

Adaptive Change Management in the “Self-Murder Corner” of Ochs Matrix

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Abstract: The savory snack market in Hungary and Central Europe is already highly matured. To gain higher market share in existing market segment or have new market segment is highly challenging and expensive. The companies must be innovating on new attractive products to the consumers. This case study explains the business situation when an FMCG company implement a new food product to new market by using new manufacturing technology. This business situation was described in Ochs 3-dimensional matrix as “self-murder corner”. Considered the project complexity and the all 3 dimensions are new — even the careful planning — cannot be foreseen all risks and issue before the project. Consequently, in the different phases of the project timeline the company faced multiplied issue. This study is intending to explain the ways what can be applied as adaptive change management to recognize and eliminate the risks from phase 0 until the products are already in the market. Adaptive change management is a way of working of teams who can adapt all complex and cross functional decisions even on their structure rather than application of pre-defined scenarios and response problems. The study describes the project teams as “small companies”. The result of the project proved that this difficult situation could be successfully solved if the organization is open enough to learn ongoing, the teams are cross-functional, strong, and authorized to decide in time. Additionally, the complexity of the project can be a “masterpiece” base for the entire organization learning curve.

Key words: change management; technology; product; FMCG; Ochs matrix; learning

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1. Introduction

The savory snack market in Hungary and Central Europe is already highly matured. There are the traditionally strong players like Pepsico or Mondelez and recent years the private label players like Aldi, Lidl, getting stronger and covering almost half of the snack market by owned private label products. Additionally, the consumers can select any other substitution products like rice chips. To gain higher market share in existing market segment or have new market segment is highly challenging and expensive. The companies must be innovating on new attractive products to the consumers. This case study explains the business situation when an FMCG company implements a new food product to new market by using new manufacturing technology.

In this study, the product was a new cracker, includes healthy seeds, the targeted market segment was the

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young generation. Two new technologies were applied: new lamination technology in order to get crispy baked product and new packaging technology to secure the highly fragile product. This business situation — new product, new market, new technology — was described in Ochs 3-dimensional matrix as “self-murder corner”.

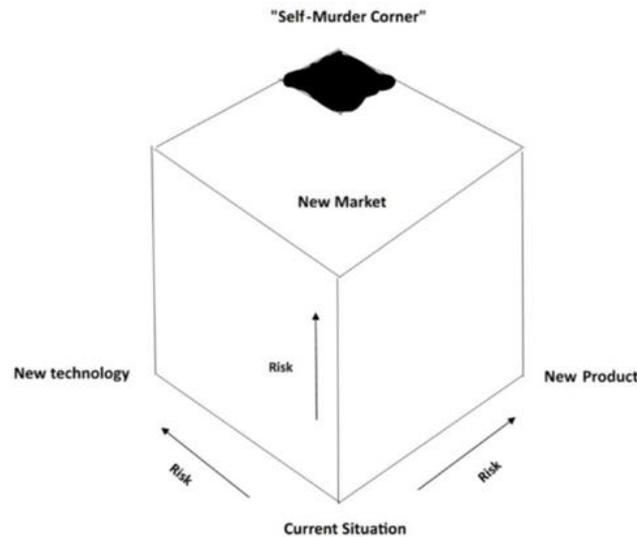


Figure 1 Risk Cube Model of Ochs (Steele, 1989; Gaynor, 1993)

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2. The Basic Statement

The traditional way of new product implementation can be applied because all possible changes can be foreseen, and scenarios can be done to answer any changes what happening during the implementation.

2.1 Assumptions for Basic Statement

- Undisputed legal background describes the rules and regulations of a baked product
- The company has approved recipes which are conform with that rules & regulations
- Product samples for consumer testing already manufactured and the targeted consumer groups can select the proper one
- The packaging method is ideal for that product and fulfill all requirements
- The label includes all relevant food parameters described by regulations
- The time frame of new product implementation is enough conservative to cover all non-calculated issue during the implementation
- The decision-making hierarchy is well defined, and all decisions have been made in time.

