

Industry Snapshot

Institute of Professional Development

Using Kaizen to Lead Change During Post
Company Merger & Acquisition in the
Aerospace Sector

Summary

This work-based learning industry snapshot aims to leverage best practice leadership principles and change management processes to offer a recommended approach to implement effective and sustained process change within an organisation in the aerospace industry, post-M&A.

To drive successful integration, managing people through the change process takes good leadership and a structured change management process, with a clear vision and strategy.

During the post-M&A period, employees may feel anxious and leaders have the responsibility to ensure they create the right environment to stimulate employee motivation and morale to progress successful change.

Employees will typically go through a grieving cycle during major change and transformation of the organisation and to minimise these leaders must fully understand its stages and adopt the most appropriate style of leadership to manage employees' emotions.

The culture of an organisation also plays a pivotable role in the success or failure of post-M&A. Without understanding the human impact of post-M&As it can lead to disgruntled employees with behaviours still stuck in the past organisation. Neglecting the barriers to culture: trust, openness and team working, the change programme is at risk of costly delays or worse being considered a failure.



The key leadership literature influencing the case study

It is not just the boss that can be a leader in an organisation. Anyone that can influence, motivate and drive others and act as leaders and promote change is considered a leader. The leadership team should follow a structured change management programme, whilst adapting more of a situational leadership style to motivate and drive individuals towards the acceptance stage of the merger and acquisition as quickly as possible.

The shared values, beliefs, and behaviours of a group of employees, within well-established organisations is typically built on decades of deep-rooted traditions with employees stuck in traditional ways of working. Therefore, managing the culture is paramount to an organisation's success. When a major change occurs, such as an M&A, it can send a shockwave of uncertainty and anxiety to employees and lead to resistance to change. Overcoming these barriers to culture will be critical to the successful outcome of business transformation post-M&A.

By far the biggest oversight a company can make during business process transformation is to go about making major changes without following a structured change process.

Through research Kotter (1995) identified eight common errors organisations make when initiating major process change efforts: (1). allowing too much complacency, (2). failing to create a sufficiently powerful guiding coalition, (3). underestimating the power of vision, (4). under communicating the vision, (5). permitting obstacles to block the new vision, (6). failing to create short-term wins, (7). declaring victory too soon and (8). neglecting to anchor changes firmly in the corporate culture.

During the initial announcement of an M&A, some employees will enter a period of denial and carry on working in the organisation assuming nothing is going to change. Whereas other employees may be anxious and fear for their job security.

Creating urgency is identified as a critical first step in creating a climate for change, whilst generating quick wins is a key step in engaging & enabling the organisation.

Kotter (1995), established three phases to managing successful process transformation that are further broken down into Kotter's 8-step change model:

Driving Quick Win Opportunities through Kaizen

The aerospace sector is traditionally conservative to change which can present challenges in a climate of business transformation. Employees working in this type of environment are likely to feel apprehensive to get involved in the change programme, possibly through fear of the unknown and the possible impact to their traditional ways of working. However, a Kaizen approach to process transformation can be used as the fuel to ignite employee engagement as part of the organisation's wider change programme.

Kaizen event, or Kaizen Blitz, is a Japanese business philosophy for continuous improvement. It is an approach used in many major aerospace and automotive companies to drive change through a series of focused Kaizen events. A Kaizen event is typically held over a 4–5-day period. Kaizens bring about a sense of urgency and can be described as a high-energy, high-impact and employee empowered team improvement activity that delivers rapid process transformation.

Kaizen events are cross-functional team-based activities defined with a clear purpose for change. They aim to generate quick win process transformation. Quick win opportunities are invaluable during the early stages of post-M&A period, as full business transformation takes time and prolongs the emotions experienced by employees prior to reaching the acceptance stage of the grief cycle, Kubler Ross (1969). The Kaizen approach will help engage employees and accelerate their emotions through this cycle of change, and eventually into the growth stage.

Combining Kotter's 8-step change process with the Kaizen philosophy provides a strong change management approach to deliver sustained post-M&A process transformation.

