

Managing transformation from product oriented organisational culture towards customer oriented culture

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Maaria Nuutinen

VTT Technical Research Centre of Finland



Interactive Organisation and Management in Service Business - ServO-project 2006-2009

Research partners:

- VTT (the coordinator)
- Helsinki School of Economics
- Helsinki University

Participating companies:

- Atria Oy
- Bronto Skylift Oy
- Kopar Oy
- Rastor Oy
- Teamware Group Oy
- Vaasan & Vaasan Oy
- Vaisala Oyj
- Yara (former Kemira Growhow)

- A part of the Tekes Serve – Pioneers of Service Business Programme 2006-2013



Structure of the presentation

1. Why is it needed and why is it so difficult?
 - Organisational culture perspective
2. What kind of transformation: What should be changed?
 - Industrial service capability and culture approach perspective
3. How can the transformation be supported?
 - Management research point of view

Why is it needed and why is it so difficult?

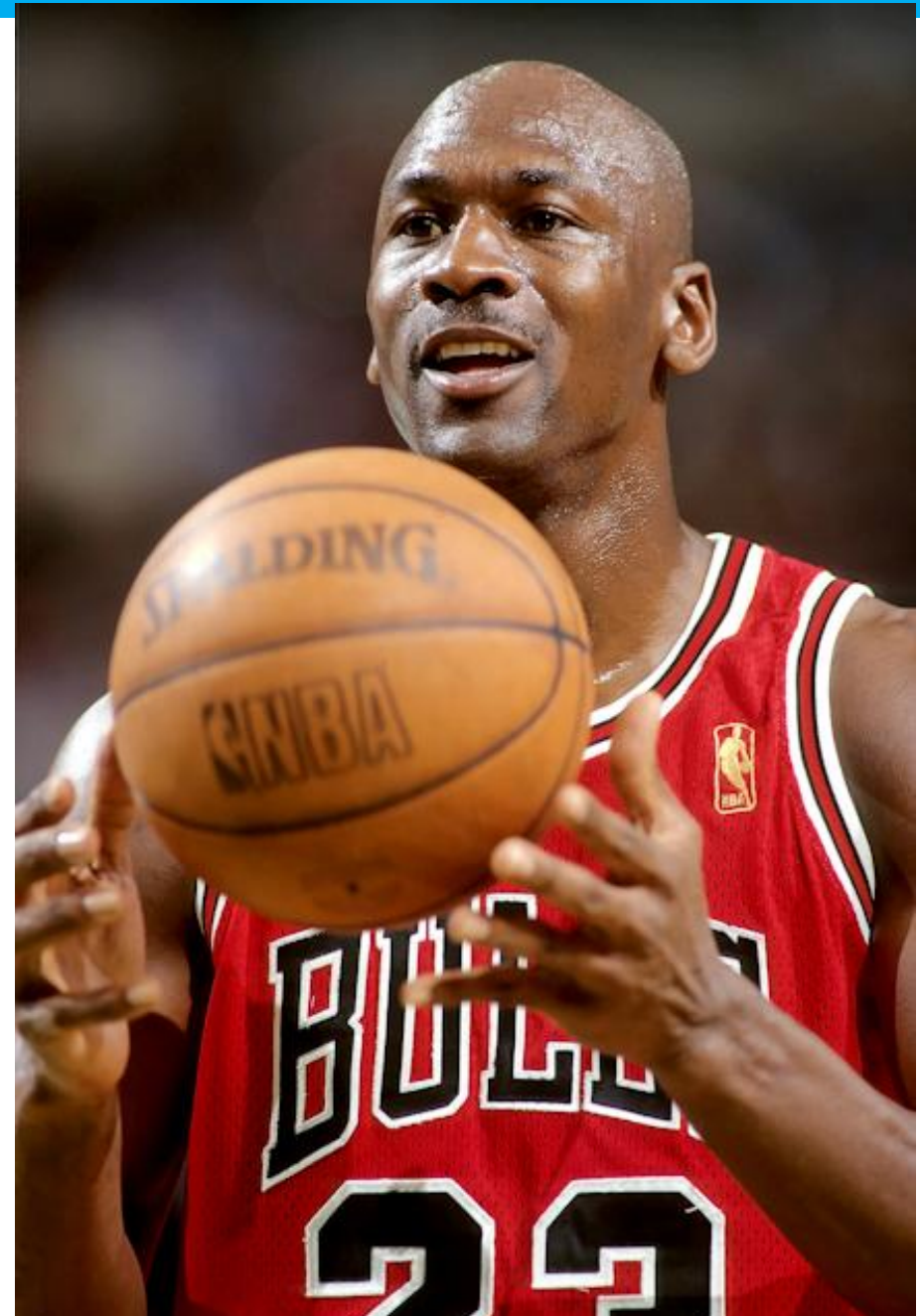
Organisational culture perspective

Recipe for success?

“I've missed more than 9000 shots in my career. I've lost almost 300 games. 26 times, I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed.”

