38 of this 40 strong group remained with Delta. ■ Top management adopt a more participative and encouraging style. ■ Top management increase "executive skills" - profit focus increases - new FD appointed.	

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
4.	September, 1992 onwards	Competitors withdraw from markets - premium rates increase to highly profitable levels.	■ Business unit managers identify opportunity for profitable growth. ■ Whilst corporate strategy is defined the business level strategy requires development and implementation. ■ Process of increasing business unit skills commences.	
5.	January, 1993 onwards	Skill development programme commences. Consists broadly of two phases: ■ Hiring external staff; ■ Retraining existing staff. Skill development focuses on underwriting as opposed to marketing and NPD. *Underlying issues:* ■ *Insufficient business level staff & skills exist to implement corporate level strategy.*	■ Skills develop to allow greater decentralisation of decision making; ■ Staff resources increase, allowing time to focus on product development and improvement, and enhancements to business information systems.	
6.	Mid 1994	Decentralisation of authority commences. *Underlying issues:* ■ *Reskilling programme reaches conclusion.*	■ Increased time at for focus upon product development within business units.	
7.	January 1995	Further decentralisation of underwriting authorities.	■ Increases effect of event 6.	

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
8.	January, 1995	Product development Committee launched - consist of managers at top management level.	■ Formal idea screening; ■ Most active product development is still carried on in business units, bypassing formal arrangements.	
9.	July, 1995	Delta acquired by an international insurance group.	■ Allows top management "increased time to focus on day-to-day management".	

