

## Case Summaries and Combinations for part 2 of Exam

### Change: Enron

#### Change 1: Enron changes from energy provider to trading company

##### Why? Forces driving change?

1. Ken Lay's Vision: embracing free markets can allow Enron to "differentiate its products and services and make a profit"
  - Ken Lay = change agent.
    - i. **Knowledge** about free markets & energy industry & Enron's capabilities
    - ii. **Skills** in implementing the change egg investment in political campaigns
    - iii. His position of power allows him to make these decisions
2. Jeff Skilling's Big Idea: becoming an energy trader including futures contracts & trading energy as a financial instrument
  - Jeff Skilling = change agent
    - i. Same as above
    - ii. Very good at selling the change. This helps **unfreeze** Enron and make employees happy to accept change (Lewin's force field model)
      1. Egg "unquestioning faith" in the leaders
      2. "Jeff was like the prophet"

This change was (planned) revolutionary as it was entry in a new market. It completely changed the company's operations, structure etc.

##### Refreezing/Making the change permanent:

They implemented this change by creating divisions for new businesses and offering a phantom equity system. Also, they changed the structure of the business by "wiping out layers of existing management, and recruiting hundreds of outsiders to bring in new thinking".

They enforced strict performance standards and a competitive culture. Punishment/reward system.

They emphasised their vision by holding major spectacles when communicating. Communication was top down and they did not want to hear criticism from employees. This allowed the change to be implemented without resistance.

##### Silent Killers

The refreezing was effective but the management style and culture had severe consequences. Management was too top-down (SK1). Management did not want to hear criticism from employees so problems were not considered including potentially illegal business practices. Also, there were inadequate skills at lower levels (SK6) because new employees were making multi-million dollar decisions without consulting management.

These led to the public hating Enron.

## **Change 2: Jeff Skilling resigns and transition to new management**

### **Why? Forces driving change?**

1. External drivers: public outcry illegal practices
2. Internal factors: this led to Skilling resigning and poor performance (stock price fall)

### **Change agent: Ken Lay**

Lay was an ineffective change agent; he lacked skill in managing change and attitude. He did not have a clear message for the employees. "Prospects for the future were unclear".

He did not have the right attitude; he wasn't comfortable with the change. He hadn't expected to take back the day-to-day running of the company.

### **This is unplanned, evolutionary change**

#### **Resistance**

People think they will lose their jobs. They think the company is hiding something from them.

#### **Silent killers**

SK1/SK4 – too top down and poor vertical communication

SK2 – unclear vision

SK3 – ineffective senior team; Lay's presentation was hard to understand

#### **Recommendations**

Have organisational fitness profiling. Change the culture to avoid these legal/ethical issues in the future. Improve the senior team. Be more honest.

## Change: Solaris

**Change: Solaris acquires Supernova and supernova employees now work at Solaris**

### **Why? Forces?**

Solaris took over Supernova (internal force)

External force – technology development has large impact on this industry.

### **Change agents**

CEO James Car has to ensure that the Supernova employees are trained appropriately and fit in with the culture.

He must decide if the current culture is still the best for the company. If it is, he needs to sell it or otherwise ensure that the new employees fit in. Perhaps by firing the ones that object.

As CEO, he has knowledge about the companies and skills/power to make decisions.

Kimberly Bell, HR team leader, could also be a change agent. She has knowledge of the business, its culture and its purpose. She could ensure that new cultures understand this culture and accept it.

**Planned, evolutionary change.** Not much changes except some of them have to be trained. They need to learn Solaris' procedures.

The structure in Solaris is more flat; Supernova employees will adapt.

Lewin's force field model: the resistive forces (egg Supernova employees not wanting to work at Solaris) are outweighed by the driving force (takeover), so there is no choice but to accept the change. Therefore, no unfreezing or refreezing process is needed, other than to ensure that the employees are willing to work at Solaris.

### **6 silent killers**

Supernova

SK1 –too top down, tall structure. Very strict. Monitors employees closely.

SK4 – no bottom up communication.

SK5 – rivalry between teams

SK6 – inadequate skills at lower levels compared to Solaris where people could deal with complex requests and did not just read responses off a screen