Michael Jordan, Chicago Bulls

<http://www.brainyquote.com/>

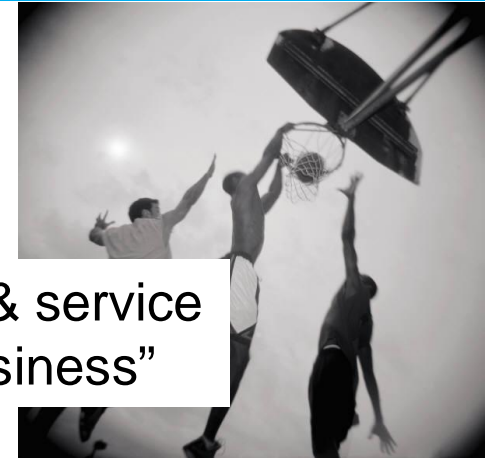




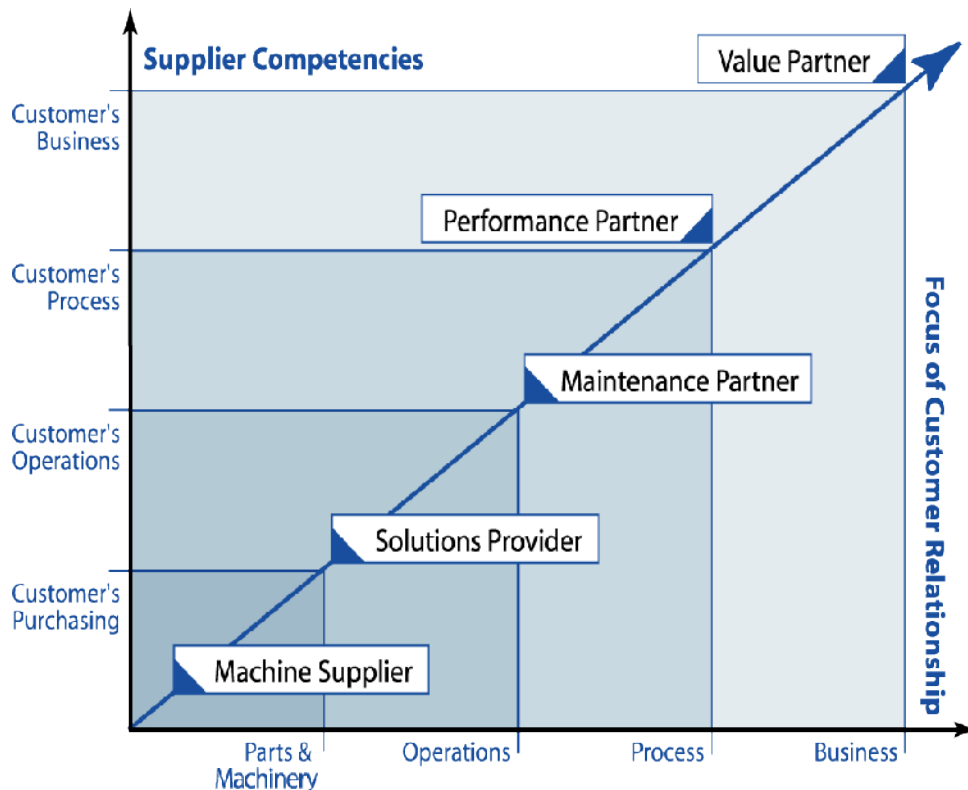
“Product & technology oriented business”



“Customer & service oriented business”

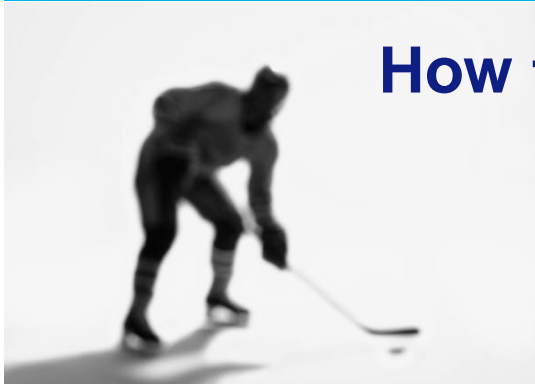


The challenge: How to make it faster?

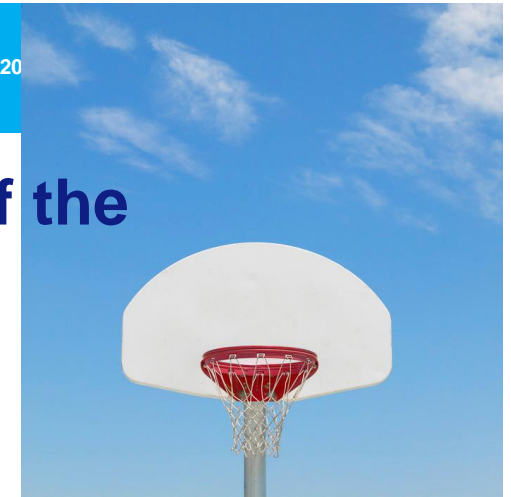
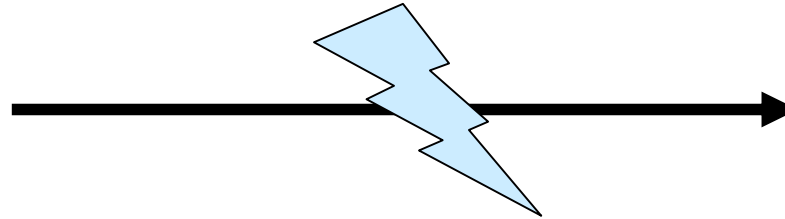


- Success stories - a radical change of business logic and whole organisation in 10 to 20 years
 - It is a change in the company's *core task* and *organisational culture*
- ⇒ Culture as a solution? Utilising the natural change power of organisational culture

Source¹.



How to free the natural change power of the organisation culture?



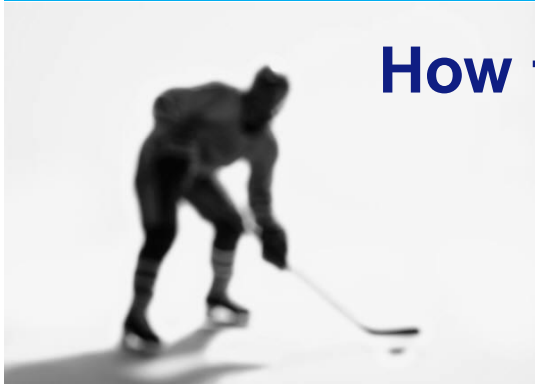
WHY is organisational culture important in change?

- Makes the difference in success or failure – culture directs working
- Culture resist change but is continuously changing:
 - Culture is *a solution created by an organization for the demands set by the core task²*

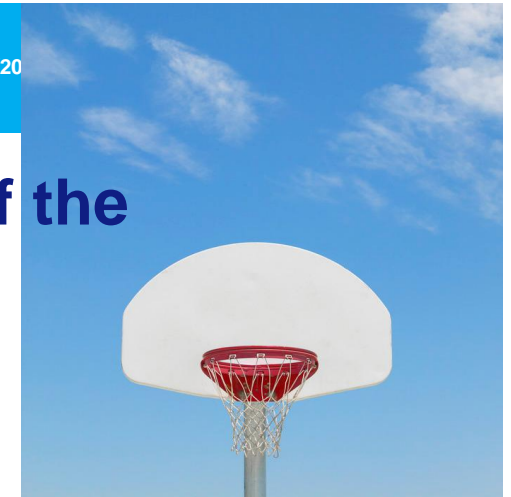
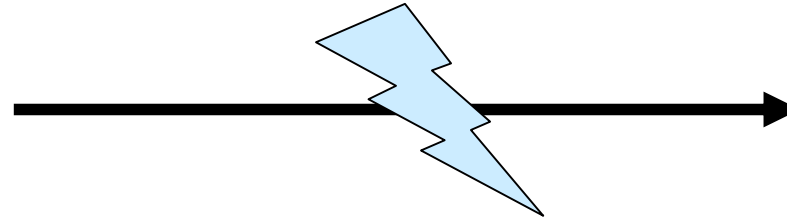
What is needed?