EVENT STATE NETWORK: ORGANISATION DELTA

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+------------------------+
```

BUBBLES are states or organisational characteristics.

Major casual influence

Antecedent States   **Intervening Variables**

Formal Structure

Centralised decision making & allocation of resources - result of parent's influence

Informal Systems

Undeveloped due centralisation and few resources.

Intended Strategy

Defined but resources restrict development.

Under-developed.

1/92: **Events 1&2:** Top managers form team in to confirm past strategy.

3/92: **Event 3:** Top managers inform middle managers of reconfirmed strategy.

9/92: **Event 4:** Business unit mgrs. See opportunity for growth.

Underdeveloped business strategy & products revealed

Staff

Concentrated in business units (78%)

1/92: **Event 2A:** Personal & Commercial Mgrs. appointed from within.

3/92: **Event 3A:** New FD appointed to increase profit focus

Management Style

Administrative

Top management -"more caring" attitude to staff.

Top management "executive" skills increase.

Skills

Inadequate volume of business & product development skills.

Shared Values

Commitment to strategy: High Motivation to change: Intermediate.

Intervening Variables ────── **Outcome States**

Formal Structure

| 6/94: **Event 6** Decentralisation of decision making. | 1/95: **Event 7** Further decentralisation of decision making. | 1/95: **Event 8** Product development committee formed by senior managers. |

Reduced centralisation and formalisation.

Informal Systems

| 6/94: **Event 6A** Business units create their own product development team. | 1/95: **Event 9** Business units create their own communication groups |

A parallel organisation that bypasses formal structures.

Intended Strategy

9/92: **Event 4**

Defined product development plans

Defined product development plans

Staff

1/93: **Event 5** External recruitment of business unit staff commences.

Focus on increasing middle management layers..

Management Style

Returning to administrative.

Skills

1/93: **Event 5A** Development of underwriting & mgt. Skills in business units.

Reduction in overall specialisation.

Shared Values

Split - medium to high motivation to change at the business level but declining motivation to change at top management level.

CASE STUDY SUMMARY: ORGANISATION EPSILON

1. SITUATIONAL FACTORS AND MAJOR CHANGE OBSTACLES:

Unclear strategy, low focus on business innovation, financial losses result in the appointment of a new CEO for personal insurance operation. Geographically dispersed structure without skill focus our mechanism for product development. Last major product development over ten years ago.

2. THE PROCESS OF CHANGE:

We will consider here the issues of conception, an overview of the change process, the stimulation of business innovation and post-change developments.

2.1 INITIATION:

Initial actions focus upon introduction of geographically centralised formal structure, hiring new staff (no existing staff are removed) and planning new strategic direction.

2.2 THE CHANGE PROCESS:

The following episodes are identified:
1. Two top level management firings (1 year after initiation), work on design of new formal structure.
2. New product development function introduced, designed by top managers. Business level informant states that "cultural barriers" exist between new and veteran staff that inhibit product development.
3. New formal structure introduced embracing all operations. "Cultural differences" remain.

Schematically, this can be represented as follows:

■ New CEO ■ New centralised formal structure. ■ New staff.	■ Work starts on designing new strategy.	■ Top managers fired.	■ New formal structure ■ Cultural divide remains between new and veteran staff.
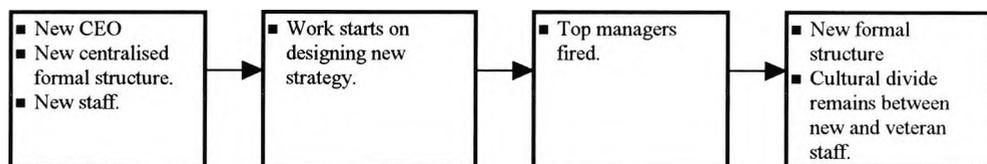
2.3 STIMULATING BUSINESS INNOVATION:

Reliance, principally on changes to formal structure, coupled with new staff in product development function.

2.4 POST CHANGE DEVELOPMENTS:

Efforts to operationalise new formal structure continue.

CASE DYNAMICS MATRIX: ORGANISATION EPSILON

DATE:	EVENT DESCRIPTION:	UNDERLYING ISSUES:	CONSEQUENCES:	RESEARCHER'S NOTES:
January, 1994	New CEO enters organisation to run Personal Insurance operation.	▪ History of poor financial performance; ▪ Lack of clear strategic direction at corporate level in face of volatile environment; ▪ Poor and outdated systems; ▪ Outdated products, no major product development for 15 years.	Six month review period commences. Initial conclusions: ▪ Functional and geographically dispersed structure inhibits customer focus and accountability; ▪ Business level strategy outdated; ▪ Operational expenses exceed those of competitors; ▪ Need to restructure to "catch up" with competition.	CEO will design a geographically centralised structure to: ▪ Concentrate operations; ▪ Commence a period of skill building, and strategic analysis.
July, 1994	▪ Introduction of geographically centralised structure.	▪ A need to "get the basics right" - to catch up with competitors, particularly with regard to operational expenses, before instigating more radical change. ▪ Greater concentration of staff was required - from this position new skills and staff could be more effectively imported into the organisation.	▪ Uncertainty amongst established staff - a position that will continue into 1996. ▪ Loss of contact/alienation amongst traditional customers (UK provincial brokers).	Uncertainty, unwillingness to change still evident in organisation at time of interview (June, 1996). Limited changes to top management staff may be the underlying cause.

DATE:	EVENT DESCRIPTION:	UNDERLYING ISSUES:	CONSEQUENCES:	RESEARCHER'S NOTES:
July, 1994	CEO commences period of importing new staff into the organisation. Particular emphasis placed upon project management/planning and pricing skills.	▪ Absence of planning and analytical skills in the organisation would inhibit the research work that would enable a new mission to be developed.	▪ Refer to next event entry.	
July, 1994	▪ Analytical work commences amongst top management team to deign a new mission.	▪ Strategic vacuum exists.	Development of a corporate level strategy based on the concept of "product menus" - insurance products that can be altered to meet the needs of individual customers - appears over the next 12 months.	Resistance to change exists still amongst established staff.
July, 1995	CEO makes certain top level management changes: ▪ One functional manager dismissed; ▪ Marketing manager fired and marketing dept. disbanded.	▪ These managers have open "character clashes" with CEO	Enables design of second organisational structure that will enable the new corporate level strategy or mission to be implemented.	

DATE:	EVENT DESCRIPTION:	UNDERLYING ISSUES:	CONSEQUENCES:	RESEARCHER'S NOTES:
July, 1995	Detailed work commences on the design of the second organisational structure. Research into customer needs commences.	▪ CEO decides that business level staff must be involved in the design of the second organisational structure.	Explicit plans appear for implementation but barriers to change remain.	
September, 1995	Newly designed product development function launched. Work starts on "re-engineering" work practices. Planning for skill development starts, together with bonus rewards.	▪ Required to develop new "service menu" products.	Little new product development activity takes place as functional barriers and cultural differences still remain.	
January, 1996	Pilot of new working systems starts.	Needed to support new mission	Cultural "re-engineering" seems now not to be a part of plans - cultural divisions still a major contributory factor in poor product development performance.	

EVENT STATE NETWORK: ORGANISATION EPSILON

1. The event state network illustrates the profile of the organisation at the beginning and end of the process of configurational change. The major events that constitute the process of change are shown together with their perceived effects. A full description of these events and their perceived effects will be found in the Case Dynamics Matrix.
2. All data is obtained from either the questionnaires or the subsequent interviews.
3. Symbol key:

BOXES are events.
The event no. corresponds
to that shown in the Cased
Dynamics Matrix.

BUBBLES are states or
organisational
characteristics.

Major casual influence

Antecedent States

Intervening Variables

Formal Structure

High levels of centralisation, especially in strategy making..

7/94 Events 2
Geographically centralised structure introduced designed by CEO.

Informal Systems

High centralisation and formalisation.

Intended Strategy

Unclear, low focus on business innovation

7/94 Event 4
Work starts on new corporate level strategy.

Staff

30% employed in non-business activities

1/94: Event 1
New CEO appointed.

7/94: Event 3
New staff hired to increase skills.

Management Style

Administrative

Dictatorial

Skills

Low specialisation.

7/94: Event 3
Skills increase particularly planning, marketing and pricing.

Shared Values

Low motivation to change and support for current strategy.

Uncertainty amongst established staff - a situation that will remain until 1996.

Intervening Variables ———————— Outcome states

Formal Structure

7/95 Event 5
CEO disbands marketing dept

7/95 Event 6
Top managers start work on design of new structure.

9/95 Event 7
Newly designed product development function introduced..

1/96 Event 8
Newly designed structure for entire operation introduced.

Reduced centralisation

Informal Systems

Qualitative analysis shows no changes

Intended Strategy

Uncertainty, functional barriers and "cultural differences" inhibit business innovation.

Well defined plans but "Cultural differences" continue to inhibit business innovation.

Staff

7/95 Event 5
CEO removes two top managers

No change in distribution of staff, many veteran staff remain.

Management Style

CEO starts to adopt a management style that supports business innovation.

Encouraging experimentation.

Skills

Increases in skill specialisation.

Shared Values

Uncertainty

"Cultural differences" remain.

CASE STUDY SUMMARY: ORGANISATION ETA

1. SITUATIONAL FACTORS AND MAJOR CHANGE OBSTACLES:

The immediate biography is relevant. A new top management team entering the company between 1989 to 1990 devised an expansion programme which produced extremely poor financial losses, a geographically dispersed organisational structure and neglected core products. Top managers also had developed in the company's major product area an "impenetrable" barrier to change instilling the belief that threats imposed by new low cost entrants were only temporary. The failure of the expansion programme revealed a strategic vacuum.

2. THE PROCESS OF CHANGE:

We will consider here the issues of initiation, an overview of the change process, the stimulation of business innovation and post-change developments.

2.1 INITIATION:

Severe losses and absence of strategy stimulated appointment of consultants to review strategy of organisation. Project team set up staffed by middle managers. This team effectively reports directly to board. Consultants appointed as a result of pressure from board.

2.2 THE CHANGE PROCESS:

The following episodes are identified:
1. Consultants establish project team staffed by middle managers to review (a) corporate level strategy and (b) strategy for main product area. This report presented to board and reveals to board failings of top management.
2. Further consultant led middle management teams used to develop plans for remaining product areas. These plans are approved by board.
3. Existing top management take over implementation. Effort is under-estimated and consultants return who revive project groups to devise implementation plans. These plans are approved. Simultaneously top management resignations appear and new CEO appointed.
4. Consultant led cross-functional product development teams introduced to develop products. Top management introduces new structure to divide product development from day to day business activities. New products appear. High motivation exists in project groups but resistance to change is not overcome elsewhere in organisation. Project to focus on cultural change is abandoned.

Schematically, this can be represented as follows:

■ New corporate level strategy. ■ New strategy for core product areas.	■ New strategies for remaining product areas.	■ Project team structures; ■ New formal structure	■ New products but ■ Resistance to change remains outside project groups.
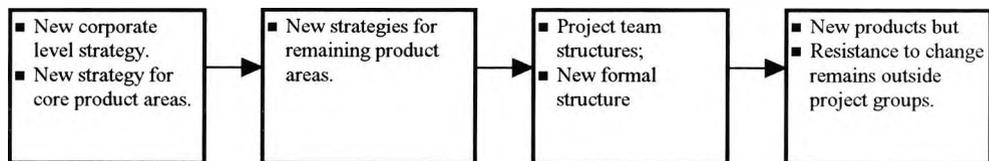
2.3 STIMULATING BUSINESS DEVELOPMENT INNOVATION:

Business level project teams are highly successful from April to December 1994. However efforts to encourage change outside these groups fail and motivation to change declines.

2.4 POST CHANGE DEVELOPMENTS:

Current management focus is on skill development. Sales function has restructured to focus more clearly on customers producing a matrix structure. A division is discernible between business level staff and top management.

CASE DYNAMICS MATRIX: ORGANISATION ETA

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
