

Change Management Plan



"We Lead. You explore."

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Preamble

Ventertain is a company that has been active in the field of virtual entertainment since 2000. During the last 8 years, it has grown into a major virtual entertainment production company with a lot of employees working in different fields. We aim to become the most innovating company active within this branch.

The CEO is under the impression that our employees are coming to work and doing their jobs and afterwards collect their money and that's it. They perform their tasks sufficiently but when the employees work according to the corporate strategy more profit can be made. The desired situation would be that not only normal staff but also the management team works according to the corporate strategy as defined by the CEO.

A change within Ventertain is needed based on the interviews and surveys conducted through the CEO and other managers.

Therefore our Team who works in the Ventertain as an Advisor, Counsellor and HR Manager is inquired to do it's job in the best way. The CEO wants this Team to use their knowledge and know-how to solve this problem through designing and implementing a Change Management Plan concerning this subject.

Company's current situation

In order to have an adequate view of our current company's strategy and functions, we decided to conduct a Current Situation Analysis which will clearly reveal the situation within our company. The way which we acquire the required information is through performing an External and Internal environment Analysis.

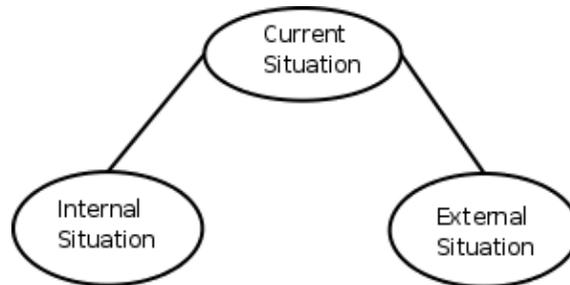


Figure 1

External Environment Analysis

The structure of the conducted External Analysis has the following structure:

The External Environment Analysis includes the following assessment criteria.

- ✓ Customers
- ✓ Competitors
- ✓ Suppliers
- ✓ Partners
- ✓ Social changes
- ✓ New technology
- ✓ Economic environment

2.1. Customers

Our most profitable customers are mainly young and middle aged people between the ages (15-35). These customers consist 60% percent of all the customers we have. Customers in the age limit up to 60 comprise 30% and 10% of our clients are over the age of 60.

2.2. Competitors

Our competitors are Nintendo and Straylight which together own 80%. Our company owns 10% market share, the rest 10% are dominated by a few small companies which are selling their local country market.

2.3. Suppliers

Our suppliers are VIA and Intel.

2.4. Partners

Discussions on that subject are in progress. Some directors suggested we might enter a partnership with Nintendo.

2.5. Social Changes

Day by day statistics show the wide adoption of technologies intended to make every day life more convenient. The Virtual Reality High take branch makes no exception. There is a tendency observed for cheap high quality Virtual Reality products. The last 3 years the usage of Virtual Reality products has increased tremendously. Statistical data reveals that the market is booming with 150% increase in demand per year.

2.6. New technology

Our R&D is constantly striving to develop the most “state of the art” technologies on the market. There is something wrong within the department; a rumor that says company is loosing ground is circulating.

2.7. Economic environment

The contemporary economic environment in the Virtual Reality market is quite unsteady. The upcoming global economic crisis has a serious impact on the industry.

According to CBS (National Statistical Institute of the Netherlands) the economic growth in the first quarter of 2008 equals to 3.0%. Although the severe World Economic Crisis there is 0.2% growth in the Netherlands economy compared to the 4th quarter of year 2007.

What's being observed is a constant inflation increase during the last year and a half.

However the inflation is lower than the inflation in the rest counties of the EU.

The graph below borrowed from EuroStat represents graphically the inflation increase in percentage.

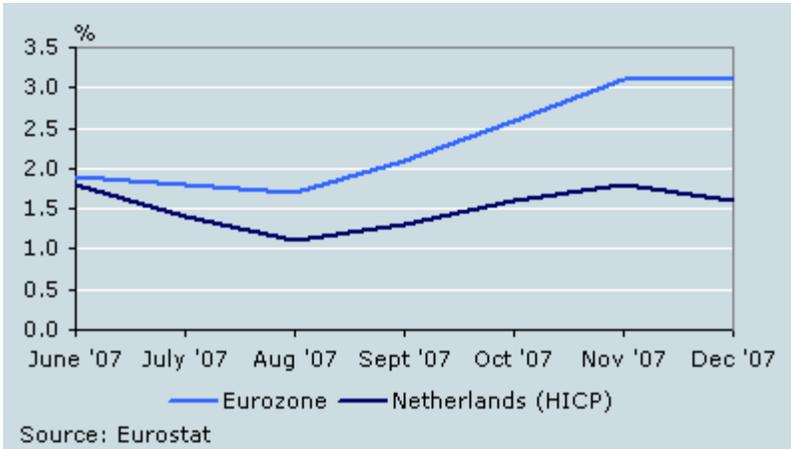


Figure 2

Although the harsh contemporary economic environment research showed the demand for Virtual Reality products is constantly increasing. However the Market trends in the Virtual Reality Market is vastly changing rendering fluctuations as more and more competitors enter the market and the customer product requirements constantly increase.

Internal Environment Analysis

***Internal Environment Analysis* would include the following assessment criteria.**

- ✓ Company image
- ✓ Organizational structure
- ✓ Key staff
- ✓ Operational efficiency
- ✓ Operational capacity
- ✓ Brand awareness
- ✓ Market share
- ✓ Financial resources
- ✓ Patents and trade secrets
- ✓ Company culture

3.1 Company Image

As we have found out from the token interviews with different managers within the company. Lately the company's image is starting to fade out. Clients used to recognize our company's brand name with best quality and high satisfaction. As a logical consequence we are loosing positions on the comparative market.

3.2 Organizational Structure

Over the years we have extended from a small company 35 employees (13 of which were part-time workers), to a middle size company of almost 600 employees. Not much of the employees behavior has changed, even the management style has been kept the same. The employees are working obsessively (which is good) but the problem is many of them fail to really follow the set goals, many of them did not well understand the company's Vision and Mission, their only driving engine is innovation. That type of approach seemed to work in the company when we still have not so well distinguished rights and obligations distributed within the company's departments, but it totally fails to serve the purpose at the moment.

3.3 Key Staff

According to the records displayed by the Production Director, it is clear that there are no serious problems with production and the employees in the production department are doing just well.

3.4 Operational Efficiency

After a check in our Employees Efficiency Evaluation program “Human Resource Web Manager” we have drawn the conclusion that currently the employee's efficiency is on a reasonable levels. However the efficiency level shown in the system is a way lower comparing to the possible maximal efficiency boundary that could be achieved.