During the execution the team faced multiplied unexpected factors. There is a chemical component in the new product, called “Acryl Amid” which is necessary element of any baked product. This chemical component generated by heat as result of high temperature burning. Researchers proved that above a certain level of Acryl Amid can cause unhealthy conditions. The exact maximum level of approved Acryl Amid was a “rubber target” subject and the same time of the new product implementation was discussed by European Union even the final decision was not made yet. Due the delivery lead time of label, all information of the label should have been pre-defined and printed far before the product package and implementation. This label should include all Acryl Amid relevant elements. Unfortunately, the measurement capability of Acryl Amid level was limited by

measurement capability and was not able to measure the level of Acryl Amid which was proposed by European Union committee. The basic ingredients which are influence the Acryl Amid level, influences the softness of the product too. This fact implicates technological changes also in the baking and packaging areas which should have been aligned with the new requirements. The timeline of the new product implementation was precisely calculated not considered the non-expected factors caused time delays.

3. Conclusions

The basic assumption has been failed. The traditional way of new product implementation didn't work properly in situation where the new product comes to new market by applying new technology. The issue what the company faced was not foreseen and the solutions for that problems couldn't be solved by separated functional departments. Physically, was not possible to create so much scenarios before the implementation which can answer all issue what can happened.

Considered the project complexity and the all 3 dimensions are new — even the careful planning - cannot be foreseen all risks and issue before the project. Consequently, in the different phases of the project timeline the company faced multiplied unsuccess. This study explains that the traditional ways of working of new product implementation cannot be applied in the “self-murder corner” successfully.

4. Adaptive Change-Management

Adaptive change management is the way, what can be applied as alternative methodology to recognize and eliminate the risks from phase 0 until the products are already in the market. Adaptive change management is a way of working of teams who can adapt all complex and cross functional decisions even on their structure rather than application of pre-defined scenarios and response problems.

4.1 The Elements of Adaptive Change-Management

4.1.1 Organization Capability: Involve the Organization Along the Entire Timeline

To ensure that the entire organization and particular the core team understands the scope of the project, gained all information and have operations resources, capabilities to execute the initiative. This involvement should have contained all relevant information & learning of previous projects. The core team needs to be representative all business functions of the company. The core team must understand other team members professions and other function's cross-functional impact on its owned function. The team must have the right to decide on all relevant questions.

4.1.2 Organization & Manufacturing Readiness

The entire organization is ready for the new challenge. The organization is mentally prepared, the core team supported by all functional areas. The allocated time to the project enough and covers a safety reserve. The readiness report created and proves that the basic elements of the manufacturing capabilities are ready. Established a master plan ensures that all resources and impacts to production systems are optimized.

4.1.3 Competency & Skills

The core team must contain of all representative of Different functions of the company. The required competency level is very high the members have to have high level mastery on its areas. Additionally, they need to be open to learn and understand other subject matter experts' functions and motivations.

4.1.4 Risk Assessment & Mitigation Plan

All relevant risks needed to understand by the team, the risks to the execution, risks to business results. The current operation capability assessed by all risks and align on the mitigation plans and project scope. Failure Mode and Effect Analysis needs to be done before the start to showing the riskiest point of the project.

4.1.5 Initiative Success Criteria & Results

It needed to establish, communicate initiative operations success criteria's and results. Develop Start-Up Work Process Execution Plans. The project milestones must contain success criteria for the toll gate review. Establishing the success criteria for all relevant partners from Marketing, Sales, Finance, Engineering, Manufacturing and R&D as well as Seamless Technical Community are fully aligned and committed to the results

4.1.6 Detailed Initiative Budget

All tasks needed to develop integrated initiative execution plan of budget and overall initiative execution schedule. The budget must contain contingency resource for any issue which can not foresee. Financially, is highly desired to calculate the project as an investment with has cost, income, profit. It should be applied the project lifecycle management type of return of Investment calculation (ROI). This confirms the “small company approach”

The elements of adaptive change management could show some overlaps with traditional way of new product implementation. The reason behind are that the fundamental elements of the implementation could create stability for the project and includes many elements of project management. The real difference is the way how the teams are working on the change.

Two types of changes have been defined the primary or morfostatic change when only the way of working changes while the system not changing. The secondary or morfogenetic change means when the system structure changes Based on that definition is the adaptive change management is a primary change. In the reality, the adaptive change management works as a “small company” in frame of the entire company. The real advantage of adaptive change management model is that the “small company” team can execute secondary change in this “small company”. In this way, the adaptivity level has been increasing and the authority is high. Finally, as a next steps of adaptive change management the entire company can move in “small companies” mode.

Adaptive change management describes the project teams as “small companies”. The result of the project proved that this difficult situation could be successfully solved if the organization is open enough to learn ongoing, the teams are cross-functional, strong, and authorized to decide in time. Additionally, the complexity of the project can be a “masterpiece” base for the entire organization learning curve

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