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ENCHANCING PERFORMANCE THROUGH GAP ANALYSIS

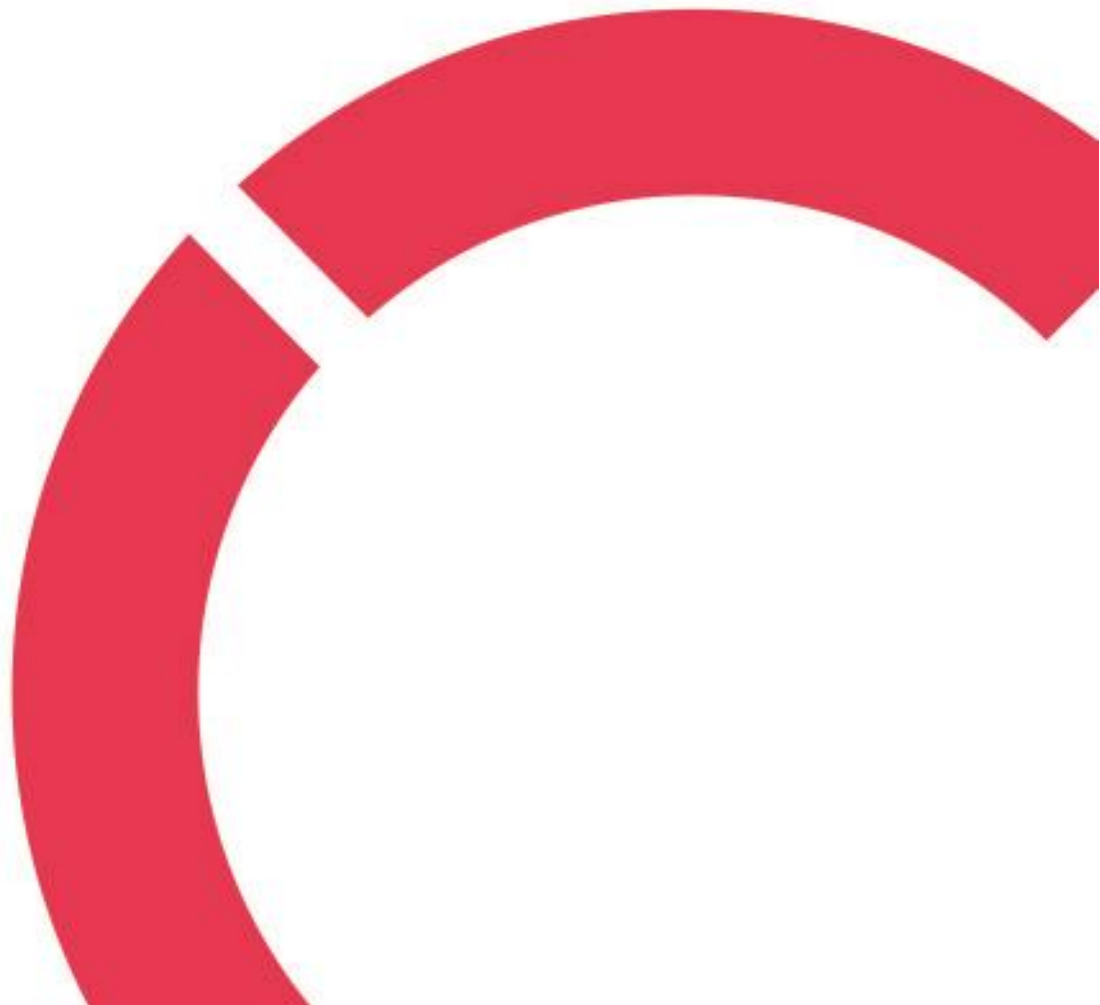
A Case Study for Company X

Thesis

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ABSTRACT

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Name of thesis ENHANCING PERFORMANCE THROUGH GAP-ANALYSIS. A case study for Company X		
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<p>The aim of the thesis was to demonstrate that gap analysis combined with the management approach called Core of Development could enhance the project management process of Company X. The further objective was to introduce other performance improvement methods, as well as key factors within change management.</p> <p>The theoretical framework discussed factors within organizational performance, management and leadership, and how to measure performance. Theoretical models of change were discussed more in depth, through viewing different models and discussing key factors that contributed to change and change management. The Core of Development method and how it could be adapted was shortly reviewed.</p> <p>The methodology used in the thesis was that of action research, where the author participated in workshops as the facilitator. Secondary data collection was made on management styles, change models and organizational behaviour, all factors that impact change within an organization.</p> <p>The effectiveness of the gap analysis and the Core of Development method were proven successful to a certain degree. The findings suggested that the teams who followed the Core of Development method were able to eliminate the gaps found, as the teams who did not use the same method had various results. The outcome further coincides with the theoretical framework showing the importance of leadership and management commitment. The thesis brought to light the shift in values when it comes to the younger employees, and the negative aspects of enhancing performance and implementing change.</p> <p>Further studies could be conducted on two separate notions, firstly the number of failed performance improvement projects, the main reason why they failed as well as the implications of them. The second topic could be generational differences when it comes to employees and how the shift in values will affect managers and leaders in the future.</p>		
<p>Key words Change management, Leadership, Organizational behaviour, Performance</p>		

CONCEPT DEFINITIONS

BSC

Balanced Scorecard, method for measuring performance

COD

Core of Development, management approach

COVID-19

Coronavirus disease

DMADV

(Define, Measure, Analyse, Design, Verify) Development cycle within Six Sigma

DMAIC

(Define, Measure, Analyse, Improve, Control) Improvement cycle within Six Sigma

ISO

International Organization for Standardization

JIT

(Just-In-Time) Systematic approach

KPI

Key Performance Indicator

LSS

Lean Six Sigma, Performance improvement approach

PDCA

(Plan, Do, Check Act) Deming cycle, continuous improvement cycle

QMS

Quality Management System

SIPOC

Process mapping method which stands for the acronyms of supplier, input, process, output and customer

TPS

(Toyota Production System) Philosophy, manufacturing approach

TQM

Total Quality Management, performance methodology

ABSTRACT
CONCEPT DEFINITIONS
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1 INTRODUCTION

Performance is the result of actions and achievements, performance can be measured in different ways, and rewarded in different ways. Performance is seen in everyday life, everything can be an achievement, waking up in the morning and arriving in time for work, can be seen as an achievement and deemed good performance. Arriving late at work is bad performance or the lack of performance. Performance labelled good or bad, is a constant ingredient in life, in school and in business. The aim of this thesis is to enhance the performance of a process within a company, and to shed light on key elements when it comes to performance improvement methods as well as change management.

The company and its employees will be unknown throughout the entire thesis, the company will be referred to as the Company or Company X. The methods for enhancing the performance of the Company will be done with an analytical tool, and a specific way of working. The analytical tool chosen by the Company is gap analysis, measuring the gap between the current process level and the desired process performance. The management approach or working method chosen by the Company for this research is known as the Core of Development. The approach has been presented to the Company six years ago by Björn Jilsén, one of the founders of the method. The research will only concentrate on the project management process even though other processes were reviewed and improved during the research period.

The following objective of the thesis is to demonstrate that gap analysis together with the Core of Development approach can be used to enhance the performance of a process, contributing to the overall performance of the Company. To enhance the performance, changes must occur to improve. What affects change and how change can be managed will be disclosed in the following chapters to come. Different change models, and how they can be applied and for what purpose, will also be presented. The theoretical framework will bring forth subjects such as organizational behaviour and organizational performance. The influence of managers and leaders, and how leadership styles can affect the performance of an individual or a company. The thesis will further take into account the behaviour of individuals and the implications of change and performance on employees. The negative aspects of change will be discussed more in depth in chapter 4.3 The Cornerstones of Change Management.