3.5 Brand Awareness

Our brand is well distinguished and has proven over the 8 years of existence that it is a guarantee for outstanding experience. Unfortunately, due to the internal company problems we are starting to the lose brand awareness, it is not experiencing the same amount of recognition as it used during the last 5 years of continual Brand quality awareness on the market.

3.6 Patents and Trade Secrets

Our company is well established as a proprietary company with a well distinguished closed model of development. Each department is doing their part of the program code in private. Then when each module is ready they are gathered together and the end of product is formed. This model of development has served a good purpose until recently. It seems that the last piece of software's deadline was exceeded, because of confusion caused by the fact that the different Teams of programmers are not allowed to share the source code of the programs written in each of the teams. The consequence of this was that a fierce discussion emerged and a lot of the employee's of the programmers' teams suggested that the company should adopt a different model of development. Many of the employees insisted on adopting the “Free Software” development model.

3.7 Company Culture

Our company culture is focused around the motto “diversity in oneness”. The culture within the company has much diversified since the company personal consists of variety of people originating from different nationalities. Our company had always strove to hire the best and most innovative people in the branch, thus since the establishment of the company we let our personnel to build the culture. We periodically organize events that incorporate many different aspects of different country traditions, curious games concentrated around topics like respect honor and friendship. This has successfully created a sense of oneness within our employees. The employees were pleased with the “open culture” within the company and always publicly associated themselves with the company. Ultimately, real change in a company has to come from its employees—from the millions of decisions made every moment, every day, at every level of the corporation. Technology can enable new solutions, and management can mandate them, but they don't actually solve anything until employees use them, embrace them and rely on them. Creating this kind of moment-by-moment change is vital to building up our culture.

Based on the facts above the following SWOT Analysis could be derived:

<p>Strengths</p>	<ul style="list-style-type: none"> • Innovative Product • Operating in New Business Industry a lot of expansion potential • High Qualified Personnel • Rapid product development process that allows for timely renewing and new product releases • Good well established and widely recognized brand name • The employee amount only (600 employees) allows the company to be flexible and easily react to changes and customer product demands and preferences
<p>Weaknesses</p>	<ul style="list-style-type: none"> • Downside of product launches and deadlines contributes substantially to employee burnout • Employee turnover has increased from 6% for a ten year period to 7.4% • People are working most of the time for money, they are not really devoted anymore • People more focused on the work details instead of focusing on the final company objectives • The Virtual Reality market is still unrecognized, issuing new products is much more risky compared to the other already well established industries • The HR department is not well integrated with the rest of the company structure • Sometimes there is lack of appropriate internal communication • People are working mostly for the “bucks”, that might be a strong indicator that alarms that people are not committed enough, there might be a lack of job satisfaction
<p>Opportunities</p>	<ul style="list-style-type: none"> • Chance to become leading Virtual Reality Simulators and game producer • The ever growing popularity and demand for Virtual Reality products • The drastic fall of in prices of Internet telecommunications, global communications and hardware device costs • The vast amount of possibilities for development, new products and innovation in the VR industry • High level of applicability of VR in different institutions, pharmacy, governmental, military, educational opens an enormous possibility.
<p>Threats</p>	<ul style="list-style-type: none"> • Rapid development in the field • A lot of middle and small sized companies trying to enter to the market • The enormous amount of IT giants (Blizzard, Microsoft, Sega, Nintendo, etc) who recently are about to enter the Virtual Reality products market • The lack of serious competitive advantage over the competitors

3.8 Running a Survey

The HR-Management decided to conduct a survey within the company, in order to localize how acceptable would be a possible change among the Management Board. Because of the HR department was limited in time. It seemed that initially the executed survey left open doors for some of the managers to give us answers out of the questions, the good thing is that some of the managers gave us feedback which although not initially designed to be in, helped us to better analyze how ready our management is to accept and give a go to the implementation of the Change Management plan.

The HR department is aware that in order to earn the Management's Agreement on the prepared Change Management plan it is required to know the exact Management and Employees desire to change.

The survey included the following questions:

1. Are you willing to accept changes within the Company?
2. In what period are you willing to accept a change?
3. Would you like to be actively involved in the change process?
4. Are you aware of the current Company's Strategy?
5. Do you feel you're being involved in company activities?
6. Do you think that the department's targets change according to supply and demand?
7. Do you feel free enough within your current position?

The 7 target questions were carefully selected to give us information about the following:

- To find out how much people are ready for a change
- To understand which time frame would be suitable for the Change Management Plan
- To define if the Change Management approaches should be "Active" or "Passive"
- To find out how many of the employees are aware of the current company Strategy
- To find out the connection for the company between Livability and Right of Existence
- To explore the connection for the company between the structure and the right of existence
- To track the connection between the structure and the livability

3.9 Survey Feedback Analysis

- ✓ It appears that 88.9% of the management team is willing to accept changes and 11.11% are against.
- ✓ Asking the question "In what period are you willing to accept a change?" Revealed that 22.22% of the personal is willing to change in a month, 11.11% is willing to change in a quarter, 11.11% in half a year, 22.22% in a year and 22.22% is ready to change at any moment. Out of this we can conclude that a time frame 0
- ✓ To define the amount of resistance we expect throughout the process we made the following analysis. On the question: "Would you like to be actively involved in the change process?" 77.77% answered positively. While 22.3% percent is not willing to do so. Out of this we may conclude that we can implement a lot of active changing factors within the company.

- ✓ The main problem according to the CEO is that there is not enough strategic focus throughout the company. To find out how big this problem is we asked if people are aware of the corporate strategy. 66.6% percent answered they are aware of it and 33.4% is not aware (at all). The majority seems to be aware of the strategy yet according to the CEO they do not focus on it enough. A process needs to be set up to make more people aware of the strategy and how to implement this within their position.
- ✓ On the question whether people feel involved in activities in the company as a whole 66.6% answered positively while 33.4% doesn't feel involved. This means our company is focusing on the market focused approach. These two figures change the most from each other (33.3%) so this might be the point where we choose to interfere with our change management plan.
- ✓ To find out whether our company is market or internally focused we asked the managers if they think company goals fluctuate according to the market's demand. 55.6% answered yes, 33.3% percent answered no while 11.1% aren't sure. According to these figures we may conclude that the majority considers our company Market oriented.
- ✓ On the question: "Do you feel free enough within your current position?" within your current position 55.6% percent answered yes 33.3% answered no and 11.1% is not sure. If we look at the previous question and connect this on to the IOV model we can see our company is following the market focused strategy.