1.	March 1993	Consultants appointed and major strategic review commences.. *Underlying issues:* ■ Unprecedented financial losses following expansion into commercial insurance in 1990-1992. Scale of these losses became evident in February 1993 at the same time competitors' performance was improving; ■ No corporate level strategy; ■ Neglected core products under attack from new entrants; ■ Resistance to change in organisation certain top managers who had recently departed felt that competitive changes were only a temporary aberration. This group had formed an "impenetrable" barrier to change in the core product area - motor the most threatened by environmental changes. The serving CEO was also seen as a change barrier in view of lack of experience and failure to delegate; ■ At this point there was no newly created strategic direction or structure.	■ Realisation that both corporate level and business level strategies must be reviewed; ■ Core group of middle managers established in project groups.; ■ Fear in organisation that newly established commercial insurance area would be shut down.	The immediate biography of the organisation should be noted. Prior to 1989 the company adopted a conservative stance focusing product strategy in three areas - private car, warranty and travel/schemes. Following the appointment of a new executive team in 1989 top management decided upon a rapid expansion into commercial insurance, opening a number of regional offices across UK. Described as strongly top down led programme. Large influx of new staff and existing staff were geographically dispersed. Implementation caused wide ranging problems - management style at this time was highly dictatorial. Complexities of re-organisation and simultaneously issuing a range of new products did not appear to be appreciated. This expansion programme produced immediate financial losses and it was reversed at the end of 1991. During this period the company's traditional product base had been neglected. At this point (1991) many of top managers responsible for expansion were replaced and new CEO promoted from within. Staff transferred back to two centres causing further disruption.

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
2.	June 1993	Group presents its first report cover corporate level strategy and private car	■ Group proceeds to look at remaining product areas; ■ Discovery that forgotten core product were "cash cows." ■ No other amendments made to the organisation whilst strategy was being reviewed. ■ Supporting project teams established (see Event 3. ■ This report was to act as the trigger to change top management.	
3.	June to December 1993	Project teams established to research strategy. products, broker distribution, green field research and management information. *Underlying issues:* ■ This is still a consultant led project; ■ Teams consist of middle managers; ■ These teams are set up as a result of the initial strategy development carried out March to June 1993.	■ Increase in planning, project management and product development skills within project teams; ■ Increasing morale in project groups - less fear that commercial insurance would be abandoned. Declining resistance to change within project groups but resistance to change remains outside these groups.	This event marks the start of a temporary shift of power and involvement in strategy making from top management to middle level managers.
4.	December 1993	Project teams present overall strategy and plans to board. *Underlying issues:* ■ Top level management not yet involved to any great degree; ■ Consultant leaves at this point	■ Top management take over plans and prepare recommendations for implementation.	

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
5.	January 1994	Top management prepare for a rapid implementation of new strategy based on one management conference. Managers responsible for creation of new strategy in 1993 are not involved in preparing implementation plans.	■ Consultants recommend more detailed implementation preparation; ■ Middle managers brought back in to manage implementation preparation.	
6.	January to March 1994	Series of implementation planning teams established.	■ Implementation plans; ■ increasing ownership throughout project groups.	
7.	March 1994	Implementation plans presented to group. *Underlying issues;* ■ CEO distant from project and underestimates complexity.	■ CEO resigns - Group appoints their own CEO. ■ Implementation commences; ■ First true product development work commences.	
8.	April to October 1994	Cross functional project teams formed for product development. Training given by consultants. This change accompanied by the introduction of a Product Management function to separate day to day activities from product development. Top management introduce a new customer focused formal structure.	■ Increase in project management and product development skills; ■ First use of true R&D. ■ Barriers to change reduce - increasing acceptance of new plans within the new groups. ■ Significant shift of decision making authority to business units from top management; ■ Resistance remains at other levels not involved in this process. ■ New formal structure does not develop as well as top management hope - a number of functional islands remain.	Establishment of these teams is seen by business level informants as the most important single step in starting more innovative activities. Product Management function conceived by top management. A separate customer services organisation was established by top management.

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	EFFECTS:	RESEARCHER'S COMMENTS:
9.	July 1994	Culture and Business Process Reengineering projects created.	■ These projects are to concentrate on cultural change and efficiency; ■ Projects to be managed and designed at senior management level.	
10.	September 1994 onwards	New products introduced.	■ Increasing acceptance; ■ Skills and groups retained for future development.	
11	June to October 1994	Top management changes: Underwriting and Sales	■ "Destabilising" effect on some staff - both were established company men - but changes were made to make room for new staff.	
12.	October 1994 onwards	Culture project abandoned, Re-engineering exercise introduced and seen to emphasise cost-cutting as opposed to improving customer service.	■ Evidence of gap between business level staff and top management; ■ Corporate level strategy becomes unclear as actions contradict statements.	
13.	Mid 1995	Sales function restructured to focus more clearly on distribution methods.	■ Brings greater sales focus, but at business level this is viewed as creating a matrix - different sales focal points crossing over internal functional specialisms.	
14.	Current date	Top management's attention focuses on skill development with an emphasis on multi-tasking.	■ To be observed.	Responsibility for structural and strategy change reverts to top management.

EVENT STATE NETWORK: ORGANISATION ETA

1. The event state network illustrates the profile of the organisation at the beginning and end of the change process. The major events that constitute the process of change are shown together with their perceived effects. A full description of these events and their perceived effects will be found in the Case Dynamics Matrix.
2. All data is obtained from either the questionnaires or the subsequent interviews.
3. Symbol key:

```
+-------------------------+
|BOXES are events.        |
|The event no. corresponds|
|to that shown in the Cased|
|Dynamics Matrix.         |
+-------------------------+
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BUBBLES are states or organisational characteristics.

Major casual influence

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EVENT STATE NETWORK: ORGANISATION ETA

Antecedent States

Intervening Variables

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Formal Structure

Centralised decision making.

3/93: Event 3 Project teams established to develop business level strategy in all areas.

Informal Systems

Undeveloped due to centralisation and management style.

Intended Strategy

Vacuum caused by fail of expansion programme.

Ill defined for core products.

3/93: Event 1 Consultants appointed to review strategy - starts with review of corporate strategy..

3/93: Event 1A Private car strategy reviewed.

6/93: Event 2 Group presents new corporate level strategy and plans for private car insurance.

6/93: Event 3A Business level strategy review extended to all areas.

Staff

Significant numbers focused outside business units

Awareness within parent company that changes to top management must be made.

Management Style

Dictatorial

Skills

Inadequate volume of planning, change & product development skills.

Shared Values

Fear, resistance to change.

Fear that commercial insurance areas will be closed.

Increasing motivation to change *within project groups.*

Formal Structure

1/94: **Event 5A**
Project teams revived to develop implementation plans.

4-10/94: **Event 8**
- Cross functional project teams formed for product development.
- Top mgt establish Customer Services structure to focus on day to day activities.
- First devolution of power to business levels teams who feel free to develop own structures.

Customer Services structure fails to develop as Top mgt hope.

Informal Systems

Intended Strategy

12/93: **Event 4** Group presents new corporate level strategy and plans for all product areas to board. Board approves and consultant leaves.

1/94: **Events 4 & 5**
- Top mgt take over implementation plans & under-estimate effort;
- Consultants brought back - planning passed to business level project groups.

3/94: **Event 6**
- Business level teams present implementation plans to parent company.
- Plans approved.

9/94: **Event 10**
New products start to appear

Staff

3/94: **Event 7**
CEO fired and replaced.

6-10/94: **Event 11**
Top mgt changes in resistant areas.

Management Style

Skills

Planning and project management skills increase.

Product development skills increase.

Shared Values

Sense of ownership increases *within project groups*.

Barriers to change reduce *in project teams* but remain outside..

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Intervening Variables — **Outcome States**

Formal Structure

7/94: Event 9A
BPR project launched by
top mgt/consultants

10/94: Event 12
BPR project completed
but does not meet
expectations

6/95: Event 13
Sales organisation
changed to gain clearer
customer focus

A matrix structure is
created - functional
internal focus - customer
external focus

Informal Systems

No further evolution of team
working.

Intended Strategy

Corporate direction
unclear

Clear plans but little
activity

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Staff

Unchanged

Management Style

Administrative

Skills

No increase in skills
outside project groups

Shared Values

7/94: Event 9
Culture project launched
by top mgt

10/94: Event 12
Culture project
abandoned.

Declining motivation
to change.

Barriers to change reduce *in project teams* but remain outside..

CASE STUDY SUMMARY: ORGANISATION THETA

1. SITUATIONAL FACTORS AND MAJOR CHANGE OBSTACLES:

Incumbent CEO due to retire. New CEO appointed from parent company with clear mandate to instigate change. Established management team focuses on traditional industry strategies feeling that these will protect the organisation against changes in the competitive environment.

2. THE PROCESS OF CHANGE:

We will consider here the issues of initiation, an overview of the change process, the stimulation of business innovation and post-change developments. Veteran managers are retained. Initial focus is upon challenging established strategies and developing new plans.

2.1 INITIATION:

Existing plans are challenged by new CEO who supplements existing top management team with younger, internally promoted managers.

2.2 THE CHANGE PROCESS:

The following episodes are identified:
1. Following appointment of new top managers a planning conference is called where existing managers are asked to think about new plans. The resulting plans fail to satisfy new CEO - organisation proceeds for a year without clearly defined plans. Staff do not understand direction of the compnay.
2. Alterations are made to formal structure to merge 2 geographically based divisions. No alterations are made to business level operations. Result is loss of customer focus.
3. Three traditional business areas are closed in October 1990 but CEO's Xmas message states "We need better products, service, underwriting to survive." A confused culture emerges.
4. Second formal structure designed and implemented by top managers. No focus on reskilling. Service issues dominate thinking of top management. Service issues surface in 1992 and unresolved in 1994. Internal and external reports reveal divided shared values.
Schematically, this can be represented as follows:

New CEO Supplements existing management team. Focus on developing new plans.	Existing managers cannot produce "acceptable" plans - organisation proceeds without plans for a year.	New formal structure & mission designed by top managers.	Service deteriorates Divided shared values.
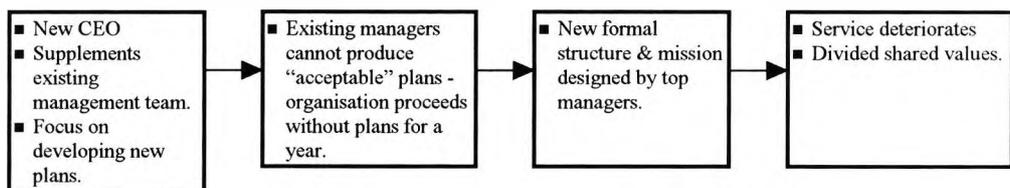
2.3 STIMULATING BUSINESS INNOVATION:

A series of attempts, principally led by marketing manager fail to gain total organisation-wide commitment.