The approach used in this thesis is action research which will be discussed further in chapter 5 Methodology, ultimately showing the validity of the research. The theoretical framework is mainly based on

secondary data collection. Suggestions for further research which could improve or enrich the thesis will be provided in chapter 5.3 Validity and Further Developments.

The empirical part will explain how the research was conducted at the Company. A step-by-step definition of how the works were completed will be disclosed, including the outcome of the gap analysis together with the Core of Development approach. Further developments the Company could undertake concerning the project management process will be discussed in chapter 7 Outcome. The research will also examine if any of the other methods would be suitable for the Company and if applied could the same result be reached.

The research will end in my own conclusions, describing the essence and findings of the thesis. The conclusion will also demonstrate the capabilities I have gained through the course of writing the thesis, indicating what lessons have been learned and what could be done differently.

2 ORGANIZATIONAL PERFORMANCE

The main elements of organizational performance can be described as economic performance, concentrating mainly on profitability and market share; human capital performance, focusing on culture and employee satisfaction as well as operational performance, considering productivity and quality. It is safe to say that organizational performance is the means for existence. (Organizational Performance: How to Measure it & Improve it 2023; Singh, Darwish & Potočnik 2016.) Due to the extent of the subject this chapter will focus on human capital performance. A brief introduction into organizational behaviour will be given firstly, the main focus will be on how managers can affect organizational behaviour and yield it to their advantage. The key elements of organizational culture will be presented, and the connection between organizational performance, behaviour and culture will also be disclosed. Followed by this I will discuss different management styles, and the difference between management and leadership and their roles when it comes to performance. To conclude this chapter a review on how organizational performance can be measured is given. Operational performance and how it can be improved is discussed more in detail in chapter 3 Managing Performance.

2.1 Organizational Behaviour

Why is organizational behaviour important when it comes to performance? Can organizational behaviour be managed or is it simply a question of analysing the situation and working with what is had? In this chapter organizational behaviour and its impact on organizational performance will be discussed. The research questions answered and examined, starting with the organizational behaviour model which is depicted below in figure 1. Organizational behaviour can be interpreted by the help of figure 1 below, a model adapted from the book Essentials of organizational behaviour (2018). The top tier of the model shows a process flow, and the tiers below depict different levels where the process may take place (FIGURE 1). As any other process, inputs lead to certain kinds of actions which ultimately become an output, within organizational behaviour the output of an action, can in turn affect the input, meaning that the output may change next time around. Reviewing the levels starting from the top with the individual level, which concerns the person or employee, the graph suggests that the starting point is the values and background of that person. Depending on the mood and the level of motivation, the decisions made by the individual will determine the output. (Robbins & Judge 2018, 42-46.) How

emotions steer the individual and what implications emotions might have on performance will be discussed further in chapter 4 Change Management.

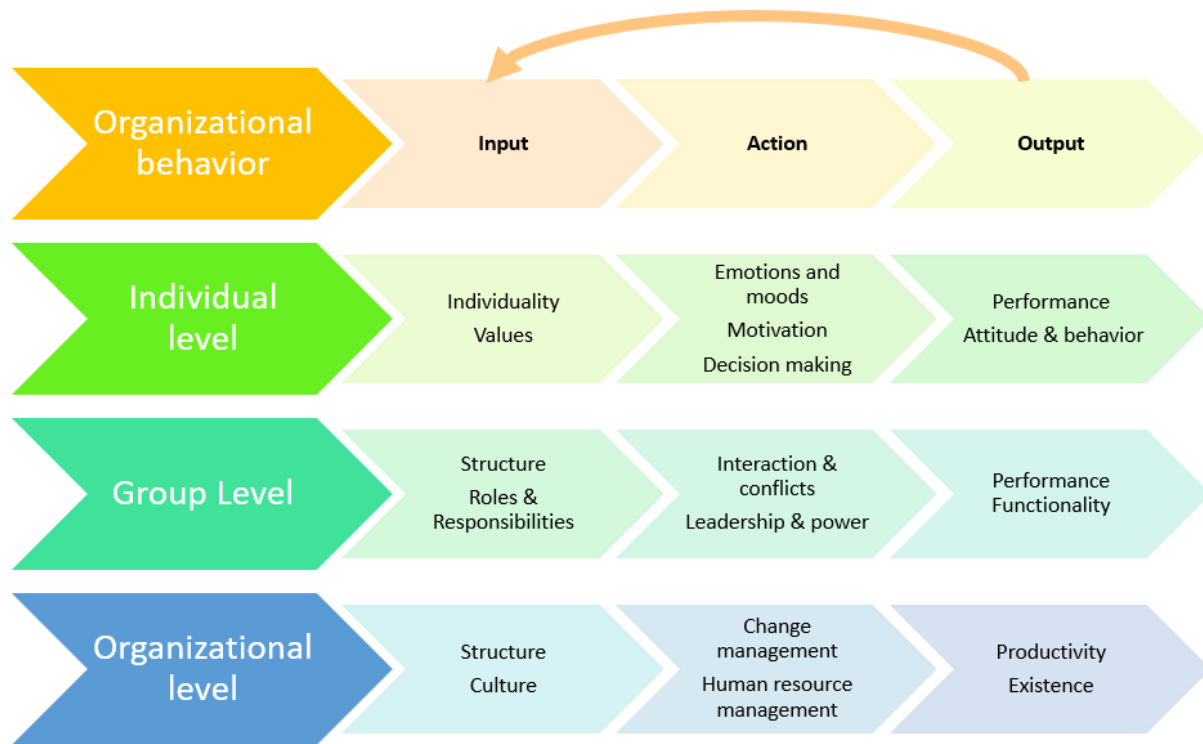


FIGURE 1. Organizational Behaviour Model (adapted from Robbins & Judge 2018, 43)

Robbins and Judge point out that job satisfaction levels are perhaps one of the best indicators of behaviour and this is what managers need to do, predict the employee behaviour. Meaning a manager should seek to understand their employees, help them balance their work life and try to create a positive atmosphere. They should pursue to improve the individual, in order to improve their performance as well as eradicate potential problems that might affect the organization. When it comes to motivation there are many different models managers can choose to study and use, however as human beings all of us are individuals and there simply is no one model that fits all in this case. (Robbins & Judge 2018, 130-165.) Baker suggests that a shift in monetary rewards should be made as there are some drawbacks when it comes to bonuses. The implications of a monetary reward can shift the focus, only seeing the prize at the end of the road, ultimately damaging the journey to the prize, by cutting corners or even cheating to a favourable end result. (Baker 2022, 161-170.) Therefore, it is important to know what motivates the different individuals, as the wrong type of motivation can damage the outcome.

As a proposal given by Robbins and Judge, involving the employee in defining the right reward for the right goal, gives more value to both the employee as well as the organization. When goals are aligned and the attitude towards the reward is seen as positive and motivational, the performance can be increased. (Robbins & Judge 2018, 130-165.) A collaborative conversation between the employee and the manager is also something Baker holds in more value than appraisals. He also implies that there is no evidence of appraisals actually increasing the organizational performance. According to him job satisfaction can be achieved through job formulation, not moulding the person to fit into a certain job description, rather formulation the job to draw from the workers strengths, fulfilling a sense of purpose. (Baker 2022, 19-26.) In a Finnish article regarding employee fatigue, the same is suggested, the opportunity for employees to design their own job should be given, as it would increase the job satisfaction and allow the employee to create a better work life balance (Hytönen & Pennanen 2023).

