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Change project development

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Abstract

Changes have become a part of everyday life due to the fast changing environment of firms. Success in provided changes depends on their preparing and planning. This paper deals with the preparation phase of change and development of the project. The aim of the paper is to present a methodology of change project development and its application in conditions of the chosen firm. Analytical managerial methods concerning project and change management were used. The results achieved have shown the possibility for improving a competitiveness of the firm through identification and realisation of needed changes.

Keywords: Change, management of change, project development, firm.

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1. Introduction

The ability to manage changes is among the cardinal and highly appreciated managerial abilities. Change management presents one part of complex business management. By managing any change, managers have one common goal: to accomplish the change successfully. Changes in a firm mean not only a threat or loss but also an opportunity. It depends on managers how they are able to bear up under the existence of changes, to transform them to opportunity or to evoke them. Whether it is an ongoing process of adapting to changes or initiating changes, in both cases it is necessary to manage their preparation and realisation. Change management is a process with the goal to secure that an organisation will be ready for a change and will develop steps to acquire that agreement of people with change when the change can be easily carried out (Armstrong, 2008).

Preparation and realisation of a change in a company has features of a project. Change management therefore uses methods and tools of project management. Project management is performed by a team of people and the choice of right persons is key for the success of teamwork. Several authors deal with change models. The most important one can be considered Kotter (2002, 2012), who has published several bestsellers relating to leading change process, which are focused on leadership and psychologic and social aspects of change management. The process of managing change from a methodological view has been analysed in publications by authors Armstrong (2008), Passenheim (2010), Drdla and Rais (2001), Kubickova and Rais (2012), Borovsky (2005), Toman (2005), Zauskova, Miklencicova, Madlenak, Bezakova and Mendelova (2013), who presented models consisting of different number of steps. However, no one model describes preparation of change in form of a project development in more detail.

Change project is an important element by change preparing and planning as also a methodology for change realisation and control after its carrying out. This is why we have decided to pay attention to this part of change management. The aim of this paper is to present a created methodology of change project development and to show its application in the conditions of a chosen firm.

2. Materials and methods

To obtain the relevant results required, theoretical knowledge and publications of the above-mentioned authors dealing with change management were studied. The basic philosophy for a change project proposal was knowledge in project planning. According to Armstrong (2008), within project planning following activities are performed: identification of all project activities and their order, estimation of time needed for each activity, whole project time and deadline for each activity, finding out flexibility in time schedule, estimation of costs and activity distribution towards cost minimalising, problem predicting and making steps needed to prevent them. The next source of information were scientific publications solving the issue of change management process from authors Voropajev (1998), Balogun and Jenkins (2003), Arain (2008), Zink, Steimle and Schroder (2008). Furthermore, we based our own publications (Sujova 2010; 2012a, b; 2015a, b). Project preparation presents the second phase in the model of change management. Input data are results of the first analytical phase, namely identification of changes needed and evocation an urgency feeling.

The proposed methodology was applied in a small-sized firm working in service area and providing consulting, maintenance and repair of personal and utility cars. Although the firm tries for a continual improvement of its activity via innovations, it forces several unfavorable influences from the direct environment and internal problems which are important to record early, analyse and create a suitable strategy for the next development of the firm. In the first step, the analysis of initial situation was carried out. The analysis was focused on SWOT analysis, portfolio analysis (BCG matrix, product life cycle), financial analysis and force field analysis. The used methods were questionnaire method and structured interviews with managers. Based on the identified starting points, the plan of change realisation in the form of the project was processed.

3. Results and discussion

3.1. Change project proposal

Coming out from a complex model of change management, the project can be proposed if the following data – starting points of change exist:

- Current situation of the firm: critical factors and eligibilities based on results of SWOT analysis, which integrates results of partial analyses of internal situation of the firm and its environment.
- State of the force field: situation between change driving and breaking forces which characterises environment in the firm for change realisation.
- Identification of changes needed to carry out in aim to eliminate risks and problems, to optimise a force field and to evoke urgency feeling.
- The change project consists of following steps:
- Project team formation: project team is a group of workers who share on the project preparation and realisation, they have common goal, presumptions for qualification complementing. The project team should have the following composition: leader (top manager), preparing and managing team (higher managers), realisation teams and external consultant.
- Creation of change basic model: change vision and strategy, identification of needed changes, determination of intervene areas for changes, project time duration, planned begin and end of the project.
- Determination of target key performance indicators (KPI) and target situation after realisation of changes. KPIs can be found on the basis of determined critical points by analysis or according to achieved values of the strongest competitors via benchmarking or by communication what means transfer to strategic KPIs.
- Identification of sources for change realisation: costs for change realisation (human resources, information technologies, materials, investment and radicalism of target costs (cost savings).
- Elaboration of flowchart: detailed plan of actions with timetable including order and duration of individual actions, tasks and responsibilities of team members.
- Financial assessment of change effects: proposed financial indicators after change.