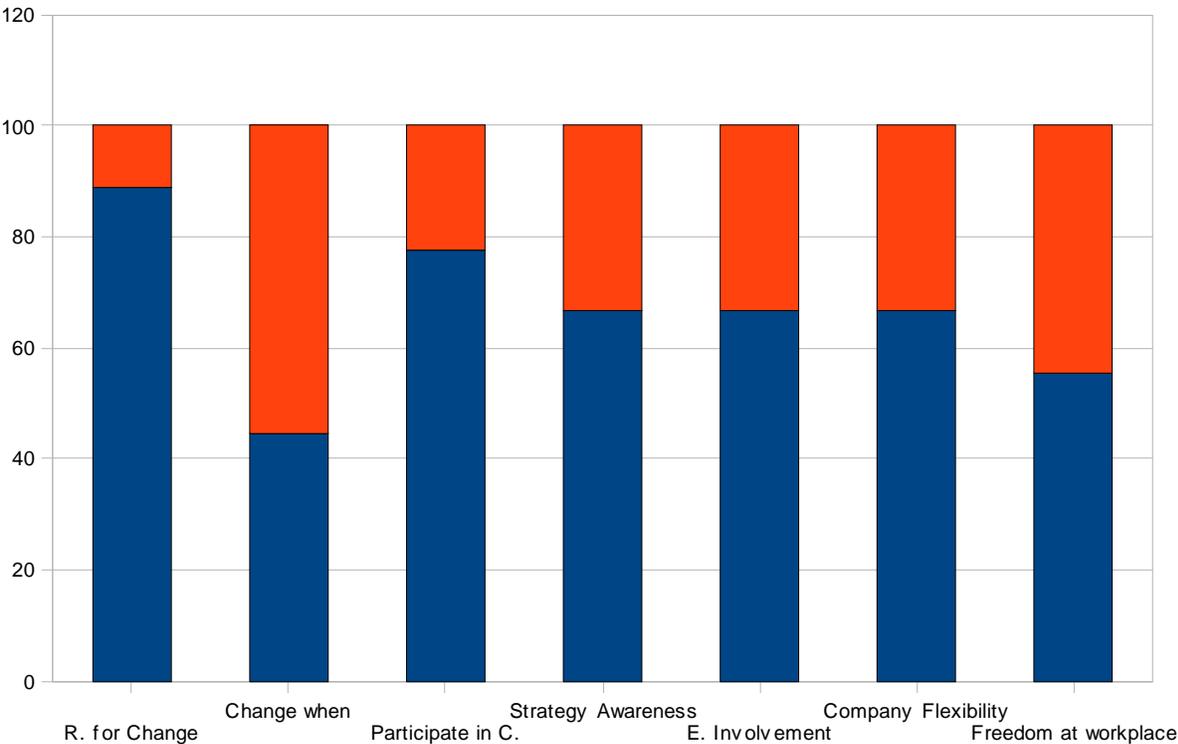


Illustration 1: Graphical Representation of Survey Results Readiness for Change
Figure 3

3.10 Survey

Conclusion

Based on the survey feedback the conclusion is:

- Most of the people would accept changes
- A little more than half of the employees prefer changes to happen in a year
- Most of the employees are ready to participate actively in changes
- Two thirds of the employees are aware of Ventertain's strategy
- Again roughly every 2 of 3 employees would like to be involved in changes
- The majority of employees understand the company as a flexible one
- A little more than half of employees feel free at their job position

3.11 Sponsor Analysis

According to the research carried out within the organization, the majority of the management board are ready to accept changes in the company. 80% of them are willing to get involved with the change. 20% are opponents to the idea of changing the internal environment.

The key sponsor of the change is the CEO of Ventertain. The primary sponsors are the rest of the management board. The main actions that they will perform are to motivate the employees during the change. Review and analyze the phases of the change; hold the budget and involve in all stages of the change plan

3.12 Manager Interviews Conclusion

In order to satisfy the CEO's desire for strategic change the HR team decided to conduct a series of Interview meetings with the key Managers within the company. The interviews were carried before consulting the CEO. It was a mistake that we didn't notify the CEO before arranging the scheduled management interviews. However we later discussed about our decision with the CEO and explained him that manager interviews was an absolute required step since the information revealed from the managers made big contribution for the successful start of the Change Management plan.

The feedback received was quite complicated and controversial which from our perspective is an indicator that even Managers fail to focus on company strategy. In a company where all managers work to achieve the company's goals through the company strategy usually different manager opinion on company matters should be strongly interconnected. The HR team determined that currently the company is on a verge of strong diversification in other words Managers concentrate too much on the small details within their departments and fail to have a clear view on "the big picture". Of course this is quite normal for a company like Ventertain which during the last years transformed from a small garage company to a modern International 600 employees company. We the HR managers became aware that a unifications between the different department is necessary, if the emerging communication and co-ordination problems are not eradicated a company is going to experience serious concussion.

3.13 Analysis of the Company Population

The Meetings with the Managers and the survey results revealed that:

- Our company consists mostly of **Innovators** (more than 65%) of the company employees which is quite normal considering the Industry we operate at, around 15% of the innovators serve as informal leaders within their departments
- 60% of the population are **Early Adaptors**
- At least 30% of the population are **Early Followers**
- Around 20% of the population are **Passive Followers**
- No more than 10% are a stubborn and hard to change in every way and can be classified as **Unwilling Followers**
- Approximately 5% of the population are **rejecters**, e.g. will never changes and will actively oppose changes

Based on the information above and knowing the 10/80/10 Model, we may involve actively the 20% of Passive Followers through engaging the Early Adaptors and helping them be a part of the change, giving them individual assignments to organize some of the minor things about the change, like the seminars for example.

3.14 Change History

The performed Interviews with the Managers revealed the following about the Change History within Ventertain.

The company has an ISO9001 certificate since 4 years in spite of this the production quality hasn't recorded a serious improvement since then. Although not improving the products quality is persistently kept the same level.

Problem Definition Statement

Based on all the research done (Current Company Situation, External Analysis, the Change History, Survey Conclusion, Manager Interviews), the following problem definition was retrieved:
The major organizational problem within Ventertain is that:

- **“Employees are not strategically focused”** and fail to adapt to the recent company enlargement. Since there is an indirect link between company profit and employee behavior this shortage of following company strategy would eventually lead to needed changes of the currently existing company.

What the CEO wants is to keep employees focused to the existing “end point” he had set through the strategy. It was necessary for the HR to act in order to fulfill the task assigned by the CEO. To rearrange employees’ attention to follow each company steps this would ultimately lead to the successful execution of the Strategy.