Going back to the figure and examining the group level, managers need to consider the collaboration of the persons working in groups. If the group is not cohesive, due to power struggles or conflicts the outcome will not be good performance. (Robbins & Judge 2018, 42-46.) Moore suggests that well performing teams should have the following traits, a clear purpose and connection to the company vision, discipline as well as flexibility, and the ability to work within the boundaries given to the team, not forgetting open communication and feedback (Moore 2007, 77-95). Robbins and Judge add that a functioning collaboration would be beneficial to any business, therefore outlining the structure of the group and deciding on the roles and responsibilities may arrange the correct input for the desired outcome (Robbins & Judge 2018, 42-46). The attitudes and cohesiveness of a group may affect individuals in a positive or a negative way. Meaning that the outcome of the behaviour may change from process to process, as the individual moods might shift due to the attitudes of the group, ultimately impacting the result. Managers also need to consider when to use groups and when to use teams as the dynamic of the two are quite different. Teams are preferred for taking action, as larger groups are preferable when it comes to fact finding. Groups might also benefit from individual performance measures, whereas a team can be measured as reaching their common goal. (Robbins & Judge 2018, 199.)

Finally, the third level is the organizational level where the culture of the company comes into play as the starting point. As culture is the input, the action step depicted next (FIGURE 1) shows the change management and human resource (HR) processes as the action taken to complete the output, which entails that these functions are very important when it comes to behaviour (Robbins & Judge 2018, 42-46). One of my former professors pointed out that when it comes to organizational culture, it is not the

company who acts, it is the individuals working within that organization who portray the culture. Organizational culture will be discussed more in detail in the following chapter to give a more comprehensive picture of its effects.

As organizations grow and become larger managers may rely on the service of HR departments when it comes to understanding the individuals. Baker points out in his book 'The Future of Human Resources', that there needs to be a shift within HR, he implies that the time for dehumanizing workers needs to stop, the focus should be on creating a purpose, unlocking their potential and examining different perspectives (Baker 2022, 19-26). Examining the outcome of each level in figure 1, it is very clear that everything comes back to performance, hence it is important for managers to understand the weight of organizational behaviour and all the elements within it. Managers need to be able to predict and steer the outcome, therefore understanding the different tiers and the actions within is vital (Robbins & Judge 2018, 42-46.) To conclude this section, it is clear that organizational behaviour plays a key role in performance. It is also clear that managers can influence said performance by taking care of their employees and investing time and resources into keeping employees satisfied and motivated.

2.1.1 Organizational Culture

Culture can be categorized into macro and micro cultures, the macro cultures are larger entities such as nations, whereas micro cultures are smaller subcultures such as groups or companies (Schein & Schein 2016, 3-16). Understanding the different elements of both macro and micro cultures is important for managers to grasp, especially if they are to manage within another culture. The differences managers need to think about is for instance the power distance, in some countries such as Mexico and India there is a high power distance, meaning that the boss is the boss and he knows best. Countries with a low power distance tend to have flat organizations. There are other differences as well, such as avoiding ambiguous situations, individualism versus collectivism and masculinity contrasted with femininity. (Frost 2021, 113-132.) Managers and organizations need to adapt accordingly, globalisation and opening of subsidiaries have forced managers to learn and observe these traits. To succeed in these endeavours, different business approaches have been made that either incorporate a global approach or approaches that try to embed either the national or regional culture into the company (Frost 2021, 113-132).

Focusing on organizational culture, a person will be able to see and feel different elements, such as the language spoken, and the fact that it may be informal or formal. If the employees are welcoming new recruits or if the climate seems cold, the norms as well as the written values of the company are all visual elements. (Schein & Schein 2016, 3-16.) These elements can be observed, however there are underlying elements that are not visible nor tangible. These elements are the unconscious assumptions, feelings and perceptions that have risen from dealing with different issues, and based on the outcome, formed specific thoughts of the matter. (Schein & Schein 2016, 17-30.) A definition given by Schein and Schein regarding culture of a group is, the combined shared learning which is passed on to new members. A system of beliefs, values, and norms so embedded that they become assumptions of the group. (Schein & Schein 2016, 3-16.)

A new group culture is shaped through a four-stage process, namely through forming, storming, norming and performing. It starts with the formation of a group, or a new business employing new workers, within the initial step the authority of the group is formed, a leader is chosen. The next step is storming, where the roles and relationships between the members are defined. The norming stage is where intimacy between the members becomes stronger, and acceptance between each other is either created or non-existing. The final stage is the performing, where the group starts to do actual work and learn together. Managers who establish these groups are dependent on the task success, if the goals are met and the tasks accomplished, the learning of the group is seen as positive and will create a culture within the group. If the aim is to change organizational culture the learning must be a success. (Schein & Schein 2016, 127-147.) Leading by example, promoting the way of working, and being transparent, is crucial for managers if they want to shape the culture of the organization and improve the performance (Schein & Schein 2016, 181-206).

2.2 Management & Leadership

There are many different management and leadership styles but what sets them apart? Is managing the same as leading or should they be addressed separately? In the article 'A theoretical perspective on the difference between leadership and management' it is clear that there is a difference between managers and leaders. The explanation given was that management can be seen as the instance that deals with budgeting, controlling, and planning, as leadership is more about influencing and coordinating people. (Liphadzi, Aigbavboa & Thwala 2017.) In his book 'Selecting the right manufacturing improvement tools', Moore differentiates managers and leaders by their focus. Much like Liphadzi et al. (2017),

Moore defines the managerial focus directed to the bottom line, whereas the leaders tend to keep their eye on the horizon. Another difference is the leader's ability to challenge the status quo, as managers tend to accept it. (Moore 2007, 77-95.) Statements made by Liphadzi et al. (2017), are that managers can be seen as analytical and rational, as leaders are more innovative and inspiring. Additionally Liphadzi et al. (2017), state that the main task of a manager is to secure order in the organization and create a type of stability, to make the organization efficient. Leaders on the other hand promote change and try to inspire their followers into fulfilling the company goals (Liphadzi et al. 2017).

As leadership and management is clearly defined as separate concepts, it is important to acknowledge that both are needed. Moore also concludes that managers must have leadership skills, likewise leaders should have managerial skills, as both may be required of the same person. (Moore 2007, 77-95.) Examining the article 'Older and Wiser? How Management Styles Varies With Age', a conclusion could be made that younger managers are more analytical in their management styles, and wish to base their decisions on data, as older managers have a more emphatic style, and prioritize more on the employee skillset and problem solving than using analytics (Birkshaw, Manktelow, D'Amato, Tosca & Macchi 2019). Baker suggests that the technical aspects of the management role are emphasized in trainings for younger successors, which in his perspective is wrong as the technical skills are already owned, the skillset that is lacking is the way to inspire and encourage others, enabling workers to commit to the shared vision (Baker 2022, 143-150). Whether there are generational differences between managers or not, there are at least several different leadership styles to choose from, some of these styles will be discussed next.

2.2.1 Leadership Styles

According to Robbins and Judge there are seven different leaderships styles, these are shown in the below figure 2. The styles or approaches are divided into transactional and transformational categories. There is also an indication of whether the model is passive or active, as well as ineffective or effective, meaning how well the leadership style is absorbed. Transactional leaders are said to be those who guide their personnel in the direction of the desired goals by stating the requirements. Transformational leaders are those who will inspire their personnel to go above and beyond to reach the organizational goals. (Robbins & Judge 2018, 216-236.)