The scheme of change project development is given in Figure 1.

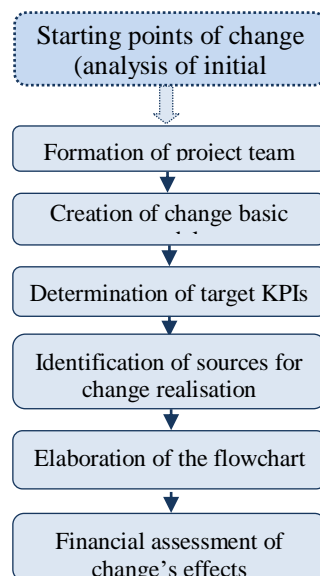


Figure 1. Change project scheme

3.2. Results achieved in the firm

Results of initial situation analysis mentioned risks and problems that are needed to moderate or eliminate, namely in the financial area and product portfolio. Analysis of force field has shown a favourable environment for realisation of changes. People attitudes to changes are mainly positive because a working team consists of young and ambitious people who are willing to learn and progress their abilities. Contradictory forces are in a lower representation and express doubts from insufficient information. To soften them is a task for a project team and communication improvement. The solution is a plan of informative meetings and courses to new working procedures and tools.

Project team was created in the structure: leader is firm’s owner, preparation and managing team is composed by trade and economic manager and realisation team is presented by foreman, motor mechanic and electrician and IS administrator.

Basic change model includes information about proposed needed changes and intervened areas. The vision and strategy of change was adjustment of activities towards better financial performance. Based on results of analyses the needed changes were specified as follows:

- Portfolio optimisation: damping the service ‘climatecentre’ and the segment of other complement services (they represent a low share on sales and low value added), reinforcement of car repair and tire service and extend them by motorcycles and trucks.
- Financial restructuring focused on cut-down of indebtedness and securing the solvency through sale of needless equipment and stock optimisation (to decrease a stock level to reserve level according to turnover of stock items).

The formulated two carrier changes create a space for extension of target group of customers by motorcycles and trucks. In this purpose the update of software for diagnostics of control units and purchase of new software were suggested. The new customised software will interconnect outputs made in workplace with evidence of motor cars, economic system MRP and system for purchase of replacement parts. From specified changes the intervened areas resulted: production portfolio, financial area and information system.

The target KPIs were stated and they relate to financial results: to reach and keep a positive value of earnings before taxation (EBIT), long-term indebtedness 0% and to decrease a short-term indebtedness by 20%. The target state is shortening operational periods of production processes, stock level decrease and revenues increase. The result of changes should also consist in simplification of work procedures and interconnection of parts entering to main processes of repair services from replacement parts purchase, their uploading to system MRP and diagnostics in combination with repair. This change enables easy evidence of individual orders and simplification of outputs.

The next step in identification of needed sources was the sources were determined as follows:

- Human resources: all members of a project team are employees, increased costs don’t arise.
- Material sources: costs of an update of software equipment for diagnostics of control unit extended by module for motorcycles and trucks and purchase of a new software for administration are presented in Table 1.

Item name	Price in €
Licence software Bosch KTS 540	852
System of administration of car repair service	275
Total	1,127

- Costs radicalism (costs savings) are represented by earnings from sales of needless equipment after portfolio reduction in total amount 13,720 € (Table 2).

Table 2. Costs savings

Item name	Price in €
Equipment of filling and cleaning air conditioning	3,200
Accessories to detection of filling composition leakage	520
Professional shampooing device	1,500
Device for equilibrating and replacement of tires	8,500
Total	13,720

After comparison of needed costs and earnings costs radicalism can be calculated to the amount of Euro 12,593.

The flowchart was drawn in two aspects: project duration with timetable of activities and personal responsibility matrix. Project duration time is maximum 120 days and minimum 100 days. Time reserves were included in timetable of particular actions which is presented in Table 3.

