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COLLABORATION FOR GROWTH: A CULTURAL TRANSFORMATION

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Change Management Key to Supply Chain Organization Transformation

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Agenda



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- Some Key Facts concerning Change Management
- Change Management Curve
- John Kotter's Change Management Model
- Factors Driving Organizational Change Management
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What is Change Management?

Definition of Change Management

It is the process, tools and techniques to manage the people side of change to achieve the required business outcome.

Change management incorporates the organizational tools that can be utilized to help individuals make successful personal transitions resulting in the adoption and realization of change.

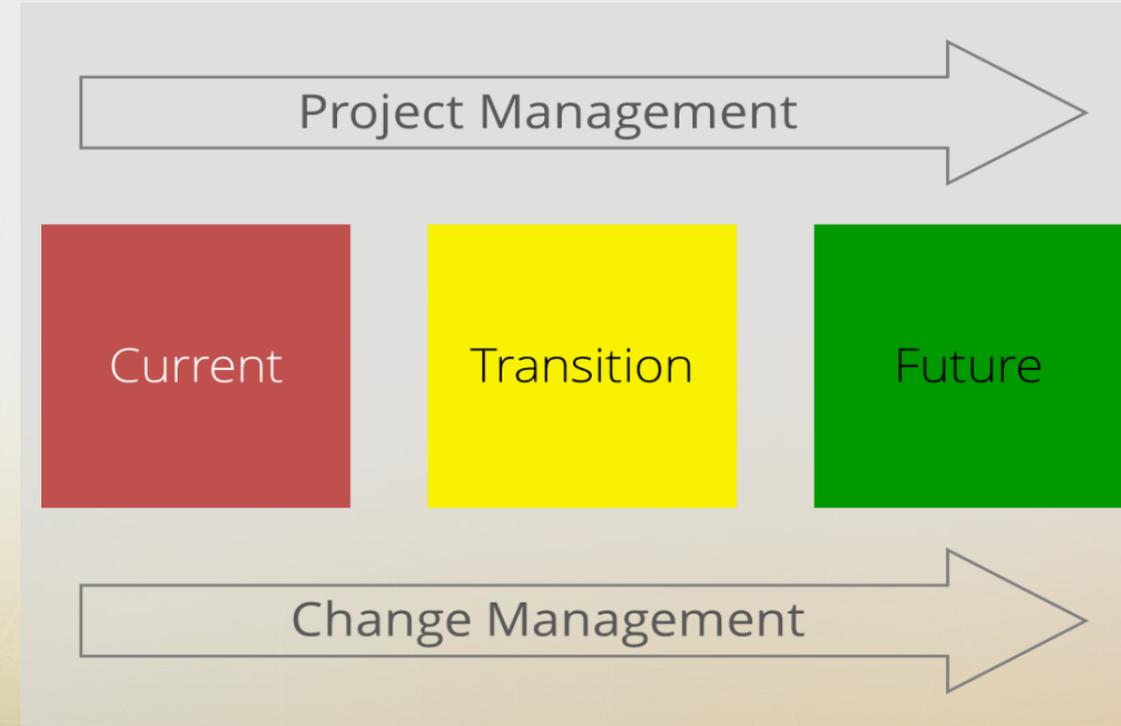


Figure 1 :Source: <https://www.prosci.com/change-management/thought-leadership-library/change-management-definition>

Some Key Facts Concerning Change Management

Change management is not a random event, it is a well planned and coordinated actions that take place over a long period of time. OCM is driven by intrinsic and extrinsic factors, some change initiatives can take years to fully materialize. According to Lewin, change is characterized by 3 main phases;

- Unfreeze
- Change
- Refreeze

According to a 2013 study by Tower and Watson;

- 50% of OCM initiatives achieve their initial ROI objectives
- 75% of Organizations fail to achieve sustainability of OCM over the long run
- Only 25% of Organization are able to sustain gains from change initiatives