Reviewing the different styles in figure 2, starting from the left-hand side with a style called ‘Laissez-Faire’ or “let it be”, can be found as the most passive and insufficient of all the different leadership styles. This is as the French title suggests a hands-off approach on leadership, avoiding decisions, not guiding enough, resulting in confusion in some instances, whilst not being able to manage crisis situations. (Robbins & Judge 2018, 216-236.) There are of course positive sides to the approach, such as giving the coworkers the chance to implement, create and act as they see fit (What is Laissez-Faire Leadership? What Are Its Benefits and Drawbacks 2023). Ultimately creating a positive atmosphere within the organization. This style might not suite all businesses however, there have been successful leaders using this model, one of them is Steve Jobs the co-founder of Apple Inc., he chose to hire the most talented people and gave them the possibility to innovate, resulting in the company becoming a market leader within technology (What is Laissez-Faire Leadership? What Are Its Benefits and Drawbacks 2023).

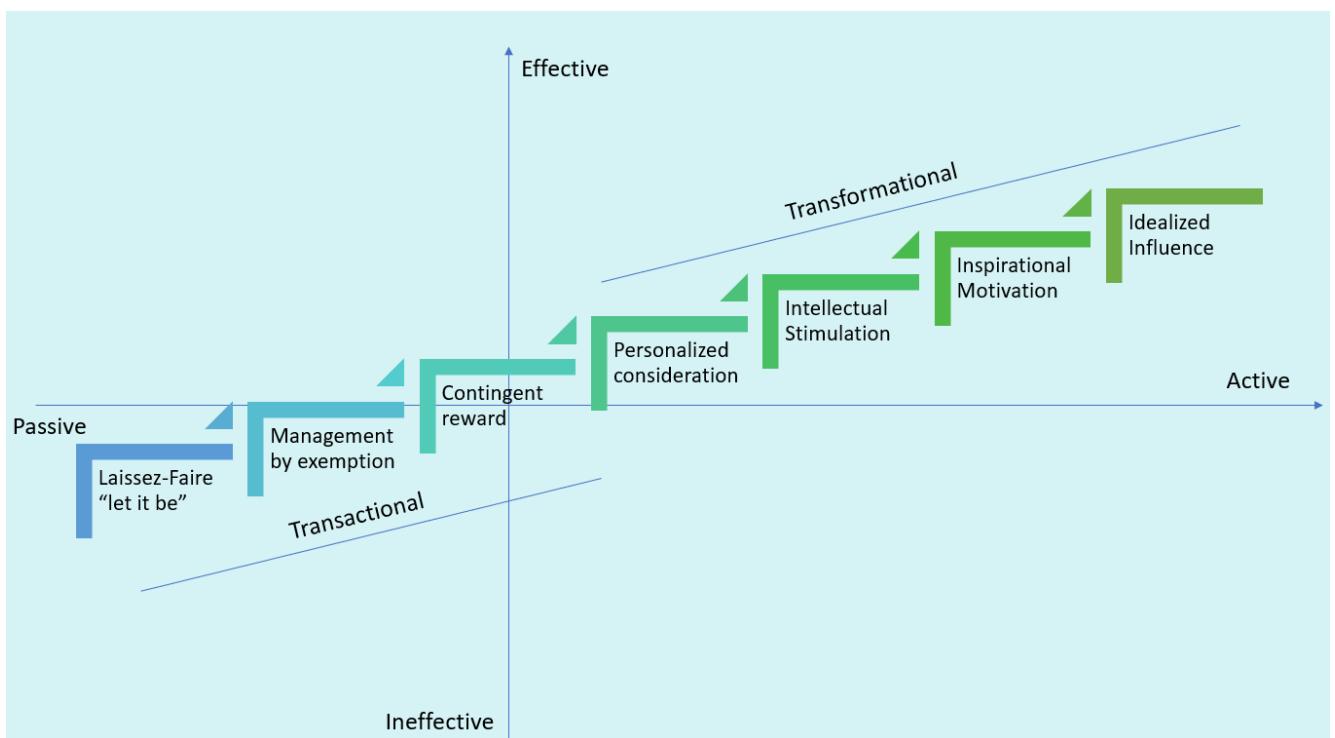


FIGURE 2. Leadership Models (adapted from Robbins & Judge 2018, 227)

The following approach is that of exemption (FIGURE 2), where the leader often only acts if requirements are not met, this requires that there is a framework for the organization, a standard or norm of how procedures are done (Robbins & Judge 2018, 216-236). The benefit of this style is that the management of the company does not interfere with what is working, meaning no time is wasted on running operations. However, this can also be seen as a drawback as no real improvement or development

is made on items running smoothly. (Belyh 2019b.) This approach can also be described as an approach that puts out fires, meaning that corrective measures are done quickly however, the lack of proactivity and high amount of structure and analytics needed for this style make it quite unattractive (Robbins & Judge 2018, 216-236).

The next style shown in figure 2 is ‘contingent reward’, slowly moving over to the active side of the styles presented. This approach consists of leaders acknowledging the accomplishments of the personnel with predetermined rewards. Initially with this style, roles and responsibilities as well as the common goal would be explained, this reveals the connection to the transactional method. The approach gives the personnel or coworkers a freedom to self- leadership, this being seen as a motivating factor as the personnel will be able to set own goals and feel in charge of the process. (Ahmad, Abdulhamid, Wahab, Pervaiz, & Imtiaz 2022.) Nonetheless, this approach does not actively mentor the employees, guide them into going further than the goals presented, or to reach the goal in other ways than using the predetermined reward as the motivation (Robbins & Judge 2018, 216-236). This leadership style has also connections to the leader-member exchange theory, creating in groups of the most efficient and trustworthy coworkers as well as outgroups of the ones not performing at the highest standards according to the leader (Robbins & Judge 2018, 216-236).

Moving forward with the different styles (FIGURE 2), the four remaining types are described as both active and sufficient models but also transformational. Meaning that leaders encourage, guide and coach their employees in exceptional ways, making them commit to the common goals of the organization. (Robbins & Judge 2018, 216-236.) ‘Personalized consideration’ also referred to as individualized consideration, is exactly what the name entails, meaning that a leader needs to know and understand the individuals working in the organization. A drawback of this style is of course the effort a manager must make to truly get to know the staff and understand what drives them into succeeding. (Transformational Leadership: Individualized Consideration – Michelle Ray 2020a.) Higher productivity and higher job satisfaction is said to be had by using this model (Robbins & Judge 2018, 216-236).

The following styles as well as the previous one are said to be the most efficient, when looking at organizational performance (FIGURE 2). The ‘intellectual stimulation’ style endorses intelligence, cautious problem solving and rational thinking. (Robbins & Judge 2018, 216-236.) The inspirational and motivational style should be used by leaders who are able to explain and encourage their personnel to excel, the outcome of this leadership style is to have the personnel ultimately inspire and motivate themselves (Transformational Leadership: Inspirational Motivation – Michelle Ray 2020b). The final

style in figure 2, the ‘idealized influence’ increases respect and trust between the leader and the employees, the vision of the company is exhibited in a way which will create a purpose for the individual (Robbins & Judge 2018, 216-236). As Baker already implied the focus going forward needs to be on the people, and the management approach needs to adapt new perspectives to create a purpose for the employees (Baker 2022, 19-26).