As a problem solution we will focus on the following major objectives:

- Develop environment with creativity and innovation;
- Create a spirit of learning and accepting challenges;
- Create fairness and respect for all within the organization;

The goals of this change management project are the following:

- To increase the quality by 15%;
- Increase the employee satisfaction by 50%
- Increase employee work commitment with 30%
- Improve communication flow within the company
- To improve existing company procedures and structures

Change Factors / Strategy

Until now the company has followed a strategy focused on “buying” employees. Our CEO has a mindset that the most valuable asset for the employee is money. As a consequence the employees behaved in exactly like workers behave their one and only motivation was money.

In order to be in line with the latest the HR techniques within High-tech companies like Ventertain the HR department conducted an extensive research online which proved that most of the high tech geeks out there are not really motivated by money at all and the core of their value system is completely different from the values most of the employees in other companies has. It seems our high-qualified personal even on our lowest level (the programmers) aren't moved by the autonomous desire for money possession but has much more complex and profane values. With the complete realization that our company was build upon the idea of strong hierarchy we became aware that in order to be able to achieve changes within the company, the two basic changes which will possibly trigger a whole chain of processes which will lead to a “final” change which the company desperately needed to decrease the recent lag the company encounters and transform the lag into a comparative advantage are.

The first thing which is necessary to be changed is the HR's mindset.

Until now HR perceived himself as a person who, hires, fires and resolves conflicts, organize trainings and games in order to build a team spirit etc. The HR department has lived longer with the idea that it just has to follow a course just to do the “HR's work”, the HR manager never saw itself as a person who might take the initiative and participate for a real company change. Thus as a result of this realization the HR manager became more active and changed that passive predominant passive attitude ruling. The HR manager became personally involved into production process and started investigating deeply in each employees work type. Because the HR realized he has to be very familiar with all the complex processes that flow in a high-tech innovative company like Ventertain.

The second thing which is required to be changed is the top of the hierarchy starting with the Management board's comprehension concerning people and capital.

It seems that the Management team has longer suffered to recognize that contemporary economic success for a company directly relies on intangibles (individualities) more than the tangibles (Machine, Capital). The proof for this is the current strategy of the company which tried to bribe the employees instead of fully give them the understanding that they are the company not the other way around.

The third thing which has to be changed is create a company's culture loyalty.

Obtaining people one by one, buying them off, so to speak, is wrong approach. The company has to create a culture that is so attractive, so hard to leave, that the retention rate will remain very high. In other words, *Putting People First has to be the basis for our strategy*. As a logical consequence the lack of involvement and focus on the company's final designation the workforce is the direct reason for Ventertain's Weakness and a Threat indicator which the SWOT analysis has revealed.

5.1 The Custom 8 Steps Model

After the HR Management walked through the most famous models used to impose Change in companies (The ADKAR model, SAM matrix, the 360 Degree Feedback, the HR scorecard etc.). Considering the company activities and products we decided that we need a custom model in order to align better with the Change Management Goals.

We developed the following model as tool to induce a Change in Employee involvement and a consequence of this would lead employees focus to shift towards Ventertain's strategy. The Strategy itself consists of 8 steps contained below (visualized in Figure 4):

1. Alter Management from being focused on tangibles to intangibles
Expose to the Managers the correlation between employees performance and financial factors and convince them it's necessary to focus on the intangibles (People) factors as well as the capital itself.
2. Alter Employee personal idea about the company with the help of already altered Management's style of management.

By training the managers with so called strategy sessions to inject them with our corporate strategy and giving them management trainings on how to deal with their staffs creativity will make them better qualified (increasing quality) and more productive by doing so.

3. Involve both Managers and personal for achieving higher goals like making the human life more easy and enjoyable while simultaneously pushing further scientific research in other spheres of life rather than just financial achievements and personal prosperity.
4. Develop a system consisting of combination of Game Contests, Corporal Breakfasts, Team building gatherings, Raffles, Organize Personal Development trainings, Seminars, Grocery store coupons prizes for most productive employees, employee of the month.

By training both our managers in team working and customer focus they get a sharper idea of who they are working with and for whom they are doing what they do: The customer. By learning of our customers and the market our company is operating in, employees get a more concentrated view on where the market and customer are looking for and thereby developing better product that fulfill these needs. This will improve once again the quality of our products while also increasing productivity

5. Change Leading Management style currently centered on the “power” method.
Let employees be more task self organized, changing the Team leaders function from being “a guard” or in other words persons who actively push the employees to follow the deadlines to more facilitate and guide functions in order to help people to reach their personal work assignments while at the same time making them sensible for their precious contribution for the worldly well being.

This step affects the respect factor of our strategy. By telling our employees what they should do combined with the freedom for their own ideas and ways to do things will make our

employees feel more respected which will make them perform better and feel happier. This will increase productivity and morale

6. Generate employee involvement by issuing and granting shares to the employees. By giving the employee the “New Year Bonus” each the end of the years, it might increase the motivation, raise the working spirit of the employee, and lower the absenteeism rates. The budget amount of money for this bonus program depends on the how much profit that the company gains within the year.

This will make it very simple and clean for whom everybody is working. This is a great way to also implement the current motivation for employees to come to work with the desired situation. If employees work for the customers and they do their job satisfactorily, the customer is happy, buys more, so the company grows and the employees make more money!

7. Associate employees with prestige granting them being proud by issuing special company certification. The certification program is going to be called “*Ventertain Certified Engineer*” and is going to be a programmed in cooperation with the well recognized online assessment solution “Brainbench”. The brain bench cooperation would additionally add value to the certificate and be a guarantee for profound craft knowledge and skills within the Virtual Reality industry.

This will make our employees feel more appreciated while also increasing their knowledge and performance. Our employees should do what they do best and this is a great opportunity to show them just that. This little bit of encouragement might increase productivity morale and the quality.

8. Create and Develop an HR scorecard itself tracking all of the above 7 instruments. The HR scorecard will be based on “a Free Software” <http://orangehrm.com> software product. We choose exactly this software for creation of HR scorecard just because it's free, “free as in freedom” and will cut the software development and implementation costs. That software would allow us to constantly and approximately easily track and evaluate our employees.