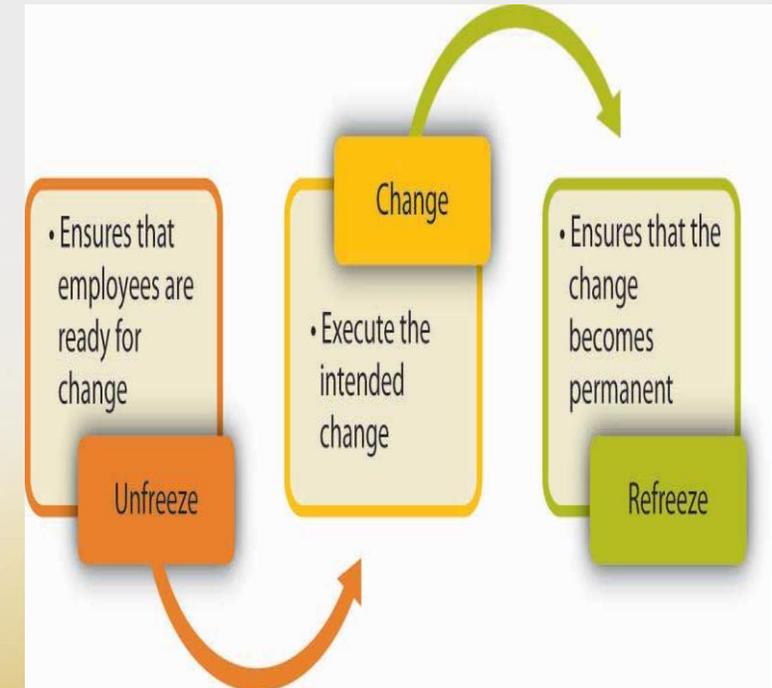


Figure 2: Lewin Change Management Model

Change Management Curve

People like their routine they are often threatened and feel un-settled by change. According to Dr. Davis and other neuroscience researchers, [the reason lies in human evolution](#). In short, our human ancestors depended as much on social belonging for survival as they did on food and shelter. Poor social standing on both individual and group basis can actually lead to a [higher mortality rate](#).”

Dr Davis offer 4 stages of change resistance (Figure 3), he also offers ways of overcoming these obstacles.

1. **Denial:** why change? → Create a Change Vision
2. **Anger:** Employees complaint, become bitter and blame start going around → Leaders need to have an empathy ear, so that people can vent their anger an in the process establish trust and relationship
3. **Exploring:** Employee explore alternative and negotiate favorable options to the proposed one → Management must listen to ideas and consider them, feedback and open communication is needed
4. **Acceptance:** Employees accept the change is necessary and jump on board → Management should reward employees for dedication and acceptance, look for future improvement on the change that has been implemented

The Change Curve

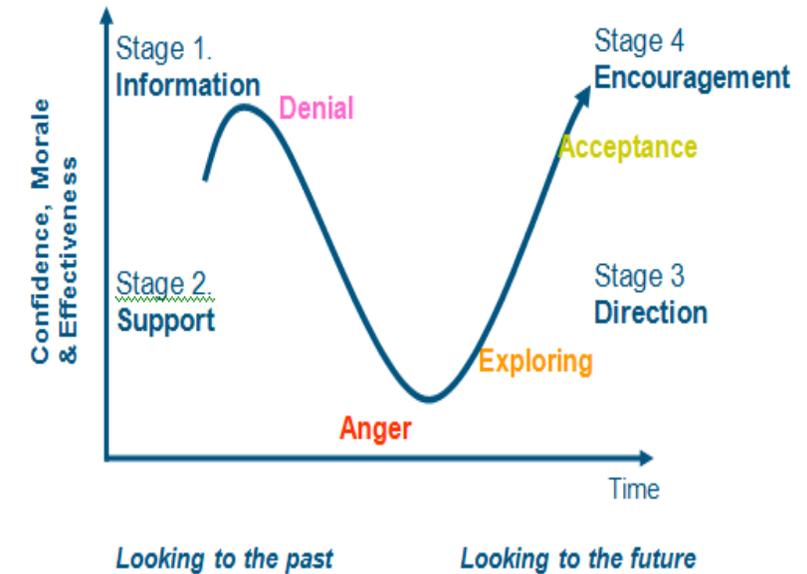


Figure 3: <http://www.educational-business-articles.com/change-curve/>

Factors Driving Organizational Change Management

In today's global markets, change has become the rule rather than the exception.

Organizational environments are characterized by growing complexity and turbulence (Huber & Glick, 1995). Ever-advancing technologies, deregulation of entire industries, or an increasing number of major catastrophes, such as natural and economic crises or terrorist attacks, are just examples of factors that force organizations to revise their strategic positioning with increasing pace and frequency.

OCM management can be as a result of internal or external factors or a combination of both.