- WHY? –the accepted reason for change
- WHAT? –the shared target
- HOW? –"the map"





How to free the natural change power of the organisation culture?



What makes it so hard?

- You can not manage culture directly
 - Influence from outside is limited by resistance
 - Influence from inside is limited by sharing current culture
- You have to make experiments and fail
 - The effect of culture is strongest when there are biggest possibilities to proceed

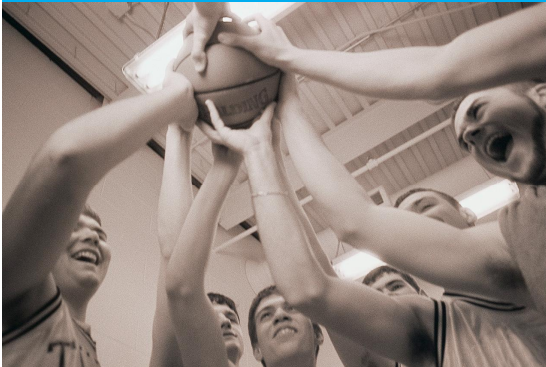
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What kind of transformation: What should be changed?

Industrial service capability and culture approach perspective



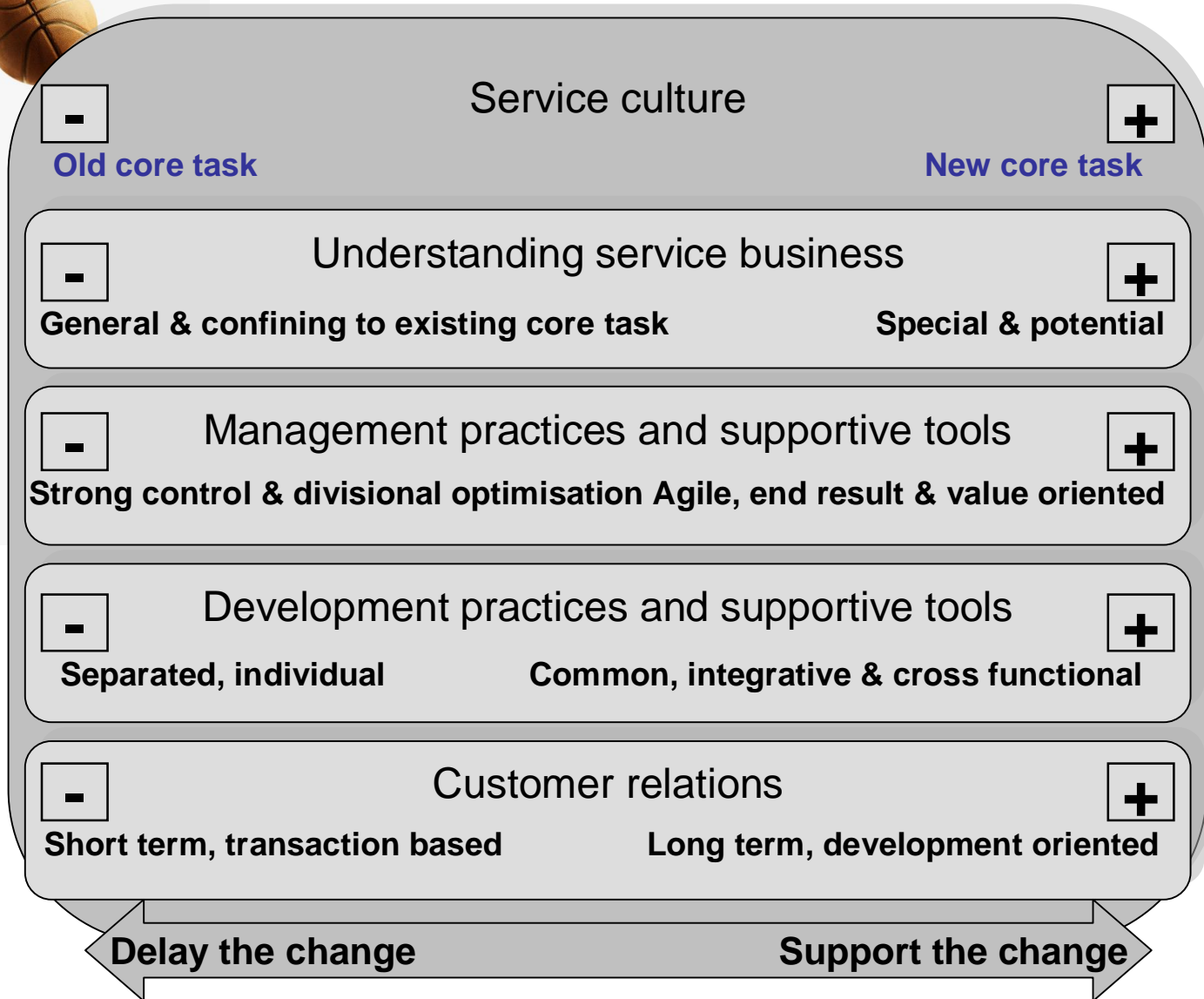
Industrial service capability and culture

Industrial service culture = *an organization's learned way of responding to perceived changes in demands of the core task when aiming at developing service business.*

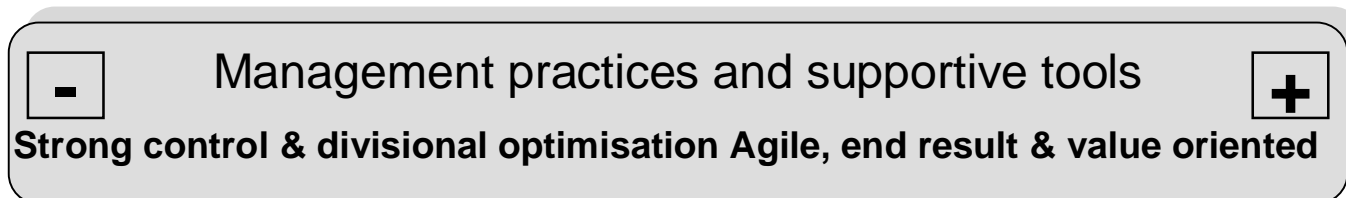
- Industrial service culture manifests in:
 - Service capability
 - Experienced and ideal values within the work community and customers
 - Work motivational factors
- Industrial **service capability** consists of four elements:
 - Understanding of service business
 - Service business management practices
 - Development practices of service business and services
 - Customer relations