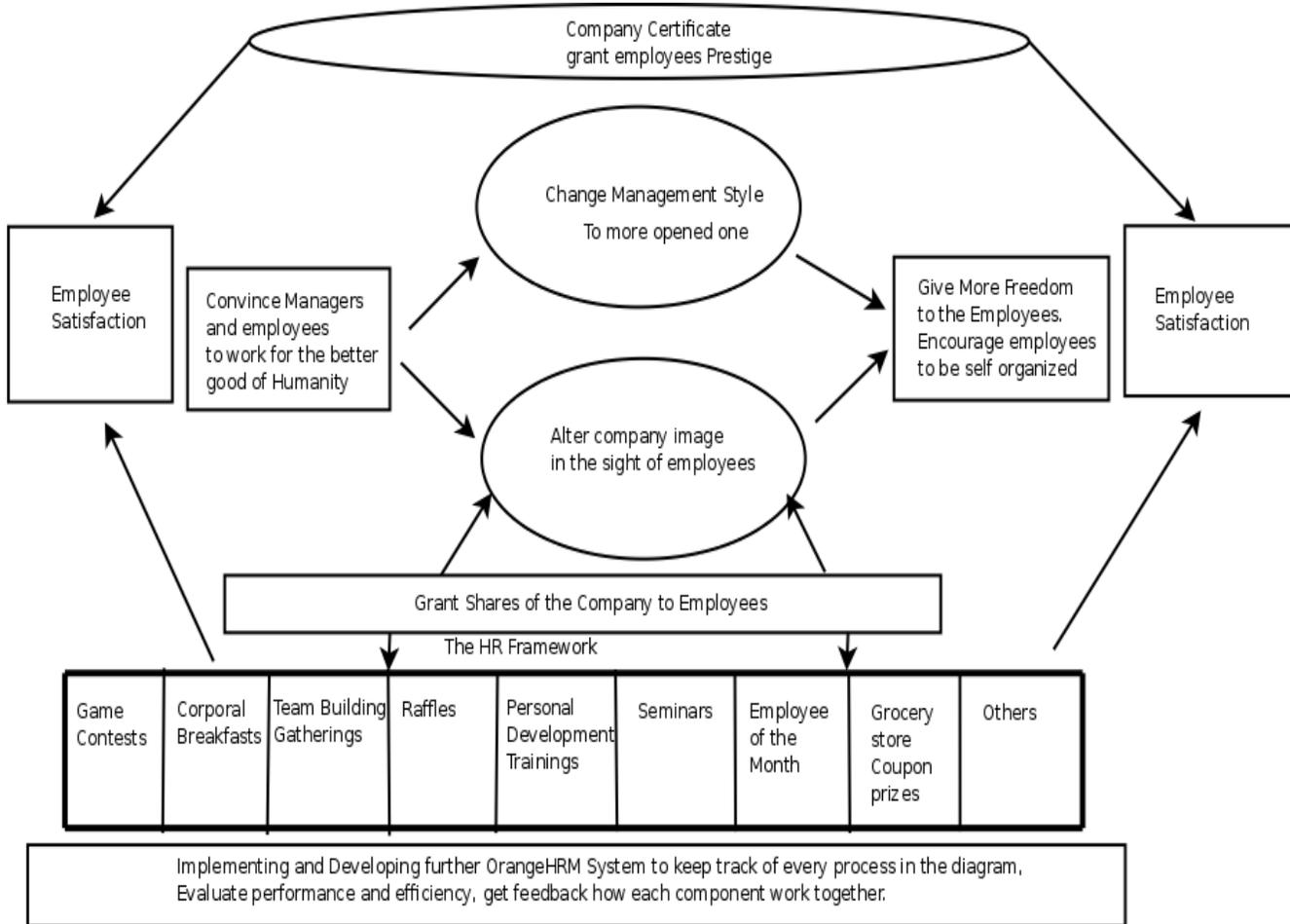
This will once again make sure things are going clean and easy while it also maintains a central control for all the company’s projects thereby increasing productivity. Keeping tight control will make fewer things go wrong so that grievances will drop.

These 8 steps were prepared to create satisfaction of the fact they're employees without Ventertain. Keeping the employees happy would reduce stress reducing stress would reduce the burn outs and increase the work efficiency plus will increase employee concentration. Nurturing the employees in such a special way would demonstrate our employees how valuable each of the employees is for the success of the company. Then we expect that employees would start working more strategically focused.

The Custom 8 steps Model

Figure 4

We decided to add several other components to our 8 Steps Custom model in order to improve it. These



components are marked on the graph below in the field “Others”. The extra components we included are Competencies Measurement of Employees, Rewarding System, and Trainings.

5.2 Competencies Measurement of Employees

It is important to measure the competencies of employees as well as to asses them, by doing this we can improve the quality, effectiveness and efficiency of the employees.

One of the possible ways we may use is to organize frequent voluntary discussion sessions in which employees would be welcomed to discuss topics or complains of their own choice, we as an HRs would also participate in this meetings, of course using the feedback from the meetings every skillful HR could build a general picture on employee satisfaction and could recognize what kind of training or underlying problems exist as far as would have a general idea what kind of measures should be taken in

order close obtain the missing competences.

An alternative way to measure this is by looking at company grievances, actively evaluating both managers and employees or the 360 “Degree Feedback performance appraisal” could be used.

An assessment will also be made by the human resource department to see the work result and competency of the employees. This can be done by comparing the result of their work with the job description for each department.

5.3 Rewarding System

This system could affect the quality level of the employee and decrease the grievances of the employees about the company. This is also a way to motivate the employees be involved in their work and therefore to reduce the absenteeism. A way to do this is by giving them a bonus reward of (Free Holiday abroad) if they haven't been absent for a year. That would most likely be a good stimulus for many of the employees to be present at their work place during the whole year.

5.4 Trainings

In order to make the employees more competent and to improve their skills there we decided to offer training programs. Each training program will be held in a class with a maximum of 14 participants. The following courses will be offered:

1. Effective management and leadership style

This training course refers to the directors in order to get more information and skills how to deal with their staffs. In this highly practical course the directors will undertake a leadership styles profile questionnaire and have the opportunity to review their results and reflect on their strengths and development needs. To review their understanding of a range of leadership and management styles so that they can build teams through improving individual effectiveness. Each employee will attend 2 days of training courses in a year. This training will be given to the department heads, staff specialists, engineers and key managers- level 4 and level 5 employees.

2. Work in team

This training course refers to the supervisors' employee in production and logistics' department. This course covers the essential skills and personal qualities that will produce highly effective leaders. Supervisors will discover practical and straightforward ways to lead, organize and motivate in order to achieve outstanding performance and results. Each employee will attend 2 days of training courses in a year. This training will be given to the supervisors and technicians (level 3).

3. Negotiation skills

This training course refers to the all employees in the company, specific to the employee in marketing and communication department. Employees will learn how to further improve their negotiation skills which would lead to improved communication with customers, suppliers and colleagues both inside and outside the company. Each employee will attend 2 days of training courses in a year. This training will be given to the supervisors, technicians, staff specialists and dept. heads (level 3 and level 4).

