Change Management at Babcock

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Course

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**Introduction**

Navigating through the modern day business environments, which are highly chaotic, is a great challenge for managers. One is faced with various forces at different points that they will be forced to counter in order to make it through. Managers and their organizations come across various factors that need immediate responses in terms of organizational change. These forces that stir up change are referred to as external and internal environments (Rao, Rao, & Sivaramakrishna, 2008). Managers are expected to put in maximum efforts in terms of their decision making approaches in order to ensure that a proper balance is stricken between maintaining the competitive members of the workforce and getting rid of parts of the business, including members, who drag the business down the tunnel of failure. Babcock Rail found itself in a tight position during its transition from small magnitude to large magnitude business transactions, as it initiated change initiatives yet little efforts had been put in place to ensure that the change is effectively managed across the organization to ensure success. This paper is going to discuss how organizational change at Babcock was induced by both the internal and external factors, in view of identifying areas that were inadequately addressed leading to failure of the change process and making recommendations for change.

**Driving Factors for change at Babcock**

The internal environment within an organizational context refers to the people, events, systems, factors, conditions, and structures within the organization, which can be controlled by the company (Kondalkar, 2009). The organizational culture, mission statement, and leadership style are some of the factors that are associated with the organization’s internal environment. The internal environment has a great influence on the decisions, activities, and the attitudes and behaviors of employees within the organization. On the other hand, the external environment refers to the factors that take place outside the organization but stir up change within the organization (Ramanathan, 2008). Some of the most common factors of the external environment include customers, the economy, technology, competition, resources, and social and political conditions. To develop a clear understanding of both the internal and external factors that influenced change and Babcock Rail, this section will conduct a SWOT analysis, a PESTLE analysis, and a Force Field Analysis.

***SWOT Analysis***

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| Strengths  General acceptance for the need for change within the organization thus minimal resistance.  Strong underlying business in terms of the financial, technical, commercial, and engineering capabilities.  People had already experienced various sorts of change and understood the various factors that had led to some of the failures in change.  Strong brand image | Weaknesses  The Company has one principle customer, Network Rail, making it vulnerable to manipulation.  Lack of coherence in terms of the kind of change that was required in the organization.  A poor relationship with the principle customer, Network Rail.  A culture of paying little attention to the customer.  Low transparency and trust within the company. |
| Opportunities  Highly competitive employees and senior-management staff.  Maintained organizational status in the market and market share. | Threats  Aggressive competition and competitor performance.  Reduced labor market preference of the company as a result of the spread word about the company’s situation.  Consideration of other companies by the principle customer, Network Rail.  Gross Margin Pressure as a result of increased competition. |

***PESTLE Analysis***

Political

The government’s interests in the Railway industry has always been high. With the increased push for environmental conservation, it is expected that more investment would be directed towards developing the railway industry further in order to reduce the number of cars on the road and minimize social hardship. This would expand Babcock’s customer base. The issue of safety has also been increasingly politicized such that Babcock is faced with an increasing concern of ensuring that the repair and maintenance of the rail tracks is up to date to avoid any compensation payments, penalties, and reputational costs that come with accidents related to related to their role.

Economic

In Economic terms, Babcock International Group mainly receives its income from different railway operating company’s purchase of their track replacement and upgrade service. Nevertheless, the company has established Network rails as its major customer, an aspect that exposes it to increased risk failure in the event that such a significant customer pulls out of the arrangement.

Social

When it comes to social factors, it is important to note that the rail network passes through a large part of the country. As such, there must a close relationship between the public and the rail system. With regard to Babcock International Group, safety is an important factor that ought to be highly considered in the maintenance of the rails. It is important for the company to ensure that it minimizes trespass. It is also important for the company to facilitate the use of level crossings. Both these cases are major causes of rail accidents. Babcock has a role to play in creating awareness through educating the public on issue to do with rail safety.

Technology

Technological development is one of the most sustainable approaches that can be employed by Babcock in its efforts to reduce the costs of operation and hence facilitate financial sustainability. In addition, it is through the establishment of technology that the company can be able to outclass and hence outperform its competitors.

Environmental

Rail travel is receiving much more backing from the government and other environmental advocates as compared to other forms of transport, an aspect that creates an opportunity for Babcock to effectively expand its consumer base by including aspects of environmental protection in their contractual proposals and ensuring that they promote environmental sustainability as this would only improve the name of the organization. Prior to the change, Babcock had invested little in corporate social responsibility initiatives aimed at promoting the environment.

Legal

Babcock is forced to comply with various laws starting with company law. Babcock is a large employer across the nation and thus it is important for them to comply with employment laws. In the establishment of rail infrastructure, Babcock is expected to acknowledge and address the needs of all the passengers including individuals with disabilities, covered under the Disability Discriminating Act (DDA) 1995.