2.4 POST CHANGE DEVELOPMENTS:

Organisation shut down as overseas parents withdraw from all but home operations.

CASE DYNAMICS MATRIX: ORGANISATION THETA

(This is a summary of the 114 major entries made in the incident log for this case study).

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	RESEARCHER'S COMMENTS:
1.	09/08/89	B, Corporate Planning Manager at parent company appointed Deputy Chairman of Theta. Requests the top management group for a copy of its "future business scenario." Such a document does not exist.	Information source: B
2.	09/08/89	B addresses top management group and states "For the company to survive we must become market orientated and we must be in a position to deal with the market. My interest is in the future because I am going to spend the rest of my life there."	Information source: B
3.	03/12/89	Theta's current IT systems will for economic reasons alone, require replacement in the next 3 years. A plan proposed by the top management group covering a five year period is rejected by B - "Five years is not a plan - it is a lifetime." B calls for user led report to be prepared.	Information source: Discussions with top management
4.	01/03/90	User IT report is issued. This document focuses on a future business scenario. The main conclusions were that: ■ Productivity will be a major focal point - Theta is currently a fourth quartile performer; ■ Distribution will emerge as a key structural issue; ■ Product development must become a core capability in view of forecast demand segmentation. ■ Key conclusion is that it will be useless to merely implement a new IT system, supporting structures and strategies must also be simultaneously developed.	Information source: Strategic report.
5.	03/03/90	Report is welcomed by B	Information source: Interviews
6.	01/07/90	B supplements existing top management team with internally promoted younger managers.	Information source: Staff notice.
7.	31/07/90	A, existing CEO retires. B takes full charge.	Information source: Minutes, Interviews

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EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	RESEARCHER'S COMMENTS:
8.	02/07/90	B asks Planning Manager to start planning process suggesting that a planning conference be organised to include as many management layers as possible. D arranges such a conference for 30/31 July. This is first time such a conference is held. Objectives for the conference are: ■ To obtain a shared view of the future; ■ Generate ideas to gain competitive advantage; ■ To produce a set of shared values for managers to prepare their plans; ■ Overcome lack of communication between functional areas; and ■ Overcome reactive attitudes to product development.	Information source: Planning preparation notes.
9.	01/09/90	CEO rejects plans prepared by managers after conference. Approved plans will not be prepared until September 1991.	Information source: Interviews.
10.	01/09/90	A restructuring of the Theta is announced. It is decided to merge the management of UK Provincial and London Market Divisions (this new structure is devised by top managers). Below senior managers the restructuring does not affect day to day activities. B feels that Theta is too small to operate on a divisionalised basis	Information source: Staff notice.
11.	30/10/90	Announced that Theta is to pull out of three business areas. Theta has transacted these classes since the early 1950s and this move has created discomfort amongst certain staff.	Information source: Staff notice - discussions with managers.
12.	22/10/90	B announces to staff that a major investment (£4m.) is to be made in IT systems to enable the company to meet the challenges of the future.	Information source: Staff notice.
13.	22/10/90	In an attempt to revive planning process planning manager issues "strategic audit" of the company and a document entitled "Key Success Factors." Draws attention to poor internal communication, structural problems and lack of strategy.	Information source: Documents.
14.	25/12/90	In his Christmas message to staff B states: "We need better products, service and underwriting to survive."	Information source: Staff notice.
15.	04/91	CEO asks Planning Manager to prepare specification of new organisational structure based on earlier research.	Information source: Interview.
16.	04/04/91	Marketing manager tries to stimulate product development by asking staff to research new areas. Reports are not supported by top managers.	Information source: Meeting minutes.

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	RESEARCHER'S COMMENTS:
17.	10/07/91	Human resources manager proposes system of core briefs. Resistance encountered from some HO managers, but approval reached for core briefings for regional offices, excluding HO.	Information source: Memoranda.
18.	24/05/91	B asked to return to parent company. C, a member of the original top management team takes over as CEO.	Information source: Meeting minutes.
19.	07/06/91	Agreed to set up a group of top managers to study the feasibility of introducing simultaneously a new structure and IT system in 1992, thus following the original recommendations of the user led report. Training was a particular issue of concern to this group in view of the new roles that would be created by the new structure.	Information source: Meeting minutes .
20.	02/07/91	Planning Committee is formed and holds its first meeting. Major objectives are to create a mission, to define future product markets, develop core competencies and define the strategic steps necessary to reach this mission. Committee observes that the organisation has failed to produce plans that were acceptable to the CEO. With the exception of IT little of the current plans has been implemented.	Information source: Meeting minutes.
21.	25/07/91	Marketing manager reviews the product development process in Theta. Although an outside consultant prepared a product development process after the 1990 planning conference it has not been integrated into the formal procedures of the Company. DG feels that the Company's poor record with regard to product development is due at least partially to the absence of a formalised product development process. He analysed recent attempts to introduce one new product and noted that the failure to define the process had resulted in omission of adequate competitor analysis.	Information source: Interview.
22.	26/07/91	Executive agrees to prepare an advanced feasibility report to implement a new organisational structure and IT system simultaneously.	Information source: Meeting minutes.
23.	18/09/91	New structure proposals to the General Management of the holding company. Plans are approved.	Information source: Meeting minutes.
24.	19/09/91	Core briefing "dies" due to lack of support. Last issue sent out.	Information source: File.

| EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	RESEARCHER'S COMMENTS:
25.	25/10/91	Top managers at Theta define a new mission: **"The most efficient provider of quality insurance products and services. To reach this objective we must develop total working systems that allow our products and services to be provided at the lowest operational cost. It is only from such a base that we can truly provide maximum value and benefits for customers, intermediaries, shareholders and staff."**	Information source: Meeting minutes.
26.	18/11/91	Executive group meets outside the office to consider final implementation plans	Information source: Meeting minutes, plans.
27.	25/11/91	Plans to restructure are announced.	Information source: Staff notice.
28.	14/02/92	Report by independent market researcher received on brokers' perceptions of the planned restructuring - majority see few benefits to brokers. Generally poor awareness of the planned restructuring.	Information source: Report.
29.	27/03/92	Executive meets to finalise imminent implementation of new structure. Recruitment profile agreed. Contingency units are in position to provide additional support in the event of early closure of old offices. Closure plan phasing of old offices agreed, although it is made clear that every attempt must be made to accommodate the managers of the old offices within the new organisations - unless acceptable retirement terms can be agreed.	Information source: Meeting minutes.
30.	01/04/92	New structure goes live for new business. The design of the SBUs follows original proposals with the exception of: no change workshops are held to help guide employees into their new roles.	Information source: Meeting minutes, plans.
31.	22/05/92	Concern is now being expressed at the levels of new business coming into the Company. Difficulty is being experienced in providing reasonable service levels to Brokers.	Information source: Meeting minutes.
32.	26/06/92	Staff losses are now higher than planned - 33 temporary staff have been employed. Decision taken to control the volume of business by price increases.	Information source: Meeting minutes
33.	26/06/92	Staff are now leaving earlier than expected. In view of the growing size of the backlogs efforts clearing backlogs and service becomes a secondary issue - if necessary telephone service will be degraded to control business volumes.	Information source: Meeting minutes.

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EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	RESEARCHER'S COMMENTS:
34.	13/07/92	One top manager, concerned at effects of work backlogs commissions a report by consultants into work processing procedures. This reveals: 1. Management is reactive; 2. Plans for system enhancement are not clear; 3. Processing systems are incomplete; 4. Corporate mission not widely known; 5. Danger of client dissatisfaction; 6. Lack of ownership of corporate mission.	Information source: Report.
35.	16/10/92	Disagreement between top managers regarding staffing and productivity objectives for the coming year.	
36.	19/11/92	To try to stimulate product development, marketing manager sets up a cross functional group - the "Product Forum".	Information source: Minutes.
37.	14/12/93	Product forum meets and competitor analysis procedures are introduced.	Information source: Meeting minutes.
38.	23/12/92	Due to work pressures one member of the Product Forum says he will have no time to attend.	Information source: Meeting minutes.
39.	08/02/93	1993 Plan published. Contains mission and corporate objectives. Each business area has detailed product development plans.	
40.	12/03/93	Commercial Lines Product Forum meets to discuss product positioning for the Commercial Products. Field research has been carried out by the Sales Force. This reveals that service is a major problem, certain products are outdated.	Information source: Meeting minutes.
41.	19/05/93	Package Insurance Product Forum meets. Although no current pressure for new business it is apparent that expansion will be impossible with existing product which is outdated and administratively intense. Product improvement programme therefore agreed.	Information source: Meeting minutes.
42.	01/07/93	Results of first Commercial Product positioning exercise made available. Conclusions: our product is "too average" and service is emerging as a problem issue and we lack flexibility.	Information source: Meeting minutes.
43.	08/07/93	Team briefing system introduced by Human Resources manager. Objective is to ensure that "all employees know and understand what they and others in the Company are doing and why."	Information source: Meeting minutes.
44.	15/07/93	Product Positioning matrix for another commercial product is produced. Again, Theta's product is seen as "stuck in the middle" and in respect of service Theta is in the "worst" category.	Information source: Meeting minutes.
45.	02/07/93	Instructions from parent company to focus on expense reduction.	
46.	01/10/93	Core brief announces corporate standards for telephone answering.	Information source: Core brief