4. Personal development

This course will enable the employee to think differently, assess their own style and identify ways to develop new and highly effective approaches. It will introduce the employee to the business of understanding their own self and teach them how to be aware of others Emotions through the so called “Emotional Intelligence”, getting proficiency in that would both favor the company and the trained employee. This will help them to develop their self-awareness of how they come across to others. They will be challenged to be open and honest both in receiving feedback on other’s perception of themselves, and also required to give feedback to other members in a group.

Each employee will attend 2 days of training courses in a year. This training will be given to the all employees from level 5 until level 1 in the company.

5. People Management Skills for Managers

This two day course will provide managers with proven techniques of people management which are directly applicable to the workplace. Delegates will learn how to channel the energy and motivation of individuals within their teams.

Each employee will attend 2 days of training courses in a year. This training will be given to the staff specialists and dept. heads (level 4).

6. Self Managed and Matrix Teams

As organizations become more complex, the more skilled leaders need to be. Matrix and self-managed teams are becoming increasingly common and require self managed leaders with the ability to drive success forward from within. This course breaks down the fundamental principles and processes needed to ensure success when leading self-managed and matrix teams. It provides delegates with the opportunity to experience different methods, tools and techniques which will enable leaders to improve performance achieve desired results and approach the role with confidence. Practical application is the prime focus of the course. Each employee will attend 2 days of training courses in a year. This training will be given to the semi-skilled positions, skilled positions, supervisors, and technicians.

Training courses are a vital part of this change management plan and the HR division believes that the training courses would develop and lead the employee’s to a better performance and assistance for the company. This could lead the employees to work according to the company’s strategy and build loyalty towards the company.

Execution and Implementation

To have a successful execution and implementation of the planned 8 steps Change Management (enablers) to fulfill the change, we realized that it's vital to use the simplistic formula

$$\text{Effectiveness} = \text{Quality} * \text{Acceptance}$$

In our very case the Quality variable stands for the implementation quality of each of the 8 steps model developed. Whether Acceptance is something crucial we need to raise within our employees. What's really interesting is neither Quality nor acceptance could work alone, each of it has to bear its planned fruits otherwise the effectiveness would be equal to 0 and as a consequence the planned result won't ever happen. The Quality and Acceptance relate to a complex symbiosis

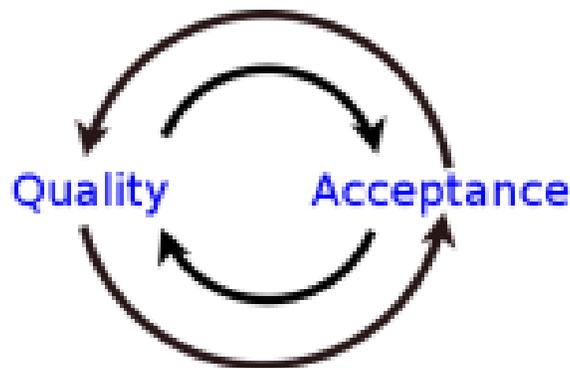


Figure 5

In our case Acceptance is being created by inducing Quality of the 8 steps implementation. Our implementation Actually consists of “8 Es”. We have assigned to each step of the process an index factor $E_x = E_1 + E_2 + E_3 + E_4 + E_5 + E_6 + E_7 + E_8$. We are conscious of the fact that there is probability that the 8 steps effect may not flow in the initial planned way thus the HR team has prepared to eventually implement the 8 steps within build in process. Using the above formula in every case we are sure that the result of the Effectiveness returned by each step won't be a zip therefore in every case the implementation of the 8 steps would guarantee a positive impact on employees focus onto working for achievement company's goals through the Strategy.

The HR Management decided to make change as transparent as possible. In order to achieve that a Bulletin Board System and a Mail Group including all company employees would be set up. The Bulletin Board System would be used mainly for internal communication but also be used as an entertain media through publishing cheerful jokes or funny, ridiculous stories which happened at a point within the company.

With that method it's intended to be created a playful spirit of work among employees. It's expected that the Bulletin Board System would contribute for improving unity among the different departments. The employees would be kept informed about how each of 8 steps model steps is going, how much does it cost in that showing the employee the amount of money company spends keeping the whole company expenses on the Change Management plan and all it surrounding activities publicly available.

As previously stated our company already possesses the ISO9000 certificate. We feel that the same quality thought behind our change management makes it clear. The scope of the iso9000 approach is continuous improvement. Our aim with this plan is to constantly improve the strategic focus by monitoring performance through the program called OrangeHRM.

The 8 key principles of the iso9000 standard we already possess are:

1. Customer focused organisation
 - Negotiation skills training
 - Point 2 of the strategy: Get close to the customer. Know your customer.
2. Leadership
 - The management trainings
 - Current management team
3. Involvement of people
 - Ventertain certified engineer certificates
 - Employee of the month
 - Point 4 of the strategy: Productivity through people
 - Culture sessions
4. Process approach
 - The 8 step model
5. Systems approach to management
 - Set up a bulletin board
 - Organise regular company meetings
 - Organise regular management meetings
6. Continual improvement
 - Using the plan, do, check, act method
 - The plan is the change management plan itself and its implementation is the doing part. By introducing the bulletin board, management meeting, company meetings and the OrangeHRM first constant checking of the progress is possible so we are able to interfere in case something goes wrong
7. Factual approach to decision making
 - Making decisions according to the data supplied by OrangeHRM
 - Making decisions based on the regular scheduled meetings
 - Important notices of employees can be posted on the bulletin board immediately
8. Mutually beneficial supplier relationships (not related for the change management plan).

6.1 Action Plan

We consider the following as a help as a philosophy during implementation phase of the project:

1. A bias for action — Do it. Don't waste time studying it with multiple reports and committees.
2. Customer focuses — Get close to the customer. Know your customer.
3. Entrepreneurship — Even big companies act and think small by giving people the authority to take initiatives.
4. Productivity through people — Treat your people with respect and they will reward you with productivity.
5. Value-oriented CEOs — The CEO should actively propagate corporate values throughout the organization.
6. Stick to the knitting — Do what you know well.
7. Keep things simple and lean — Complexity encourages waste and confusion.
8. Simultaneously centralized and decentralized — Have tight centralized control while also allowing maximum individual autonomy.

The implementation phases are as follows:

Phase 1: Organize meeting with the top management including with the CEO in order to inform them on the details of the coming change and explain to them their role in the project implementation;

Phase 2: Organize company's meeting with the employees from all levels, where the CEO as a Key sponsor will inform them why a change is needed and what are the scenarios-both negative and positive;

Phase 3: Set-up 360 degrees feedback system in order to monitor the change within the organization and to identify the employees as strategic asset to the change.