(Source ³)

Building service capability and supporting cultural change – a frame of reference



Management practises and tools	Strong control and division/function based optimisation	Practise aiming to overcome functional barriers	Interactive, integrating, agile and customer value oriented
Division of responsibilities	Clear definitions, specific sub-aims and measurement tools	Recognised need to change business logic, first targets set, but “implementation method” and measurements still missing	Clear, visionary and shared targets Flexible practices and responsibilities
Way of organising	According products, technology or production process	Searching new ways of organising, creating inter-functional networks and activities	Integrated and interactive organisation, managing e.g. from market or value chain point of view
Management system	Regional or function based practises, rewarding systems and tools (ICT)	Contradictions recognised in practises, measurement systems etc. but new solutions are still missing	Management focuses on interactions and networks, shared rewarding systems and tools, measurement system based e.g. ability to fulfil customer promises
Understanding of cultural change and how to manage it	Difficulties to detach oneself the existing culture; limited understanding of the scope of change needed; negative effects of culture are dominating or the effects of culture are underestimated	Acceptance of own limitations as a member of current culture; active search for means and people who challenge own and the others’ way of thinking, stepping stones	New way of thinking is getting stronger and easier to apply and communicate; detaching and reflection is becoming easier;



How can the transformations be supported?

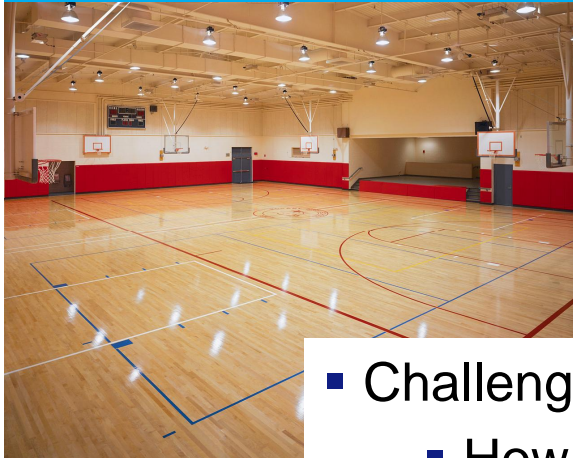
Management research point of view



Guidance from management research?

- Only few studies on radical change management
Emerging new management paradigm?
- Utilising information and communication technology
- Focus shifts
 - parts and different functions => connections and interdependencies
 - reducing cost per unit productivity thinking => continuous increasing utility value of offerings and products
 - mass production => mass innovation

(Source ⁴)

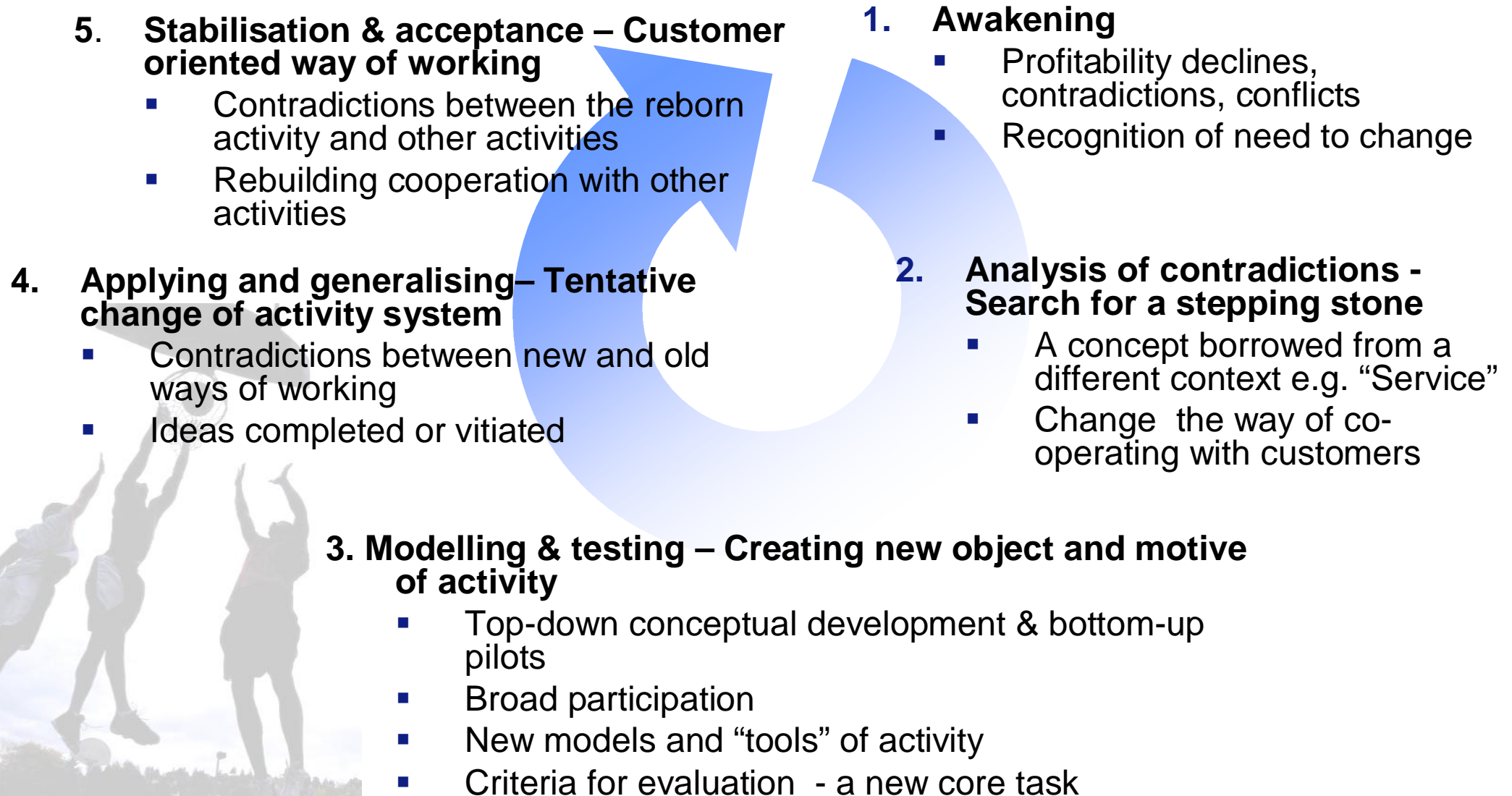


Guidance from management research?