Table 3. The flowchart

Timetable Name of activity	Dates	Number of days	Owner	Foreman	Personal responsibility matrix			
					Economic manager	Sales manager	Motor mechanic	Motor electrician
Workshop to analysis results	1 – 3. 6	3	R, A	P	A, P	A, P		
Decision of management about range and goals of changes	4 – 5. 6	2	A	R	R	P		
Project team creation	5 – 14. 6	10	R, A	C	A	P		
General meeting	16. 6	1	R, P	C	C	C	A	A
Division of competencies and tasks	5. – 15. 6	11	A	P	P	R	C	C
Business negotiations – SW purchase	17. 6. – 1 7	15	C, P	C	R	R, P		
Business negotiations – sale of stocks and assets	17. 6. – 17. 8.	60	A, C, P	R, P	C	R, P		
Creating database of new customers, meetings	17. 6. – 17. 8.	60	P, C	R	P	R, P		
Inventory of assets and stocks	18. – 19. 6.	2	C	P	C		P	P
Workshop – fulfilment of tasks	2. 7.	1	R	C	P	C		
Evaluation of price offers	2. – 5. 7.	4	R, A	C	C	P	C	C
Reorganisation of working premises and procedures	6. – 10. 7	4	A	R			P	P
Workshop: approval of offers to SW purchase and stocks sale	15. 7.	1	R	C	P	C		
Sale of stocks and equipment	20. 6. – 18. 8.	60	A	C		P	C	C
SW purchase	12. – 14. 7.	3	R, A	R	P	C		
Training of employees to new SW	12. – 13. 7.	2	R	P	P	P		
SW implementation	15. – 16. 7.	2	R	P, C		C	P	P
Internal training in new procedures	18. – 21. 7.	3	R	P		C	P	V
Workshop – fulfilment of tasks, results	2. 8.	1	R, P, C	R, P	R, P	R, P		
Launching marketing Action 'motorcycle'	10.8. – 9. 9.	30	C		A	P		
Final report and assessment	2. – 6. 9.	4						

Notes: R – responsible, A – approve, C – control, P – perform

Within the timetable of actions, attention should be paid to two time demanding activities concerning warehouse stocks. After planned inventory and finding a real state of stocks, long-term asset and consequent calculation of prices, there are two ways of solutions towards the fastest and financially the most convenient sale. The first alternative is return of stocks to supplier by a certain price adjustment. The second possibility is a sale to final consumer, which is more time-consuming. For active business negotiations by purchase of new administrative software is planned more days than usually – 15 days, so that it will meet specified requirement.

Activities of project require different responsibilities and competencies of members in project team. The tasks and responsibilities are presented in personal responsibility matrix in Table 3. Tasks within project are assigned according to individual abilities and skills. The choice of project team comes out from emphasis of the firm on horizontal relations, negotiation, agreements and cooperation directly among members of the team. A team model requires members to have clear idea what they want and should achieve. High demand is to independence and responsibility of a team member.

Financial assessment of the change project is based on transfer of proposed changes to strategic plan of financial indicators development. The assessment presented in Table 4 shows that the firm after portfolio and working procedures optimisation will increase its revenues from sales of goods and services. Sales of needless assets and stocks the firm gains finance that enable a purchase of needed software equipment.

Table 4. Proposed economic results of the firm after changes in €

Title	Before change 2015	After change 2016	After change 2017
Revenues from sales of goods and services	79,939	114,758	164,927
Revenues from sales of stocks and assets	153	4,000	4,000
Other revenues from economic activity	9,414	1,000	2,000
Total revenues	89,506	119,758	170,927
Total costs	10,736	119,227	140,511
EBIT	-11,819	2,831	32,416
Economic result after taxation	-14,190	-429	24,029

The named changes will affect also indicators of indebtedness and solvency. The value of short-term liabilities is gradually decreasing, long-term liabilities will be zero. Proposed financial indicators are presented in Table 5.

Table 5. Financial indicators of the firm after change

Indicator	Before change 2015	After change 2016	After change 2017
Working capital	-21,068	-3,518	1,083
Long-term assets	10,715	6,715	2,715
Short-term assets	23,558	19,432	22,083
Long-term indebtedness	0.19	0	0
Short-term indebtedness	98.78	71.9	68.55
Total indebtedness	65.6	71.33	40.33
Solvency, 1st grade	0.00	0.087	0.048
Solvency, 2nd grade	0.14	0.51	0.72
Solvency, 3rd grade	0.52	0.85	1.05

Proposed trend in indebtedness and solvency is coming in on acceptable range after realisation of changes and hereby the profit is generated with effect to higher market value of the firm. Financial assessment of the change project shows that stated target values of KPIs will be reached.

4. Conclusion

This paper presents the application of a change project proposal in the chosen firm. Analysis of a current situation in the firm created inputs for proposal of a concrete project well-founded by economic assessment. It also provided an opportunity for the firm to increase its competitiveness and performance through identification and realisation of changes. A change project enables a precise change planning and its effective management. It increases a chance to reach required targets and effects of a change. In comparison with common project schemes, emphasis is on continuous informing of all participants about change process and achieving results, so that a positive environment for change realisation is kept and a state after change will be fixed and does not revert to the previous.

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