Phase 4: Set-up bulletin boards in order to keep the employees informed;

Phase 5: Organize and set up training programs

Phase 6: Formulate teams, workshops and arrange sessions;

Phase 7: Organize the "Certified Engineer" program. Including negotiations with the Brainbench company about prices and required implementation time.

Phase 8: Install / Set up the OrangeHRM software system in order to maintain the phases of the change management plan, monitor the employees and evaluate them

Phase 9: Set-up a Rewarding System

After a comprehensive research the HR team decided to use the **Hemsleyfraser** training company for the implementation of the trainings.

6.2 Implementation Timeline (Critical Path Analysis)

In order to prepare well defined plan for the required implementation time we used the Project Management Software “**Microsoft Project Manager**”. After a brief overview of possible methods to calculate the overall project duration we decided to use a Method called “Critical Path Method” (CPM). The essential technique for using CPM is to construct a model of the project that includes the following:

1. A list of all activities required to complete the project (also known as Work Breakdown Structure),
2. The time (duration) that each activity will take to complete, and
3. The dependencies between the activities.
4. Task alignment according to the task’s predecessor
5. Task relations (Links)

Using these values, CPM calculates the longest path of planned activities to the end of the project, and the earliest and latest that each activity can start and finish without making the project longer.

This method provides us with valuable information exposing which activities are most critical in terms of the limited implementation time we have.

We discovered that in order to make the time estimation realistic we need to give different level of priorities depending on how important the Task is for the final success of the Plan. In order to fulfill this goal we invented a priority scale on which different priority number according to the task importance will be given. The Priority system starts from 1 which contains the highest.

The input in the Project Management Software consisted of the following information

Task Name	Duration	Priority	Start Date	Deadline Date	Duration
Arrange Enterprise Meeting	14 Days	2	Wed 17.12.08	Mon 5.1.09	14 days
Arrange Company Meetings	90 Days	3	Tue 17.2.09	Mon 22.6.09	90 days
Set up a 360 degree feedback system	30 Days	6	Mon 20.4.09	Fri 29.5.09	30 days
Set up Bulletin Board	30 Days	1	Wed 5.11.08	Tue 16.12.08	30 days
Organize and retain training programs	14 Days	4	Wed 7.1.09	Mon 26.1.09	14 days
Organize workshops	30 Days	5	Mon 9.3.09	Fri 17.4.09	30 days
Organize Ventertain Certificate Exam sessions	14 Days	4	Tue 17.2.09	Fri 6.3.09	14 days
Set up OrangeHRM Information system	30 Days	3	Tue 6.1.09	Mon 16.2.09	30 days
Rewarding System	7 Days	5	Fri 6.2.09	Mon 16.2.09	7 days

The generated graphical chart output by the Software is presented below in Figure 6 and exhibits the CPM TimeLine.

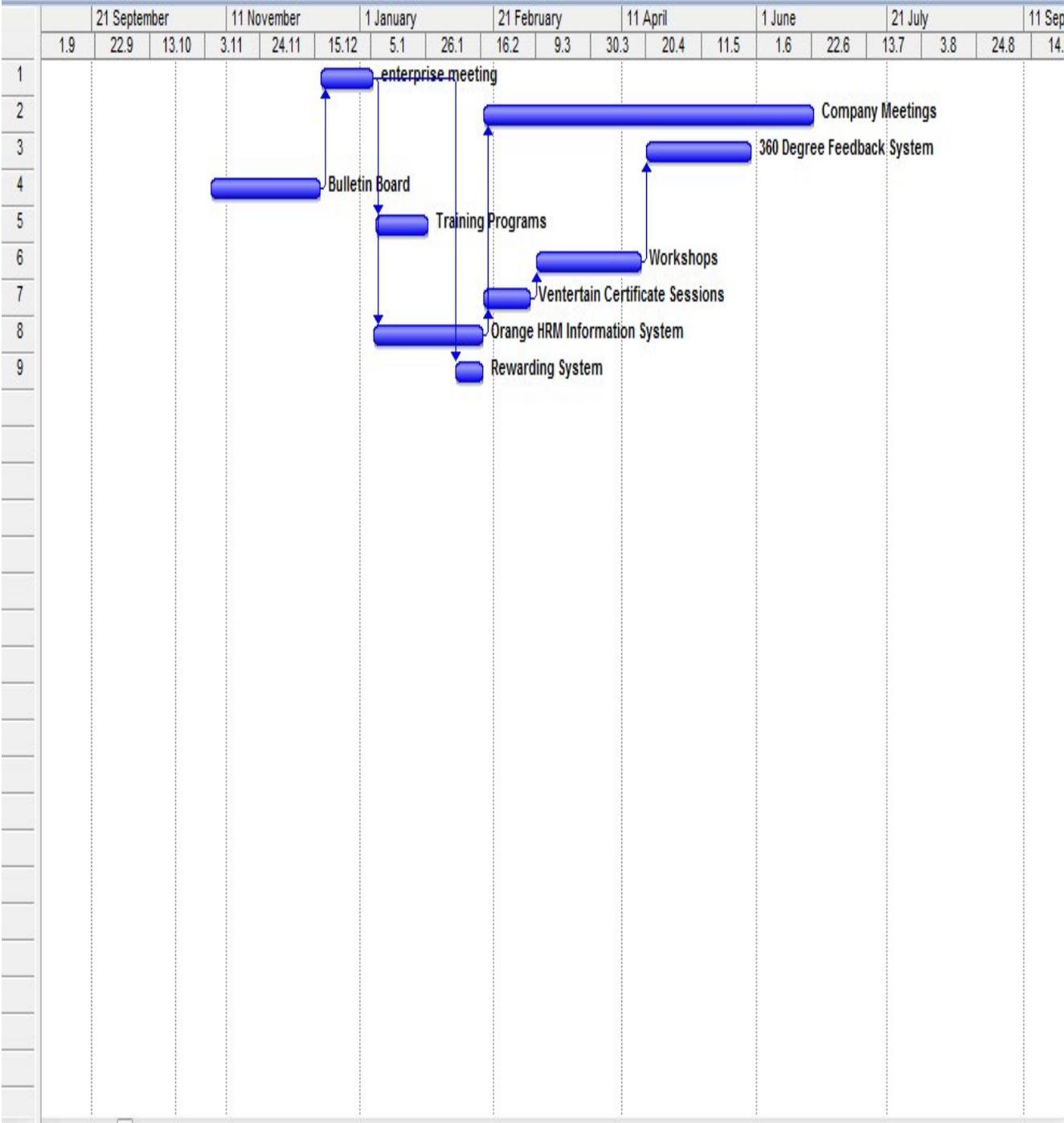


Figure 6

Financial

7.1 Budget Estimation

Budget for Change Management Plan estimated starting date: November, 10th 2008

The budget estimated below has been decided for four quarters

Training programs (since 1 training course can only consist of a maximum of 14 employees, one day means 14 employees or less of the given level are trained on that day)