- Challenges of new management?
 - How to recognise changing needs and possibilities of customers
 - and to connect them
 - to business ideas and
 - technological possibilities
 - of the foreseeable future horizons
- *Utility value learning based productivity conception*
= How fast the company perceives needs of the customers and finds solutions
 - inner processes => networks and co-creation
- Phases of radical change management with different contradictions to solve

(Source ⁴)

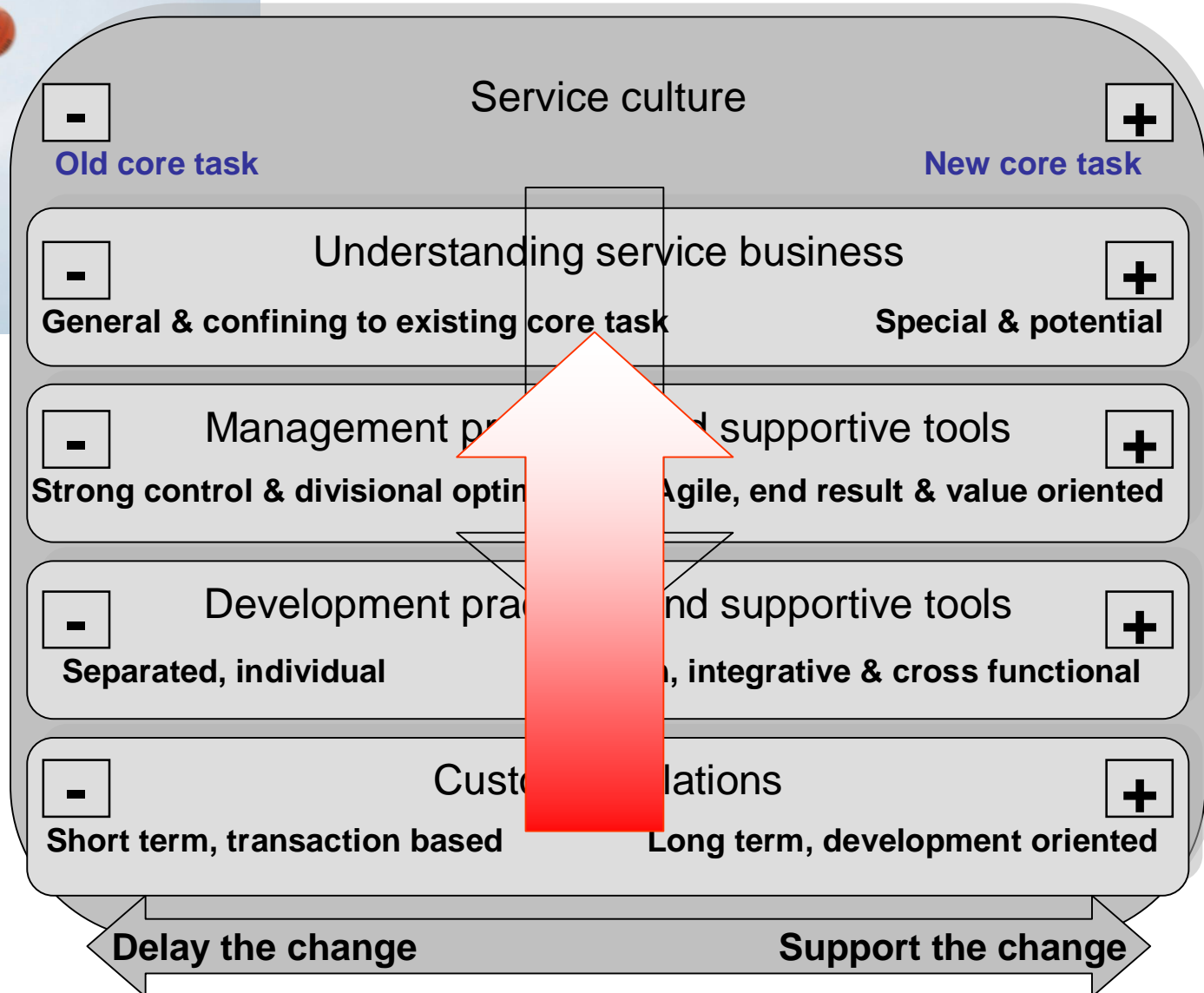
Phases of radical change management

- 
- 1. Awakening**
 - Profitability declines, contradictions, conflicts
 - Recognition of need to change
 - 2. Analysis of contradictions - Search for a stepping stone**
 - A concept borrowed from a different context e.g. “Service”
 - Change the way of co-operating with customers
 - 3. Modelling & testing – Creating new object and motive of activity**
 - Top-down conceptual development & bottom-up pilots
 - Broad participation
 - New models and “tools” of activity
 - Criteria for evaluation - a new core task
 - 4. Applying and generalising– Tentative change of activity system**
 - Contradictions between new and old ways of working
 - Ideas completed or vitiated
 - 5. Stabilisation & acceptance – Customer oriented way of working**
 - Contradictions between the reborn activity and other activities
 - Rebuilding cooperation with other activities