In today’s world people want to be heard, they want their ideas to be brought to light and they crave for inspirational leaders that create a certain mission and purpose to live up to. Reviewing all seven leadership styles, it is clear that the transformational approaches suit the individual needs best. However, one must not forget that other factors need to be taken into consideration, such as culture, digitalisation and globalisation. The transformational styles might be the best solution for the western world, however cultures where the hierarchical systems are still deeply rooted into the culture, transformational styles might create confusion in the end. Leadership styles and theories are evolving and will change time after time, the best approach simply needs to be found.

2.2.2 An Alternative Method

As the case company of the thesis uses this particular approach this section has been dedicated to review the said method. In the book ‘Leadership, Strategy and Culture - how to accelerate development’ by Björn Jilsén and Robert Cadonau they paint a slightly different picture about leadership and the different styles. In their book they identify two philosophies of leadership the authoritarian leader and management by objectives. Ultimately, they also reveal what they believe is the best practice of leadership today. The pair discuss the fact that many leaders are still using old methods such as pressuring, commanding and convincing employees to reach certain goals, according to their experiences this is used all over the world in varied extent. Further, they point out that these obsolete management styles have worked in the past and have been successful, nonetheless today’s workers are not moved by these styles and require more. They also state that leadership is nothing that can be taught to new managers by reviewing theories, however they did mention that knowledge and education about different styles is important but it needs to be understood in practice, choosing the right leadership style is therefore crucial. (Jilsén & Cadonau 2015.) Frost concurs to the latter, stating that trending business books might be entertaining to read, seldom resulting in developing any new managerial skills (Frost 2021, 1-16).

The authoritarian leader was presented first in Jilsen's and Cadonau's book, and this approach was a great success up until the 1970s. A hierarchical structure was in use where the manager or the boss was the one calling the shots. The manager was the most knowledgeable person in the company and therefore he was the boss, entailing that promotions that occurred were to those who had the most knowledge and were able to take decisions. (Jilsén & Cadonau 2015.) Baker quite harshly points out that it is pure nonsense to promote workers to a leadership role purely based on their technical skills in today's world, since leadership is much more than technical knowledge (Baker 2022, 143-150). The authoritarian approach was similar to the military approach, a worker was given a task and once that task was completed a new task was given by the manager, creating a clear chain of command (Jilsén & Cadonau 2015). Jilsén & Cadonau (2015), highlighted that this approach was quite easy, clear communication and no questions asked, however, little information was shared and no real sense of commitment was given to the workers. Another drawback of the approach was also the fact that once the company grew, the leader became a bottleneck (Jilsén & Cadonau 2015). The approach ultimately led to the end of an era, as it was based on obedience rather than choice and vision (Jilsén & Cadonau 2015).

What followed in the 1970s was the management by objectives, this approach would replace commanding with target setting. In this approach the leaders would set the targets and follow up on specific metrics but not participate on the journey of reaching the goals. Much like the transactional styles reviewed earlier, the workers would practice self-leadership. The management by objectives was as the authoritarian model a success at first, huge improvements could be seen in production, as the mind set of placing the customer first was created. Soon this style was also overwhelmed by the usage of targets, goals, and key performance indicators (KPI's), creating competition within departments as well as setting unrealistic goals. Ultimately damaging the performance, as it became obvious to the employees that reaching a target one year indicated on raising the bar next year. Jilsén and Cadonau point out that many large companies follow a magnitude of KPI's in order to control everything, this however can be seen as a focus on nothing, chasing KPI's will only show the past and therefore it will be hard to impact the future. (Jilsén & Cadonau 2015.)

The future as Jilsén and Cadonau see it, is management by solution. Their suggestion is however spread across the organization in the following manner, the top management would use the so-called management by solution, the middle management would lead by objectives and the bottom management would lead by authority. Meaning that all practices learnt would still be in use but by different entities at different times. The suggested approach is based on development, the approach referred to is the Core of Development (COD). Jilsén and Cadonau pledge that this approach will work with both

strategic and operational issues and ultimately be able to change the organizational culture. The COD method's main component is leadership, the process for the systematic leadership is through example. A COD infrastructure needs to be in place to enable the implementation of decisions. Having regular meetings in a structured way, practicing what is preached, coaching individuals, and keeping up a good team spirit, describes the COD infrastructure. Another important task for the leader is to involve management during challenging times, they can and should also support the team to find their path. (Jilsén & Cadonau 2015.) Enhancing this theory is the five practices of an exemplary leader, introduced by Moore, consisting of traits such as leading by example, inspiring, challenging, creating a sense of purpose and supporting others to act (Moore 2007, 77-95).

Much like Ahmad et al., pointed out in their journal, traditional hierarchical structures have come to a halt, empowering, and enabling workers is the right type of leadership going forward, thus endorsing the statements made earlier (Ahmad et al. 2022). In a sense this is what the COD method is about, motivating on a team level as well as on an individual level, giving workers ownership of the issues as well as discovering the solutions together going forward. Looking at the different leadership styles, the COD method could be seen as a combination of the seven types, transactional in a sense as goals and targets are placed and followed up, however transformational as coaching and mentoring is a big part of the approach. As concluded all leadership styles have had their advantages and disadvantages, this method has concentrated on taking all the advantages and adding them together into one approach. Whether this is the right solution or the best approach for the moment, only time can tell.

2.3 Measuring Organizational Performance

When it comes to reporting performance, many organizations can receive more valuable data from internal reporting, rather than from the external reporting, such as periodical financial, and accounting reports required by legislation. Internal reporting gives managers the opportunity to evaluate their own decisions, it allows them to monitor the organization and enables them to plan for the future. Internal reporting needs to be seen as a tool for the managers, therefore it is important to focus on the organizational objectives and not to overload the reports with unnecessary information. (Gowthorpe 2018, 356-369.) Weetman (2019), points out that when it comes to non-financial reporting, organizations need to measure what is relevant for their business. For some it might entail quantity and quality, as for other companies it can be a case of measuring safety or ease of use regarding new products, choosing the right measures, reporting styles, and KPI's is therefore important (Weetman 2019, 688-699).

Deciding on the reporting style when it comes to evaluating performance is delicate, as the behavioural aspects need to be taken into consideration (Weetman 2019, 688-699). Performance can be evaluated on different levels, for instance on the individual level, team level or the organizational level, as also depicted in the organizational behaviour model in figure 1 (Organizational Performance: How to Measure it & Improve it 2023). Weetman suggests that if variance analysis is used as the reporting approach, there needs to be a consensus between the employee and the organization. The reporting will show where praises are in order, as well as where corrective measures need to be done (Weetman 2019, 688-699). Weetman (2019), further implies that if the employees are aware of what is being measured and how costs are allocated the reaction towards performance reporting might be more positive. The drawbacks of using variance reporting and analysis are, that employees might refuse to the given objectives, those under review might even underperform and lower the expectations instead of maximising efficiency (Weetman 2019, 688-699). Personal negative feedback may also lead to lack of motivation or stress, which in turn leads to lower performance. Choosing the reporting financial or non-financial, is a crucial factor when it comes to the overall performance of the organization, the reporting should be seen as a tool for motivating the employees (Weetman 2019, 688-699).

According to Singh, Darwish & Potočnik, there are two main ways to measure organizational performance, objectively using financial or accounting data, and subjectively, using the perception of key persons within the organization to rate certain aspects, processes or even market shares of the company. This sounds simple however measuring organizational performance is complex, using subjective measures also indicates that there are no standards of what should be rated, and this creates problems when benchmarking different companies. Although, shown in their research by Singh et al. subjective measures have proven to be a reliable source for measuring organizational performance, as they can be associated to the objective measures. (Singh et al. 2016.)