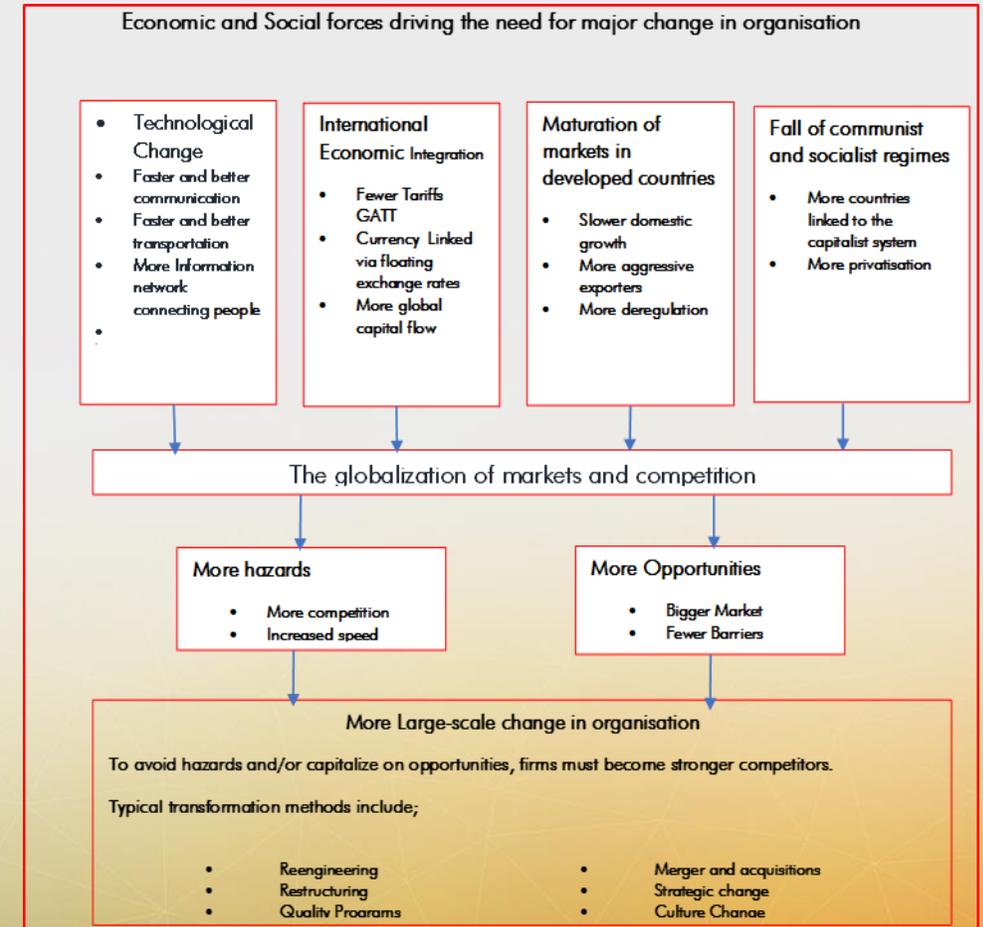


Figure 5: Forces driving Change . Source: John P. Kotter, Leading change, p.21

Change Management Key to Supply Chain

Supply chain is not a new industry it has been part of our life almost as long as human existence. We have gone through several evolutionary stages, starting with physical distribution management, in the early 1970's which evolved into logistics management in the 1980's, further development followed in the 1990's to reach the stage of modern supply chain.

Change has not stopped there, supply chain continues to evolve. Over the last two decades the pace of change has accelerated driven by intrinsic and extrinsic forces, namely;

- Empowered consumer
- A shift in economic power
- Deregulation of key industries
- Globalization,
- And technology.

All of these forces of change elevated the importance of supply chain management as a strategic weapon for competitive advantage, in some cases efficiency in supply chain can be the differentiator between success and failure.

1. Globalization

Globalization has created both opportunities and risks for companies, as the more connected economic environment has brought more customers and new markets whereas also bought larger extent of competitors. Globalization process along with the emerging of new markets created increased customer base, new demand for goods and service across the globe, new resources and suppliers, pools of labor creates opportunities to companies and increased competition.

- Globalization has made supply and demand more volatile and hard to forecast as there is a greater reliance on different companies spread over great distances.
- The global network made the supply chain more complex due the increased number of suppliers, customers and plants spread throughout the world, this can make it difficult for managers to maintain an adequate level of control over their operations.
- Increased competition from low cost products from overseas markets.
- Expanded market also means a broader range of competitors, companies devote themselves to explore more efficient technologies, strategies to provide better quality products, faster delivery service, and lower cost in order to maintain their comparative advantages in the global competition.
- Decreased information is another factor that may undermine the global supply chain. With large number of partners and franchises, decisions are difficult to make with full information and therefore brings risk to the supply chain.