Force Field Analysis

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| **Positive/Driving Factors** | **Negative/Resisting Factors** |
| Improvement in operational efficiency | Fear of communicating the truth |
| cost saving requirement | Traditional ways of reasoning for some of the staff members |
| Support for change from the senior management | Lack of awareness of the specific aspects that require change |
| Providing services of an improved quality | Bureaucracy |
| Future vision | Prior cases of ineffective change initiatives |
| Customer expectations | Slow organizational processes |
| Unsustainable cost | High employee turnover |

**The ‘Fit for the Future’ change initiative and the Models of Change Management**

The process of change is challenging and highly demanding, requiring change champions to be greatly considerate of the various drives of such change in order to effectively facilitate it. It is important to note that when an aspect of change is introduced into the organization, one is likely to face resistance as individuals tend to be less receptive of ideas that they are uncertain about. As such, the change process is gradual as the change champion seeks to get buy-in from the recipients of the change and to expose them to more information about the aspect of change that would allow them to understand the expected change (Reiss, 2012). John Howle’s push for change could be explained using various theoretical models. To start with, the Kotter’s 8-step model of change management could be used to explain the adopted approach by Howle at Babcock. The CEO embraced a strategy that would allow the change process to move through three successive phases, which he used a patient top explain (Johnson, 2014). In his explanation, he mentioned that a patient would be moved from the operating theatre to the intensive care unit, then to the ward, and lastly to the streets. This means that initial stages of change would be accomplished for the process to proceed to later stages in a successive manner (Cameron & Green, 2012). In the same sense, Kotter emphasizes on the importance of carrying out change through a procedural approach that would involve accomplishment of initial steps before engaging the advanced steps (Kotter, 2014). As such, Kotter starts the change process with obtaining of buy-in from a majority of the employees, and most importantly the management. Kotter also insists on the importance of establishing a vision for change and effectively communicating it across the organization, an aspect that is reflective of Howle’s approach where he communicated the change message across the organization and promoted transparency in view of building cohesion (Johnson, 2014).

Howle’s change approach is also reflective of Lewis’ change management model of “Unfreeze- Change- Freeze”. Lewis insists on the importance of developing a clear understanding of the need for change before initiating the change process and hence effecting approaches that would ensure that the change process is well effected through proper transition into the state required to successfully embrace the change across the organization (Lewis, 2011). As such, proper motivation of the employees is important, as upheld by Howle, as it provides them with an incentive to promote the change process (Johnson, 2014). Lewis established that it may require the organization to break down some of its systems or procedures and to rebuild them in a different form in order to effectively transit to the required change (Lewis, 2011). This is seen in Howle’s efforts, even as he restructured the business by breaking down some of the activities that were initially considered as business units and rebuilding them by combining them to allow them to effectively support their overhead.

Beer’s Model of change management is also an effective tool in informing the change process especially in terms of overcoming resistance to change (Cummings & Worley, 2014). It is important to note that most change initiatives and efforts fail within the organizational context as a result of increased resistance. As such, Beer notes that it is important for a change champion to start by creating a state of dissatisfaction within the organizational setting, whereby the stakeholders can be involved in identifying the problems and admitting that such problems require change. Howle started by questioning the customers, employees, and management on the problems that they were facing, with the aim of identifying the various barriers to change shared among the individuals (Johnson, 2014). Beer later notes the importance of coming up with a process through which proper engagement of the stakeholders can be effected in view of establishing measures through which the barriers to change can be avoided (Battilana, Gilmartin, Sengul, Pache, & Alexander, 2010). Howle proper engages the employees and the management in a review of their problems and how such problems can be handled in order to create room for change.

**Tensions Between Shareholders**

One of the areas of concern at Babcock prior to change was impaired communication, such that the business was going through turbulence and the junior members of the staff were afraid of communicating the bad news to the senior management, an aspect that led to late surprises (Johnson, 2014). As such, the management could not establish proactive measures to tackle situations once they arise as they were held in darkness until the last moments. This was highly problematic as it led to further failure in the strategic approach and a distorted relationship between the management and the staff. Nevertheless, through effective change, Howle was able to promote a system of two-way communication, whereby there was increased transparency and trust across the organization and the employees were equally engaged by the management in information transference and decision making (Johnson, 2014). This promoted success across the organization.

Another area of concern involved the tension between the organization and the customers, especially their principle customer Networks Rail, which accounts for 90% of their business (Johnson, 2014). Ineffective handling of the customer needs led to disparities between the organization and the customer, as the latter felt that the organization was losing the capacity to meet their end of the contract. A culture had been established in the organization that “the customer is wrong”, an aspect that led individuals to assume any cases that presented dilemmas to them and failed to put in any efforts to seek clarity, instead shifting blame from either the customer to the organization visa vis (Johnson, 2014). Nevertheless, Howle pushed for a shift in culture, whereby he insisted that the customer was always right and advocated for intra-organizational consultation in view of meeting the needs of the customer (Johnson, 2014). Apart from facilitating good relations with Network Rail, this initiative promoted coherence across the organization and project success.

**Conclusions**

It is clear that the process of change management is gradual and requires employee and management buy-in before it can be advanced to the adoption stages. In addition, it is also evident that lack of proper communication between the management and the employees at Babcock was a major contributor to poor change management prior to Howle’s arrival. The management had established an atmosphere of fear, which hampered any efforts of employees to communicate the situation on the ground and their opinions to the management. Lastly, the impracticability and unsustainability of dependence on one customer is clear through Babcock’s case, as they are left at the verge of collapse upon Network Rail’s threat to pull out of the arrangement with them. The company caters to close to 90% of Babcock’s business.

**Recommendations**

This paper recommends that Babcock management should embrace transformational leadership as it would help them to nature a culture of charisma and effectiveness in handling consumer behavior throughout the organization. In addition, they should embrace collaborative management, where they should involve the employees in making crucial decisions that involve them as this would create a sense of belonging to the organization and promote efficiency. It is also important for Babcock to widen its customer base and engage new consumers as this would provide it with a variety of business contracts and secure its position as a key market play even in the case where one of its customers runs out of business or opts out of an arrangement. This would guarantee the company a future even in the absence of Network Rail.

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