EVENT NO.	DATE:	EVENT DESCRIPTION AND UNDERLYING ISSUES:	RESEARCHER'S COMMENTS:
47.	01/12/93	Signs are now appearing that Theta's competitive position is weakening - premiums are £12m. below plan.	Reports.
48.	07/01/94	Series of groups established by CEO to examine growth and service	
49.	28/02/94	Results of the Broker service market research are presented to top management. Main findings are: 1. Significant drop in Theta's Favourability/Familiarity profile. 2. Service standards are non existent - especially telephones. No action agreed at this point.	Information source: Interview.
50.	22/02/94	Signs are that Theta is not holding its market position - premiums continue to fall against plan.	Information source: Meeting minutes.
51.	23/03/94	Sub group of executives participate in a workshop to develop co-ordinated approach to service standards.	Information source: File notes.
52.	11/04/94	New "select" Retail Shop policy launched.	Information source: Meeting minutes.
53.	26/04/94	Executive sub group define strategy for introduction of service standards. Discussions have been held with SBU staff. Staff at the business level are genuinely concerned regarding poor service and falling premium income. However, staff don't want to be the subject of a General management instruction - rather, they would welcome the opportunity to identify and solve problems themselves. Sub group therefore recommends the introduction of the "Best Practice Workshop" programme - a series of quality circle focusing on company-wide service issues.	Information source: File notes.
54.	04/05/94	Best Practice Workshop initiative is launched to introduce service standards. results of market research survey are given to staff.	Information source: Meeting minutes.
55.	28/06/94	Best Practice Workshop finishes first study. The study commences with a diagnostic survey which includes a "values" section. Key questions covered the company's Mission statement - most thought that the Company wasn't living up to its mission - "Generally felt that not all departments are pulling together. Situation is improving but backlogs prevent the ideal service standards being attained."	Information source: File notes.
56.	11/94	Parent company announces that it is withdrawing from overseas operations and Theta's operations will close.	Internal staff notice.

EVENT STATE NETWORK: ORGANISATION THETA

1. The event state network illustrates the profile of the organisation at the first and second census points. The major events that constitute the process of change are shown together with their perceived effects. A full description of these events and their perceived effects will be found in the Case dynamics Matrix.
2. All data is obtained from either the questionnaires or the subsequent interviews.
3. Symbol key:

BOXES are events.
The event no. corresponds
to that shown in the Cased
Dynamics Matrix.

BUBBLES are states or
organisational
characteristics.

Major casual influence

Antecedent States **Intervening Variables**

Formal Structure

High levels of centralisation and formalisation, especially in strategy making..

9/90 Event 10
Top managers merge geographic divisions - business level activities are not altered.

Informal Systems

Individual actions strongly discouraged.

Intended Strategy

Undefined. Clear "business scenario" absent.

Reactive, little true innovation, reliance on "recipes."

7-9/90 Events 7&8
Planning conference - plans are subsequently rejected by CEO

Staff

40% employed in non-business activities

8/89: Event 1
New CEO appointed from parent company.

7/90: Event 6
Top management team supplemented with younger managers.

Management Style

Administrative

8/89 - 3/90 Events 2-5
Past plans challenged - encourages support for new thinking.

Skills

Functionally biased.

Shared Values

Low motivation to change, mixed views on support for current strategy.

Confusion.

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Intervening Variables

Formal Structure

> **4/91: Event 15**
> CEO asks planning manager to design new customer focused structure.

> **7/91: Event 19**
> Team briefing system introduced in all areas *exc.. HO*

Informal Systems

Intended Strategy

> **10/90: Event 11**
> Announcement to pull out of 3 traditional business areas

> **10/90 Event 13**
> Internal report shows poor communication, lack of strategy & structural problems

> **12/90: Event 14**
> CEO's Xmas message: "We need better products, service, underwriting…"

> **4/91: Event 16**
> Marketing manager present new product proposals - not supported by top management.

Staff

> **6/91: Event 18**
> CEO's deputy resigns.

> **6/91 Event 20**
> New CEO appt'd from original mgt team

Management Style

Skills

Shared Values

Confusion.

Intervening Variables — Outcome States

Formal Structure

6/91: Event 21
Group of top mgrs set up to design new structure

7-11/91: Event s 22-8
Plans finalised.

4/92: Event s 28 - 30
New structure announced.

4-6/94 Events 55-57
Workshops introduced to tackle service issue. Reports that "company is not pulling together".

Increased centralisation

Informal Systems

Increased centralisation & formalisation

Intended Strategy

7/91: Event 22
Planning committee set up design new plans.

10/91: Event 27
New mission defined by top managers.

7/92-2/94: Events 36, 49, 51, 52
Poor service reports, business volumes falling.

Direction poorly understood.

Little product improvement activity.

Staff

5-6/92: Events 33 - 34
Staffing problems - service problems appear that are to remain unresolved.

Unaltered

Management Style

Administrative.

Skills

Unaltered

Shared Values

7/92: Event 36
External report reveals lack of ownership & reactive management.

Divided, low motivation to change.

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