2. Technology

- Increasingly, businesses have become digitally connected along the chain and to their customers.
- Technology advances lead to enhancing delivery and enhanced visibility for customers.
- Customer expectations and needs has increased with regards to transparency, delivery times and response times.
- Due to technology supply chain has become more transparent than ever before.
- Twenty to thirty years ago, it was fairly easy to hide interruption errors,
- Nowadays; customers have full visibility of the process in which their product undertakes.
- Customers used to expect things at a much slower pace in comparison to today's expectations.
- Technology has enabled customers to receive instant answers to their queries and delivery status, through delivery and tracking systems. This feature has slowly transformed from a 'nice to have' into a necessary customer offering from businesses.

3. Maturation of Markets in Developing Countries

As the domestic markets became mature, the opportunities for local growth became very limited if at all existent, organizations of all kind started exploring markets and opportunities beyond home borders.

As this pursuit of growth started to materialize, supply chain became one of biggest challenges faced by businesses. Some of the challenges are;

- The transfer of raw material, semi-finished finished goods need to be transported further than before
- The need for faster and agile supply chains to cater for the new demand
- Demand visibility issues due to expanded geographical area and different time zones
- Different customer taste, needs and wants

Supply chain transformation witnessed over the last 20 years, has addressed some of these challenges. customer demand has become highly visible, bullwhip effect has been reduced due to timely data availability leading to better planning up the chain and improved customer service, new demand has also created a need to breach distance, this has been achieved by several ways, collaboration, creating local partnership such as JV and, takeovers and where possible creating standalone entities in the new market place.

4. Consumer Power

‘Some say the customer is KING’! This statement is true when you consider the main drivers of the supply chain evolution, it is customer demand that fueled growth hence the need to make changes to the supply chain to keep the clients.

- The customer has become accustomed to choice due to increased competition
- The client demands service, this has become an expectation
- The client expects value in return for payment

When you stop to think about how to configure your supply chain and why, it soon becomes apparent that most roads lead back to the customer:

- Buyers will find the most innovative suppliers in order to offer customers the best value;
- They will search for innovate partners to give consumers the best products and services;
- They will endeavour to create a supply chain that is resilient to disruption and is ethically sound to ensure service quality.

The customers have access to information at the finger tips, a bad experience with a product or a service in one corner of the globe can spread at lightning speed to other customers in many parts of the world impacting the image of an entire organization.

5. The Fall of Communism and International Economic Integration

- Most countries have completely changed their political and business orientation. The trade relations with states of former USSR were broken.
- Eastern Europe has become increasingly open market and a big area for growth, organisations that were prepared for this have lead the others into capitalizing on gaining customer base.
- Trade agreements have also facilitated economic integration and reduced tariffs in some cases which lead to higher volumes of goods exchange and value adding services. Below are some of the trade agreements existing today;
- WTO: Commenced in 1991 under Marrakesh agreement signed by over 123 counties, The WTO deals with regulation of trade in goods, services and intellectual property between participating countries by providing a framework for negotiating trade agreements and a dispute resolution
- NAFTA: North American Free Trade Agreement has pushed Mexico to become the 10th largest export economy in the world valued at USD 391 billion with the US being the top exchange partner with around 80% of the value.
- The rise of China and other emerging markets, with emerging markets (EM) economies expected to expand at more than double the pace of developed markets, the widening growth premium is providing an attractive backdrop for both equity and credit investors, according to Katie Koch of Goldman Sachs Asset Management.

Conclusion

In conclusion the world has become a smaller place due to technologies, the fall of communism and globalization. Trade agreements and relaxed legislation have created an opportunity for organizations to venture beyond their local market forming business empires across the globe. This economic transformation has changed the way we do business today and it is highly likely that this pace of change will gather momentum in the years ahead.

Supply chain has not been immune to this change but rather evolved to become one of the strategic components of an organization. Without an efficient and modern supply chain, business will lose the competitive edge, lose clients and become far too expensive and eventually fail completely.

According to John Kotter, **“the typical twentieth first-century organisation has not operated well in rapidly changing environment. Structures, systems and practises and culture have often been a more of a drag on change than a facilitator”**. If this persists then the inevitable fate of closure and bankruptcy will follow. Woolworth and British Home Stores in England are both good examples of this.

- <https://www.infor.com/company/video-library/company/why-organizational-change-management/>
- <https://www.youtube.com/watch?v=16hxCB1Dvd4>
- <https://www.forbes.com/sites/johnkotter/2011/06/07/how-to-create-a-powerful-vision-for-change/#5e6fa8e951fc>
- Who moved my Cheese: Spencer Johnson 1998
- Our iceberg is melting: John Kotter and Holger Rathgeber 2008
- Leading Change: John Kotter 2012



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