Case Study

The company used in this case study is a British company that was listed on the London Stock Exchange FTSE 100 Index, specialising in the aerospace industry. The company was subject of an acquisition by a US company listed on the NYSE.

The completion the M&A took 18 months due to the time it takes to complete the legal and regulatory industry process. As a result, the leadership team needed to recognise that during this period, employees' morale could be low, with a lack of motivation to fully engage in the change process.

The organisation found that using a series of Kaizen events to provide the opportunity for employees, at all levels of the organisation, to have a voice to influence change and a chance to lead or facilitate a kaizen activity, provided an opportunity would not otherwise exist without a formal promotion.

The company recognised the change curve; based on five stages of grief: Denial, Anger, Bargaining, Depression and Acceptance. Often employees will move through the grief cycle at different stages. It was therefore important that leaders of change recognise the needs of individual employees during the grief cycle, rather than assuming that everyone's emotions are the same, and thereby adopting an appropriate leadership style to influence and motivate personal needs.

Managing the change process was deemed critical to the successful outcome of the transformation; to standardise best practice ways of working and to realise the business synergies. The initial challenge was obtaining the commitment of the employees affected by the changes and to bring them along on the journey of change.

The company in this case study exhibited a mixture of leadership styles. One side of the business led with a consistent authoritative style and fostered a culture of employees to feel motivated, empowered, and accountable, thus satisfying their needs. In contrast, other areas of the business demonstrated leadership styles that were inconsistent, i.e., a mix of laissez-faire, democratic, authoritative & coercive, which in turn, created demotivated, disengaged, and confused employees.

The leadership team was aware that they had to set a pace of urgency to drive through the transformation phase as quickly as possible to keep employees fully engaged and morale high to mitigate the impact of potential loss of performance.

In the past, the prior business often made a science project of change initiatives that would drag on for months, finally losing all momentum and its sense of importance. Employees often became disengaged and quickly gravitated back to traditional ways of working.

The business decided to follow Kotter's (1995) 3-phase, 8-step change process approach, whilst combining it with their established Kaizen approach to 'rapid process change'. The Kaizen methodology was the 'X Factor' ingredient that provided the energy to drive quick wins and rapid change. This model fitted perfectly with the culture of the acquiring organisation as it was used to driving change through the application of Kaizen.

Communicating the vision for change was a critical element of the business transition as it provided a common goal and shared vision of the future state organisation. Everyone understood why the transformation was needed and how they could contribute to the change process. Involving everyone in the business transformation cultivated a positive work culture and started to lift morale, which was further enhanced as more of the senior leaders participated in the shopfloor transformation events through Kaizen also ensured quick wins.

Employees involved in the initial stages of the business transformation very quickly entered the acceptance stage of the change curve.

Conversely, there were a small population of the workforce that were still yet to be engaged in the event, due to the timing of the change programme.

However, as soon as the transformation programme reached these areas the employee morale very quickly.

The Kaizen approach, as integral element of the change process, provided a sense of ownership and empowerment to drive change. It enabled functions to move through each area systemically, learning and applying the lessons learned via employee working groups.

Furthermore, Kaizen facilitated standardising and documenting the new ways of working.

Key Results / Benefits

- A focused event will drive Rapid Process Transformation completed over days.
- Improved customer value by eliminating or reducing process wastes; leading to end-to-end lead time reduction and delivery improvements in both product & service offerings.
- Improved Safe Working Conditions and Workplace Ergonomics.
- Reduction in Inventory by introducing Lean principles.
- Improved Employee Engagement and Morale through team empowerment and cross-functional working.

Business Implications for Managing Change

- A clear vision, reinforced with common goals, cascaded throughout the business keeps alignment and engagement to deliver the transformation in full and on-time.
- Maintaining a sense of urgency with full employee engagement will drive rapid and positive change.
- Promote a culture of continuous improvement and encourage employee involvement at all levels in Kaizen activities.
- Lean expertise should be available to facilitate Kaizen events and deliver training on lean tools & techniques to allow functions drive improvements.
- Culture takes time to change. Be patient and consistent with your change approach.
- Trust and respect everyone's opinion as this will foster greater employee engagement.