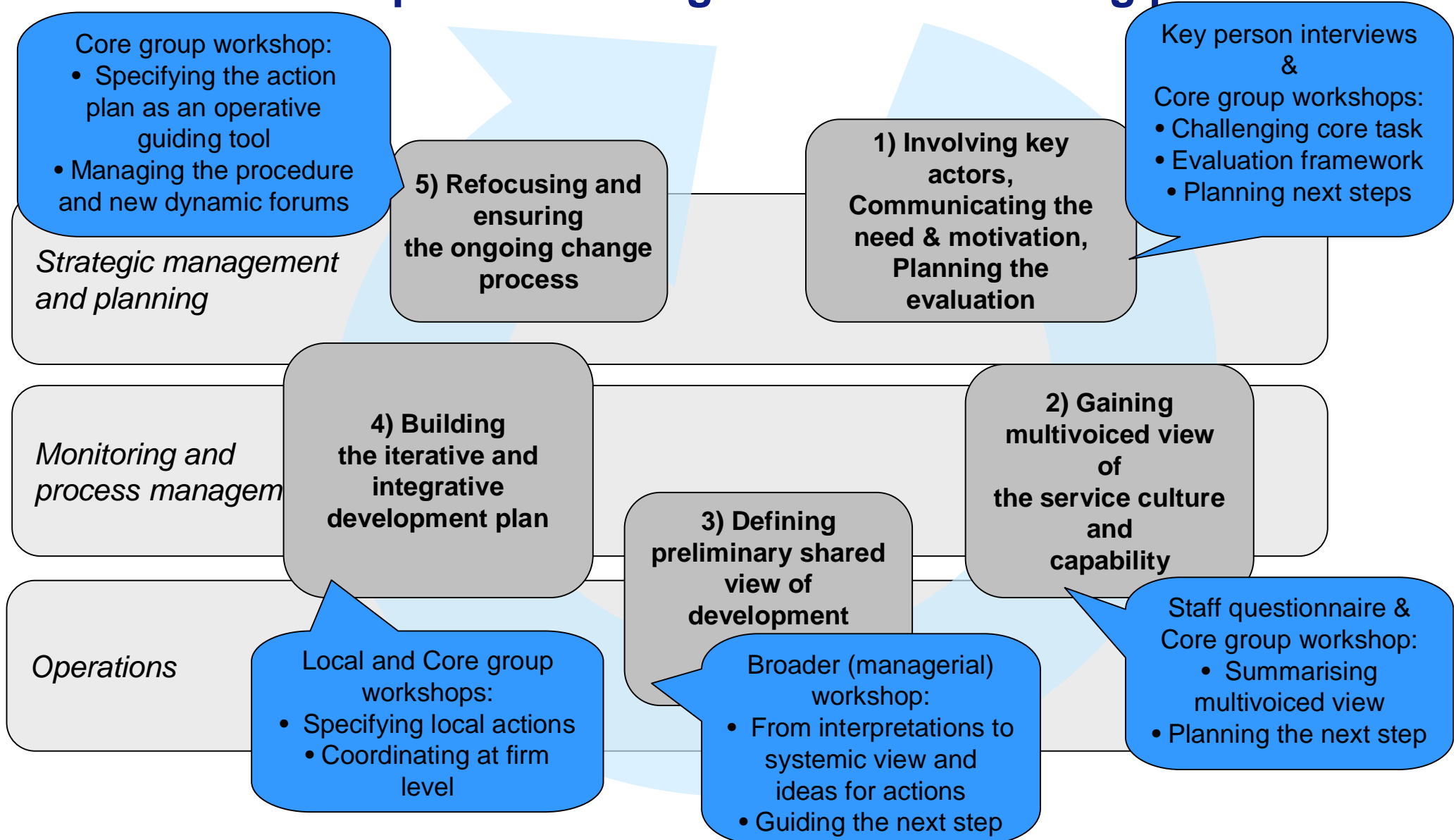
(Integrated from ⁵)