Additionally, Weetman concludes that performance measurements need to fulfil three different criterias, firstly, there should be a clear performance range definition, there should also be a standard of what good and bad is, finally there should be a connection between reward and consequence, keeping in mind that the reporting will be used as the motivational tool when it comes to reaching targets (Weetman 2019, 688-699). As organizational performance considers multiple variables, using both financial and non-financial reporting would be beneficial. However, if some researchers say objective measures without standards can be used whilst other experts suggest that the measurements need to fulfil certain criterias, what could the best solution be this case.

A measure for organizational performance that has been used by many, and is still in use, is the Balanced Scorecard (BSC), it was created by Robert Kaplan and David Norton in the 1990s. The BSC considers four different variables such as customer, finance, internal processes as well as learning and growth (FIGURE 3). An adaptation of the balanced scorecard is shown below in figure 3, the vision and the strategy of the company is situated in the middle of the figure, representing the key objectives of the organization. (Gowthorpe 2018, 356-369.) According to Gowthorpe, the four elements surrounding the vision and strategy need to answer questions, for instance regarding finance a company could ask “what is attractive seen from a shareholders’ point of view”. The answer to this is not going to be loss of market share or low return of investment, this means that choosing the KPI should reflect on pleasing the shareholder, but not being contradictory to the strategy of the company (Gowthorpe 2018, 356-369). The KPI could be for instance return on investment, or as shown in figure 3 below revenue.

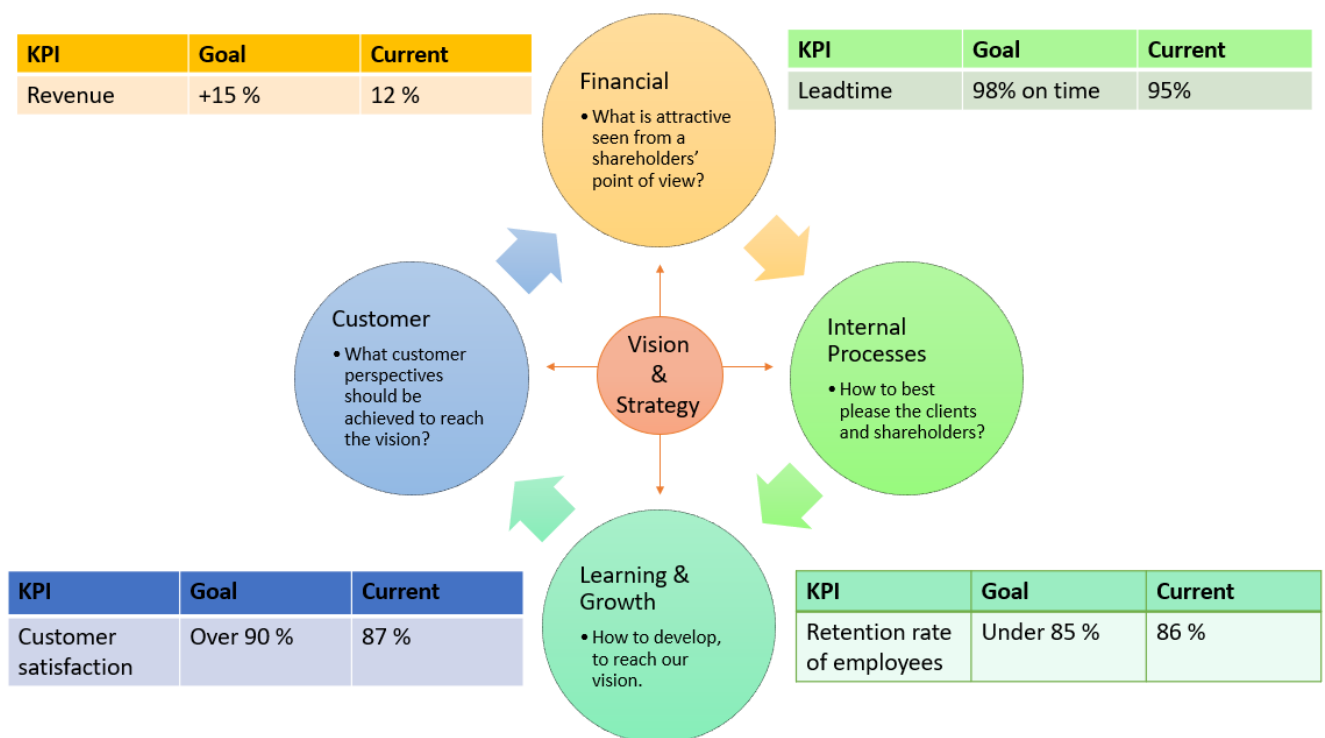


FIGURE 3. Balanced Scorecard (adapted from Gowthorpe 2018, 367; The Balanced Scorecard Explained with Examples 2022)

Looking at the customer, it is important to acknowledge that customers might be external as well as internal, therefore the question to ask could be, “what customer perspectives should be achieved in order to reach the vision”, again linking it back to the company strategy and setting KPI’s and measures for the perspective. The following perspective (FIGURE 3) is the internal processes where the question

could be, “how to please the clients and shareholders”, this question entails that there is a connection with not only the strategy of the company but also with the other perspectives. This is what makes the model balanced, as all elements are connected and not only considering the economy of the company. The KPI in this section, could be connected with lead time and the percentage of products being produced within the planned schedule. The final perspective depicted as a blue circle in figure 3, regards learning and growth, defines how the company can develop its resources in order to reach its vision, a common KPI used is the retention of employees. (Gowthorpe 2018, 356-369.)

It might seem a bit complicated, understanding the connections between the perspectives and the strategy, hence a more modern take on the BSC has been created referred to as the strategic map, shown in figure 4. Starting with the mission and vision of the company, stating the existence of the business and the future desire. The example given considers a car service company (FIGURE 4). Following the strategic priorities as well as the strategic result, which should be achieved within a specific timeframe, here the example given is to increase the market share by 2% (FIGURE 4).