Effective management and leadership style

Level 4	6 days (\$910/day)	\$ 5,460.00	
Level 5	6 days (\$910/day)	\$ 5,460.00	
Total			\$ 8,920.00

Work in team

Level 3	10 days (\$910/day)	\$ 9,100.00	
Total			\$ 9,100.00

Negotiation skills

Level 3	8 days (\$910/day)	\$ 7,280.00	
Level 4	4 days (\$910/day)	\$ 3,620.00	
Total			\$ 10,900.00

Personal development

Level 1	64 days (\$1,598/day)	\$102,272.00	
Level 2	8 days (\$1,598/day)	\$ 12,784.00	
Level 3	8 days (\$1,598/day)	\$ 12,784.00	
Level 4	4 days (\$1,598/day)	\$ 6,392.00	
Level 5	4 days (\$1,598/day)	\$ 6,392.00	
Total			\$140,624.00

People management skills for managers

Level 4	4 days (\$1,598/day)	\$ 6,392.00	
Total			\$ 6,392.00

Self managed and matrix teams

Level 1	64 days (\$910/day)	\$ 58,240.00	
Level 2	8 days (\$910/day)	\$ 7,280.00	
Level 3	8 days (\$910/day)	\$ 7,280.00	
Total			<u>\$ 72,800.00</u>

Sub-total **\$248,736.00**

Sub-total			\$248,736.00
Replacement Cost			
Level 1	(wages \$13.90/hour)	\$195,712.00	
Level 2	(wages \$17.40/hour)	\$ 556.80	
Level 3	(wages \$20.85/hour)	\$ 66,720.00	
Level 4	(wages \$24.35/hour)	\$ 37,401.60	
Level 5	(wages \$31.30/hour)	\$ 20,032.00	
Total			\$320,422.40
Performance Appraisal Program			\$ 20,000.00
Special Program:			
System Alignment Map			\$ 10,000.00
Reward System			\$ 30,000.00
Workshops, demonstrations, presentations			\$ 20,000.00
Grievance Procedure			\$ 24,000.00
HR Information system			\$ 44,000.00
Fringe Benefits			\$ 24,000.00
Miscellaneous Expenses			<u>\$ 10,000.00</u>
Total Budget Estimation			\$751,158.40

7.2 Cash Flow and Income Statement

Cash flow forecast has been created based on the future outcomes of the change management plan. The following analysis presents the influence that the change will have on the organization in its every aspect, including sales, supplies and overall costs. The cash flow analysis follows the basis of the one for year 2008 until the month of November. All sales and manufacturing costs are paid in cash.

Cash Flow for the year ending October, 2009

Operating Activities

Revenues from sales	\$131,912,985.85	
Fixed costs	(\$1,600,000.00)	
Investment in HR Project	(\$751,158.40)	
Manufacturing Costs	(\$103,408,234.50)	
Other Expenses (Marketing, Distribution, etc.)	<u>(\$27,355,515.50)</u>	
Cash from operating activities		(\$1,201,922.60)

Investing Activities

\$0

Financial Activities

Loan Interest	<u>(\$195,000.00)</u>	
Cash from financial activities		(\$195,000.00)
Net Decrease in Cash		(\$1,396,922.60)
Cash at the beginning of the year		<u>\$2,843,560.75</u>
Cash at October, 28 th 2009		\$1,446,638.15

There will be 2 different income statements given. The first one will show the net income without the HR investment, while the second one is the income statement including the HR investment. The assumption is that there will be the same number of units produced in the next year and that sales will be 80% of those produced units. The HR investment will increase the sales up to 82.5% of the produced units.

Budgeted income statement without the HR Investment (in \$)

Budgeted Income Statement	
Revenues	127,920,330.40
COGS	100,423,360.00
Gross Margin	27,496,970.40
Other Expenses	24,635,392.00
EBIT	2,861,578.40
Interest (6.5%)	195,000.00
EBT	2,666,578.40
Tax (25.5%)	679,977.49
Net Income	1,986,600.91

Budgeted income statement with HR Investment (in \$)

Budgeted Income Statement	
Revenues	131,912,985.85
COGS	103,408,234.50
Gross Margin	28,504,751.35
Other Expenses	25,386,550.40
EBIT	3,118,200.95
Interest (6.5%)	195,000.00
EBT	2,923,200.95
Tax (25.5%)	745,416.24
Net Income	2,177,784.71

Return On Investment

The Return on Investment will be calculated as the additional profit that is gained by the HR Investment divided by the sum of the HR Investment itself. This ratio shows the profitability of investing in the HR program.

$$\text{Net income difference} = \$2,177,784.71 - \$1,986,600.91 = \$191,183.80$$

$$\text{ROI} = \text{Net Income} / \text{Investment}$$

$$\text{ROI} = \$191,183.80 / \$751,158.40$$

$$\text{ROI} = 25.4\%$$

Conclusion

Ventertain has always aimed to be the best in their field. In order to be the best in the field you need to be flexible enough to deal with problems in an innovating way so that staff satisfaction is guaranteed.

Our aim is to solve problems in such a way that they are not re-occurring never after that afterwards the company is working better as a “living organism”. The broadness of the problem our CEO noted gave the opportunity to do a research into the functioning of the company as a whole. This has revealed some interesting matters we never thought about. Of course the interesting issues required, interesting solutions. In our current approach of a market based focus it is good to narrow this down to a customer focus based approach. After all without the customers Ventertain wouldn't even exist.

This project helped us to develop understanding how hard but amusing as well is to be a Project Manager, HR Manager, Counselor, Advisor, Planner and Statigist.

We learned it is essential for the success of the project to stay in a closer touch with all the colleagues of the different departments. We learned a good lesson that the HR Manager is not only responsible hiring, firing and managing events and personnel it's much, much more. It is truly about the people we have and that make our company work! In order for the plan to successfully serve it's goal, not only we as HR have to be totally involved but you as well as a Managers need to get a earnestly focused on all your staff. We believe in the success of the plan and if we focus on the proper implementation of the proposed enablers we will be able to create an atmosphere in which people will work with commitment. We hope that after reading this report you all agree in a way that some things need to change and that the idea's we have proposed also tickle your own creativeness. We believe that if you the Managers approve our work and choose to actively support us through the next phase the intangibles we will materialize in tangible profits.

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