Transformation in service capability and culture – a frame of reference



Evaluation process as organisational learning process



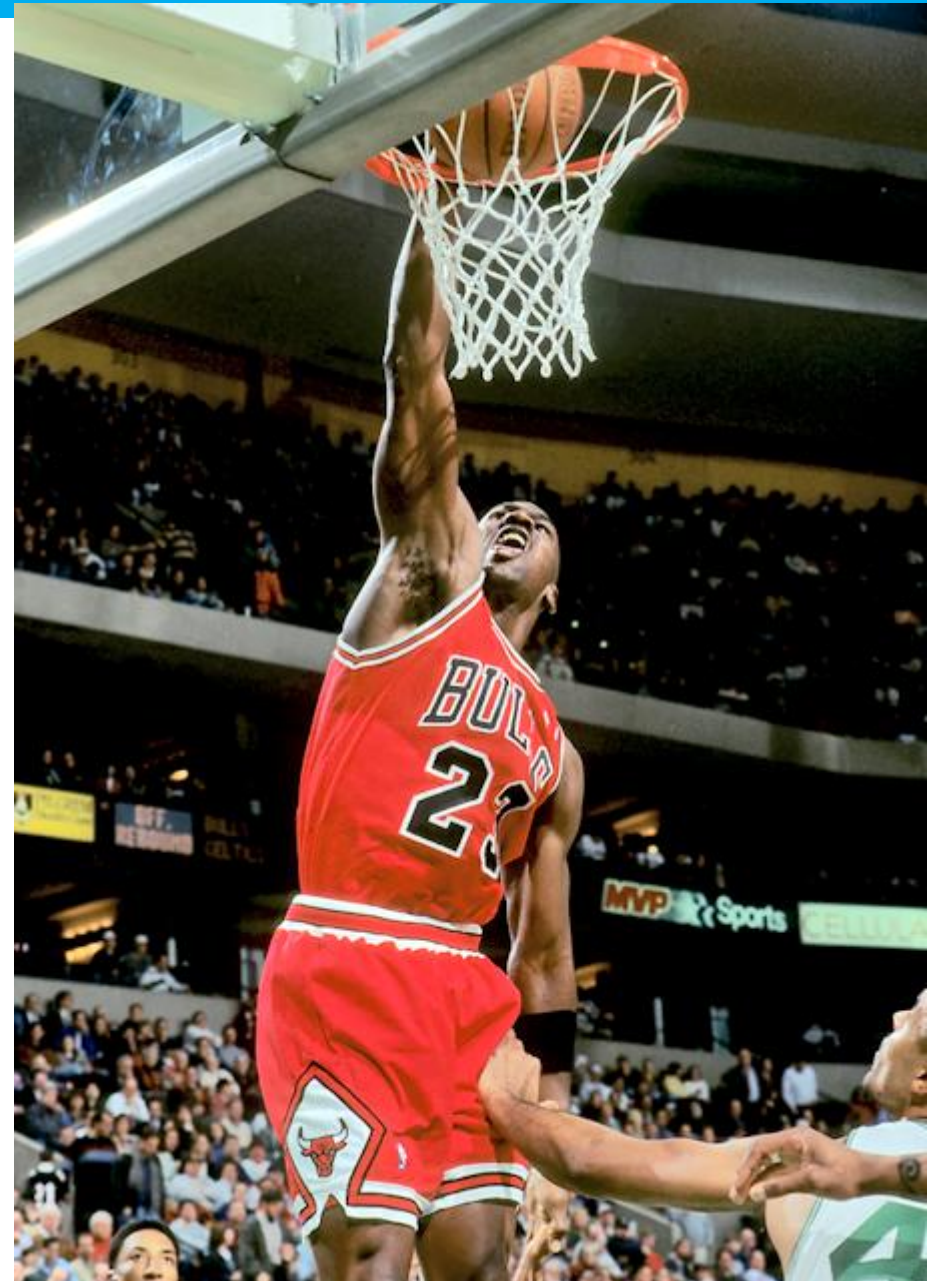
Conclusions

Interactive management as a recipe for success

1. Clarifying the target of change:

'Which is the game we are playing?'

- Be part of the culture – but search actively for stepping stones, do experiments with customers etc.
- Create interactive management to support the common search for the new object of activity, the new core task

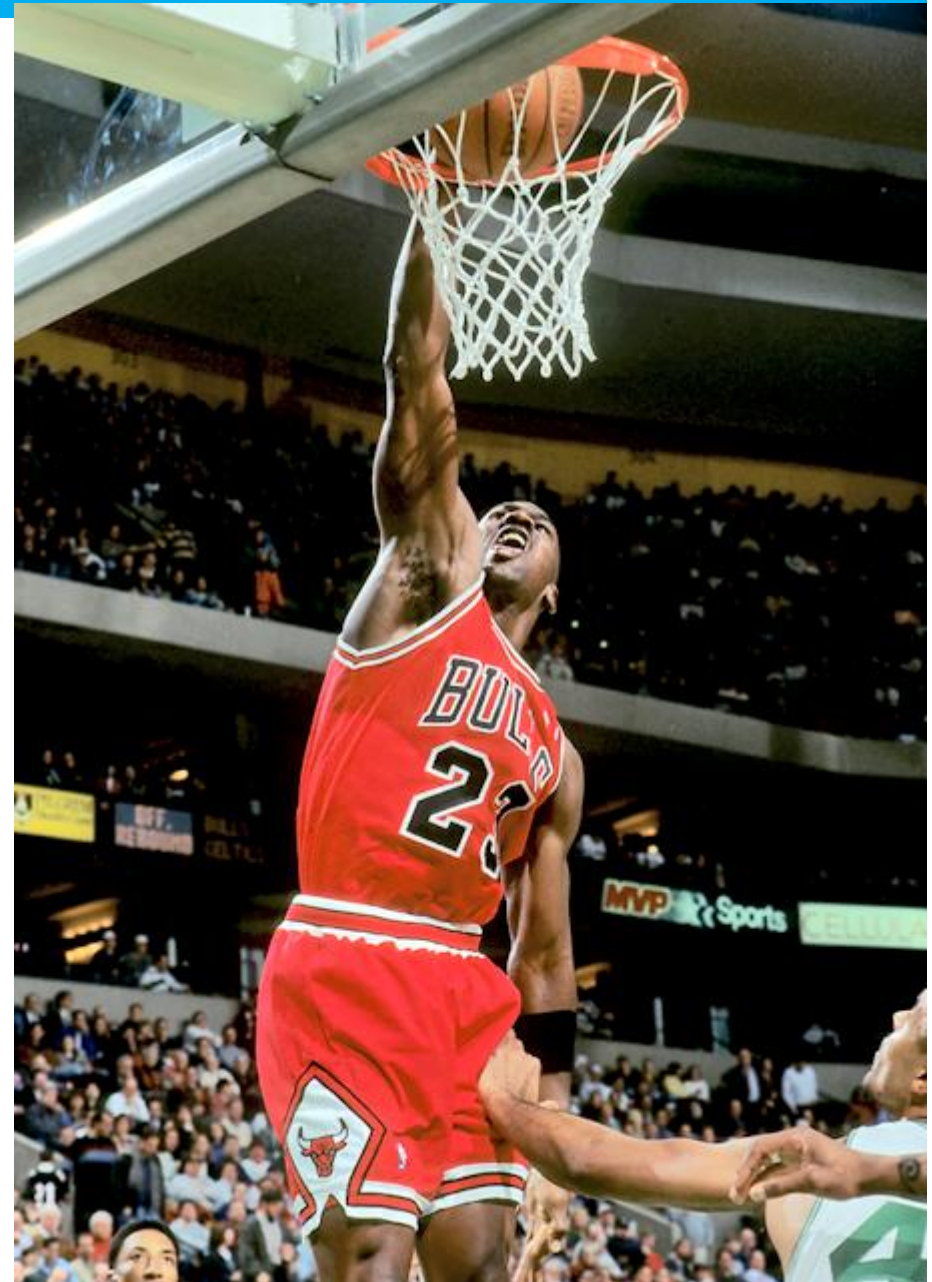


Interactive management as a recipe for success

2. Managing the transformation:

'How do we know we have succeeded or failed?'