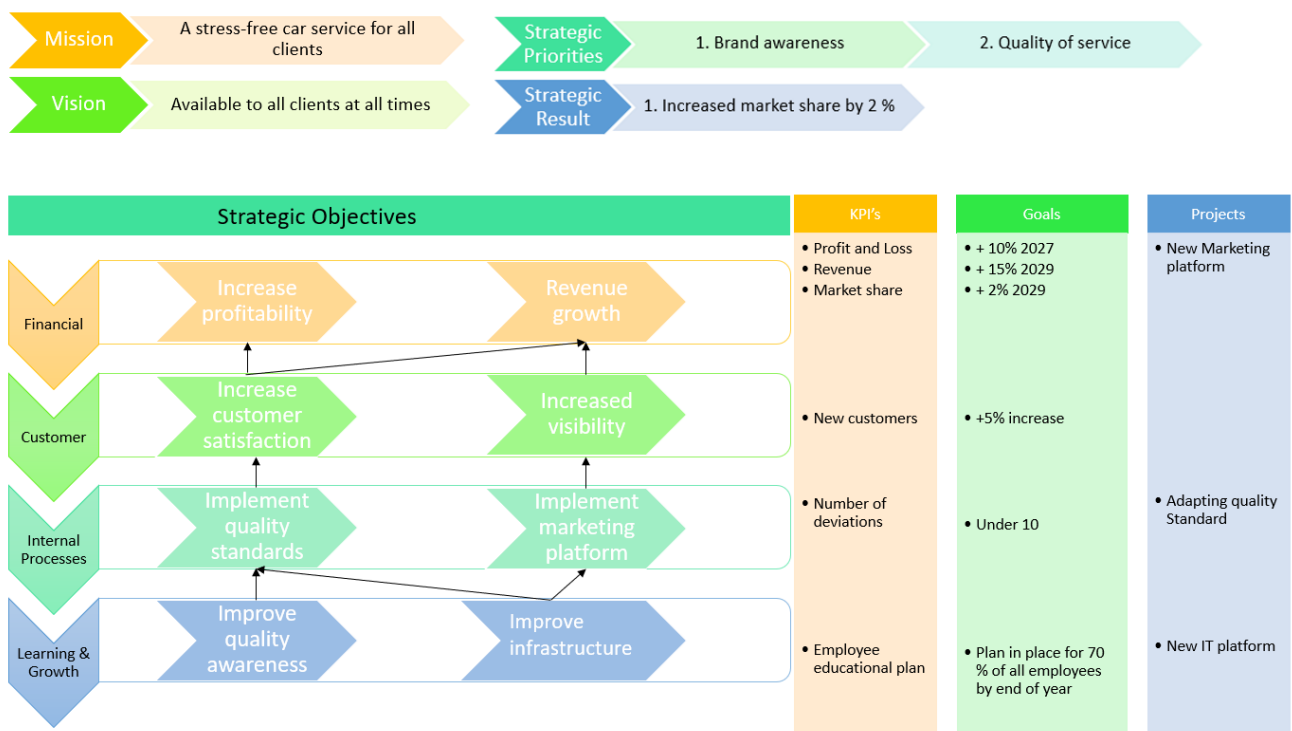


FIGURE 4. Strategy Map (adapted from The Balanced Scorecard Explained with Examples 2022)

The strategic objectives will now be placed in the same four perspectives as used in the BSC, the objectives of the company cannot be set unless the strategy of the company is clear. The dependencies of the different perspectives are shown in a simpler way in the strategy map with arrows (FIGURE 4).

For instance, to be able to increase profitability, the customer must be satisfied, and to increase customer satisfaction, internal processes shall adapt a quality standard, which in terms means that awareness regarding the quality of service must be adapted in the learning and growth perspective. Cross functional dependencies can also be seen, for instance with customer satisfaction both profitability and revenue are affected. By improving the infrastructure of the organization both internal elements are affected. (The Balanced Scorecard Explained with Examples 2022.)

A further addition to the BSC can be found on the right-hand side of figure 4, mainly the projects field, this has been added as to show managers that the goals cannot be reached simply by following them up, something needs to be done, or invested in (The Balanced Scorecard Explained with Examples 2022). In the example given above, the revenue growth is relying on the customer satisfaction as well as the increased visibility, and this will be achieved through a new marketing platform, which can be adapted by investing in a new IT platform seen in the learning and growth perspective as the improvement of infrastructure (FIGURE 4). The strategy map is easily distributed within the organization allowing different departments to adapt it, this ensures the whole organization to work cohesively towards the strategic objectives and priorities (The Balanced Scorecard Explained with Examples 2022).

The advantages of using the BSC is that managers can view all the essential information on a single page (Gowthorpe 2018, 356-369). The strategy is communicated easily when using a BSC or a strategy map having everything displayed at once, managers are able to ensure that there is a balance within the strategy. A disadvantage of using the BSC is for instance the time consumption. As every organization is different it must be made especially for each and every one. Another disadvantage is if there are many strategic objectives or priorities, the strategy maps as well as BSC can quite quickly become complicated to understand. (The Balanced Scorecard Explained with Examples 2022.) The chosen method for organizational performance reporting should be clear and understood, the data collection should be rather swift. The report itself should contain information that can guide and motivate employees as much as managers.

3 MANAGING PERFORMANCE

For centuries now, ideas on how to become more efficient and enhance the organizational performance, working smarter albeit not harder have been discussed and the debate is still ongoing. There are different ways to improve the performance of a company or a process within the organization. Many of the methods are intertwined and linked together, this will be discussed in the following chapter. Particular examination will be done on the quality management system known as the ISO quality standard as well as the COD method, as both are an essential part of the empirical study made for the Company. To conclude this section, critical success factors within the methods used will be examined. Even though, artificial intelligence, robotics and other data driven models also enhance the performance of an organization, they will be excluded from this thesis as the key resources used in the empirical part is that of people.

3.1 Methods, Tools & Techniques

Searching for performance improvement methodologies the results reached over 5 million suggested hits (e.g. search in Google Scholar). Among the most popular methods mentioned in several blog posts and articles are, Total Quality Management, Lean, Six Sigma, Kaizen, Kanban and different mapping methods (5 Must-Know Performance and Process Improvement Methodologies 2023; How to Use 8 Process Improvement Methodologies 2022; Lopes 2023; Malik 2021). Narrowing the search to the Emerald Insight publishing site the articles, studies and books regarding the methods, resulted in 450 hits published within one year, also showing that these methods are not only commercially discussed but also studied academically. A short introduction to the most popular methods and tools will be given below.

Total Quality Management (TQM) focuses on customer satisfaction, the method also referred to as a management system is based on continuous improvements, involving the entire organization (5 Must-Know Performance and Process Improvement Methodologies 2023). TQM as many other methods discussed further, originates from Japan. The total in TQM refers to the entire organization and all its aspects, meaning the customers, the suppliers, the employees as well as the processes including the product or service provided. (Mishra & Sandilya 2009, 138-153.) TQM is a systematic approach, which encourages organizations to map out the process framework and monitor its performance (Malik 2021).

The philosophy behind TQM is based on many quality gurus such as Deming, Juran and Crosby, their ideas on quality management are depicted in figure 5 below. The highlighted items in the figure visualize the similarities within the three different ideas, such as management commitment, open communication, continuous improvement, education, and the importance of teamwork, emphasis has also been given to the acknowledging or rewarding the workers who contribute to quality (FIGURE 5). These three pillars constitute the idea behind TQM, together with them and multiple tools such as the Plan-Do-Check-Act (PDCA) cycle (discussed further in the following section), different quality diagrams, charts and other statistical tools complete the TQM system. (Mishra & Sandilya 2009, 138-153.)



FIGURE 5. TQM Philosophy (adapted from Mishra & Sandilya 2009, 143-144)

Lean can be seen as a strategic approach rather than a method or a tool within an organization, therefore there is no specific budget for Lean, as it should be a part of the daily operations (Leignel, Menager & Yablonski 2019). The main concept of Lean is to diminish waste, and variation within the processes as well as any overstrain (Sreedharan, Sunder & Raju 2017). Typically, there are seven different elements categorized as waste within Lean which include, transportation, stock, waiting time, motion, overproducing, over processing and defects (Näslund 2008), an addition has however been added by Sreedharan et al. (2017), as unutilized competence. These are the elements that should be monitored within Lean.

Lean is also a continuous improvement model, and the model emphasizes to follow principles such as understanding customer preferences when it comes to value, producing only what is asked, referring to a pull system, striving towards perfection, ensuring a stable process and creating value stream maps to visualize the improvements needed going forward (Sreedharan et al. 2017). The Lean method uses different tools such as Kanban, Kaizen, JIT (5 Must-Know Performance and Process Improvement Methodologies 2023), Value Stream Mapping (Sreedharan, Sunder & Raju 2017), as well as the PDCA cycle (Leignel et al. 2019). The Lean methodology is known from the car industry as Leignel et al. (2019) point out that Toyota was the birthplace of Lean, today the method can however be implemented also into the service sector (Leignel et al. 2019). There are some challenges to Lean and statistically there are less than 10% of organisations able to sustain the Lean method after one year (Minh 2023). This is mainly due to the cause of not understanding the complexity of the model and not being able to commit entirely to it (Minh 2023).

