

OB SUMMARIES

ENRON - CHANGE

Change plan for ENRON

1. Identify the sources causing the change (WHY)
 - Internal forces:
 - Management philosophy and visions - really competitive, “no bad news”
 - Problems with internal processes (decision-making)
 - Management often don't know about new projects until it is too late
 - Communication problems
 - Bottom-up communication is not encouraged
 - Problems with performance outcomes
 - Losing customers
 - Drop in share price
 - Customer attitude towards ENRON is negative because they think ENRON is 'driving up the price'
2. Identify who should be responsible for the change (WHO)
 - Kenneth Lay - CEO - internal change agent
 - Positives → better understanding of the business, he is 'charismatic' and 'ENRON employees had an unquestioning faith in both leaders'
 - Negatives → personal feelings and attachment to the company may cause bias and influence his decisions, if he is corrupt (which he is) he can lead the business and its employees in the wrong direction
 - Higher management
 - Currently ENRON has an ineffective management team
 - As seen by the conversation between employees at the end of the case, employees would like better direction from their managers
 - Team managers can better communicate the change that will impact their team specifically, as opposed to a more generalised communication that would result from just having the CEO as a change agent
 - External change agent - management consultant
 - Positives → To provide an outsider view (unbiased; objective)
 - Negatives → May not understand the business as well
3. Identify
 - The PROBLEM - what needs to be changed? (culture, communication, power, strategy, structure)

- Communication - communication needs to be clearer and employees should be able to communicate bad news without fear of losing their jobs due to “bad performance”
 - Culture - change the current ‘cut-throat’ culture that exists - that is very competitive, where there is also bullying
 - The SOLUTION - what type of interventions are needed? → revolutionary, planned, systematic
 - Promote a more honest and integrative culture
 - Make it easier for employees to ask questions and communicate their thoughts and any worries/troubles to upper management so that they aren’t forced to manipulate and distort performance numbers
 - Improve bottom-up communication
 - Value integrity and honesty
 - Get rid of their “rank and yank” system - or change it so that it is not impossible for employees who are in the bottom category to move up the categories
 - Implement a different procedure for employees who do not meet their targets → use a procedure that will help them improve rather than alienate them from others (introduce external help and support, training, etc)
4. Implement the change (unfreeze, change and sometimes refreeze → Lewin's Model)



- One way to unfreeze is raise awareness of the need for change (because people aren’t going to change if they think that the way things are being done already are effective enough → make them change agents as well → reduce resistance)
 - Ken tried to do this but he was ineffective because he was brief and did not provide any ‘new’ information
 - No Q&A session (chance for bottom-up communication)
 - Left employees even more confused about the company’s future
 - Be as transparent as possible with employees regarding the reasons for change, what needs to be done and what the end goal is → makes it easier for employees to get on board if they understand it
 - Can use the 3rd dimension of power to manage the meaning of change → they do this already “change is a habit, change a goal, change a mind” etc
 - Also they have engineered a culture that welcomes change so it should not be too hard to unfreeze
- Change
- One way to refreeze is to communicate to employees what they set out to achieve has been achieved → a celebration of some sort