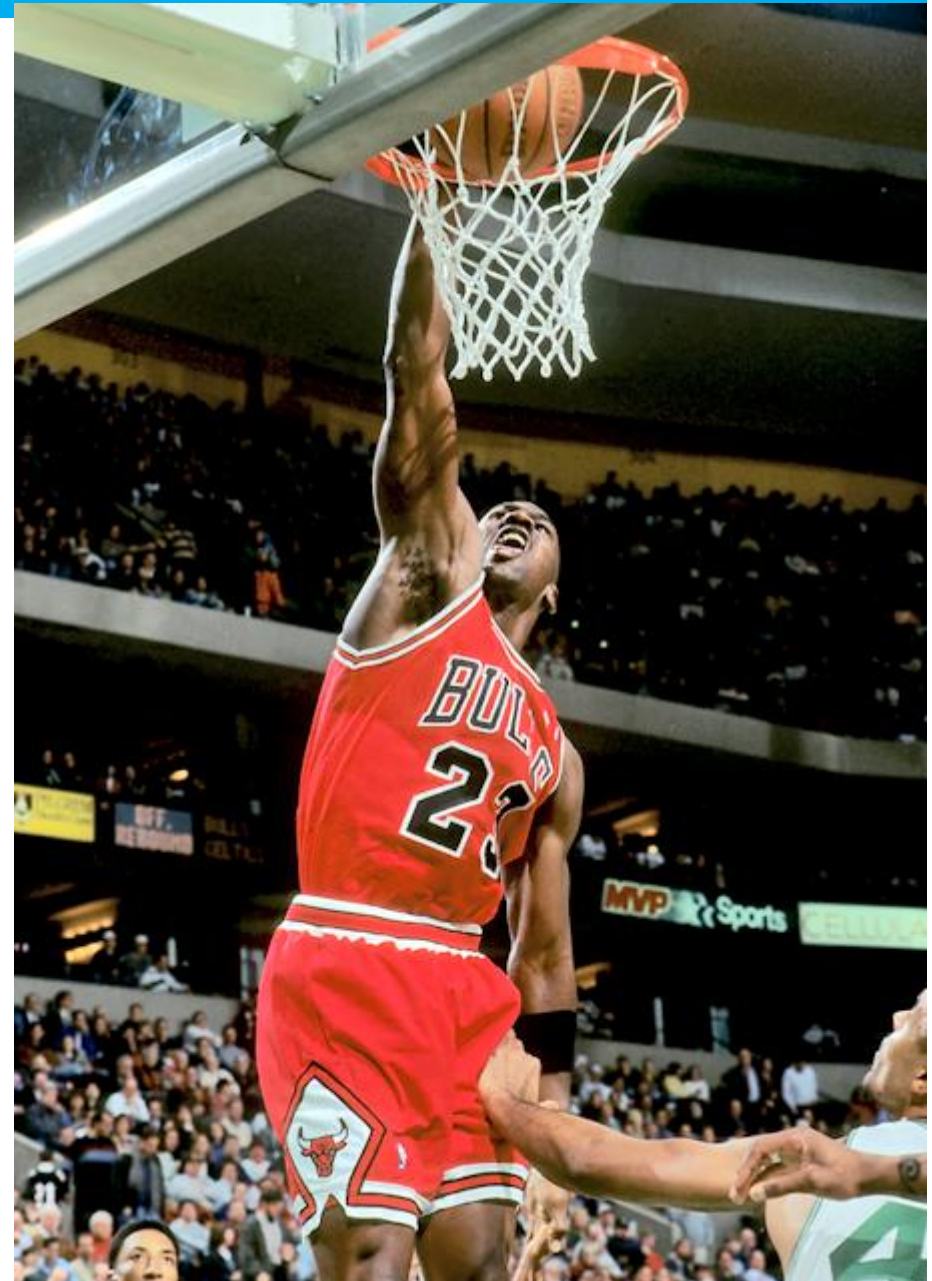
- *Focus on enabling interaction, co-operation and communication*
- *Repeat the phases of change*
- *Accept: two steps forward – one backward*
- *Utilising frame of reference, regular shared evaluations*



Interactive management as a recipe for success

3. Further utilising the natural change power of the culture: *'How to make us the winning team?'*

- Balance the new and old
- Watch out the old culture
- Maintain the changing power
- Help the culture become perceivable
- Realising present, acknowledging the past, and envisaging the future



Millaisia ovat palveluliiketoiminnan vuorovaikuttaiset johtamistavat ja mikä on niiden merkitys palveluliiketoiminnan kehityksessä? Miten johtamisinnovaatiot muotoutuvat organisaatiossa ja mikä asema organisaation avaintoimijoilla on palveluliiketoiminnan muodonmuutoksessa? Miten voidaan tukea palveluliiketoiminnan muodonmuutosta ja johtamisinnovaatioiden muotoutumista?

Raimo Hyötyläinen ja Maaria Nuutinen (toim.)

Mahdollisuuksien kenttä

– Palveluliiketoiminta ja vuorovaikuttainen johtaminen

Kirjassa pohditaan palveluliiketoiminnan kehittämisen johtamista murroksen kenttänä, jossa yrityksen on löydettävä tiensä erilaisten mahdollisuuksien, uhkien ja reunaehtojen keskellä. Tässä murroksessa myös uudenvuoden johtajuus voi kehittyä – ja sen kehittyminen on palveluliiketoiminnan rakentamisen ehtona. Palveluliiketoimintaa ja sen johtamista tarkastellaan toiminnan kohteen muuttumisena, mikä haastaa totutut toiminta- ja ajattelutavat toiminnan tehokkuudesta, järkevästä työn organisoimisesta, suunnittelumisesta, kehittämisestä ja arvioimisesta. Se haastaa myös organisaation tavan oppia. Palveluliiketoiminnan rakentamisessa on uskallettava tehdä kokeiluja ja hyväksyttävä, että osa kokeiluista valistamatta epäonnistuu. Näillä epäonnistumisilla on kuitenkin vähintäänkin yhtä iso rooli kuin onnistumisilla uuden liiketoiminnan kohteen löytymisessä. Kirja sisältää myös malleja ja menetelmiä esimerkkeineen palveluliiketoiminnan murroksesta selviämiseen.

Kirja on suunnattu teknologialähtöisten yritysten johdolle ja muille asiantuntijoille, jotka ovat kehittämässä palveluliiketoimintaa, sekä aihealueen tutkijoille ja kehittäjille.

Kirjan kirjoittajat edustavat palveluliiketoiminnan johtamisen ja kehittämisen parhaita kotimaisia osaajia. Kirjan kirjoittajat tulevat VTT:stä liiketoiminnan ja organisaatioiden tutkimuksen piiristä, Helsingin kauppakorkeakoulun markkinoinnin ja johtamisen laitokselta sekä Helsingin yliopiston toiminnan, kehittämisen ja oppimisen yksiköstä.

LISÄTIETOA JA ENNAKKOTILAUKSET
www.teknologiainfo.net

Teknologiainfo Teknova Oy
Eteläranta 10, 4. kerros • 00130 HELSINKI
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A new book in Finnish based on the results of the ServO-project

Co-operation possibility with VTT in Tekes Serve programme; DL 21.5.

Seminar in Finnish:
Palveluliiketoiminta – muutos ja menestys 26.5.2010; VTT, Vuorimiehentie 5, Espoo

[Maaria.Nuutinen\(at\)vtt.fi](mailto:Maaria.Nuutinen(at)vtt.fi)
Puh. +358 40 550 8615



**VTT creates business from
technology**

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