The following method is Six Sigma, developed initially for improving quality and getting rid of defects, similarly to Lean, Six Sigma is also seen as a strategic approach. Six Sigma is based more on data and relies on statistical figures that enable the company to find improvement projects. (Lopes 2023.) Six Sigma uses two different process cycles, similar to the Deming PDCA cycle. One is for improving already existing processes as the other is for developing new ones. The cycles depicted in figure 6 below, both consisting of three initially similar steps, however with slightly different outcomes depending on the chosen cycle. The improvement cycle (DMAIC) and development cycle (DMADV) both start with 'define', as the initial step, within DMAIC 'define' stands for the process which should be improved, contrasting to the DMADV cycle where it stands for the expected end result. The 'measure' step refers to the key attributes of the existing process, whereas in the development side the 'measure' step is where key attributes should be defined (FIGURE 6). The third step is to analyse the data gathered so far, and based on the data analysis it is either time to implement the improvements sought or to design an alternative model. The last step is to control the improvements made and start the cycle again if the results are still not satisfactory. On the development side the initial step is to verify the selected design and decide whether to go ahead. (5 Must-Know Performance and Process Improvement Methodologies 2023; FIGURE 6.)

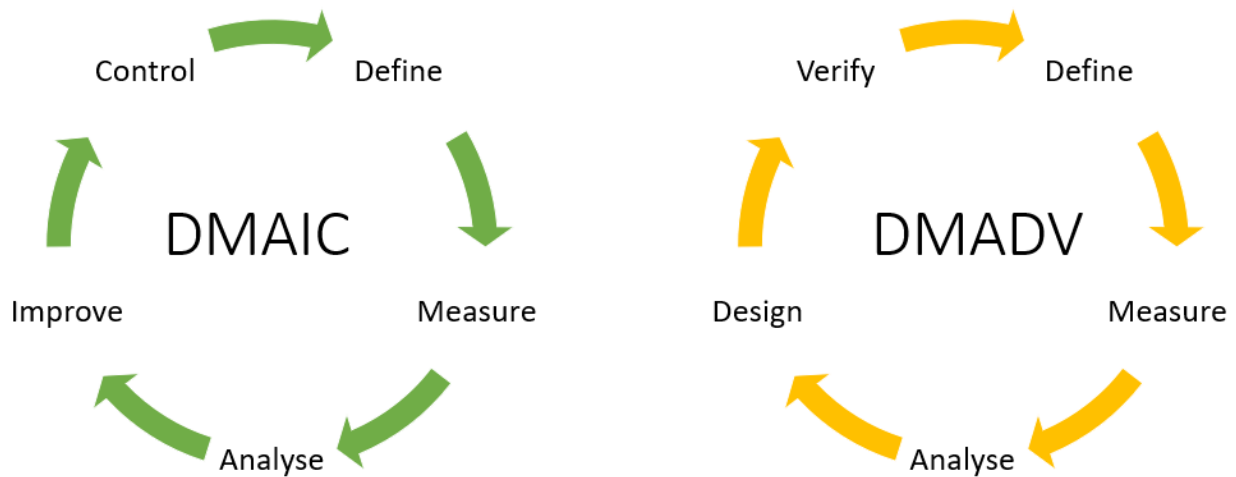


FIGURE 6. Six Sigma Improvement and Development Cycle (adapted from 5 Must-Know Performance and Process Improvement Methodologies 2023)

Six Sigma also has its challenges and according to Malik the reason is skipping the initial stages in the DMAIC and DMADV cycles, ultimately leading to failure (Malik 2021). As Six Sigma is a statistical tool, and decisions are made based on data, one can see that without the initial steps there would be little information to base decisions on. Today there is also a hybrid version of Six Sigma incorporated with Lean, called Lean Six Sigma (LSS) (Sreedharan et al. 2017). LSS is as Lean and Six Sigma seen as a business strategy, with the aim to improve the performance of the company, combining the practical aspects of Lean and the statistical and data driven methods of Six Sigma (Sreedharan et al. 2017).

5S is a method based on cleanliness, discipline and order (Randhawa & Ahuja 2017), 5S has also been referred to as the Kaizen method (Fredendall & Thürer 2016, 1; Randhawa & Ahuja 2017), as well as the gateway to Lean manufacturing and TQM (Randhawa & Ahuja 2017). As many of the methods already discussed 5S or Kaizen also originates from Japan, initially introduced in the late 1960s the method was used at Toyota Motor Corporation within their Toyota Production System (TPS) (Randhawa & Ahuja 2017). The method consists of five different steps, with the initial step being sorting, followed by setting in order and placing the right material or tools to the right place. The third S is translated from the Japanese word Seiso, often referred to as shine, making this step the cleaning phase. The fourth S is about standardization and the final S is to sustain the entire system. (Fredendall & Thürer 2016, 1-9.) An additional S has also been added for safety as the 5S method itself also promotes safe working environments (Randhawa & Ahuja 2017). The method itself promotes to reduce

The following method is value stream mapping and as the Kanban model is used to visualize different processes. Every aspect of a certain product or service offered to a customer is examined, and the focus is on visualizing the value adding vice versa the non-value adding attributes. Whilst considering the client or customer it is good to remember that the customer can be both internal as well as external. The value stream mapping can be done by using a tool called the SIPOC diagram. Each letter is an acronym for Supplier, Input, Process, Output and finally Customer. (Fredendall & Thürer 2016, 71-84.) The SIPOC diagram is a tool that can already show the managers the relationship between different stakeholders and if there are any bottlenecks, that should be removed (Lopes 2023).

In practice once the different sections are reviewed and all the needed steps are documented the blueprint for the map may be drawn. Here each step is examined, and different symbols used for different items, for instance a triangle can be used for the stock, a direct arrow for direct communication, whilst a curved arrow is used for electronic communication, the symbols vary from company to company however they create a greater visual aid than only using boxes. The value stream mapping takes everything into account, including the time used for each aspect within the process. This is where the value stream mapping differs from process mapping, showing more data including a timeline as well as the suppliers and customers. (Fredendall & Thürer 2016, 71-84.)

Value stream mapping is also done as a comparison, creating a map for the desired process as well as the current process. Envisioning the gap between the two aids managers in understanding what needs to be done (Fredendall & Thürer 2016, 71-84.) This is something that the TPS have used to increase value, gap analysis may be used daily in order to keep the risks of not reaching the goal visible. Minh points out in his study that value stream mapping can be used within other methods such as Lean manufacturing, TQM as well as other production efficiency improvement models as Toyota prefers to call it. (Minh 2023.) There are of course other visual aids that map out different processes, such as the Business Process Modelling, which is similar to value stream mapping. Here the focus is not on value creation as such, rather to enhance the chosen process. (5 Must-Know Performance and Process Improvement Methodologies 2023.)

3.1.1 Quality Management System

Implementing a quality management system (QMS) within an organisation is a strategic decision, QMSs such as the ISO standard 9001 aid companies in enhancing their overall performance. The benefits of adapting the ISO 9001 is that organizations can provide services or products that meet the customer requirements, whilst enhancing their satisfaction through improvements. (SFS-EN ISO 9001.) The ISO 9000 series is a way for companies to embrace the TQM system, hence using many of the same principles (Mishra & Sandilya 2009, 138-161). Organizations can fulfil legal requirements and systematically address risks and opportunities concerning the organization by adapting the standard (SFS-EN ISO 9001). Further organizations are also able to provide comprehensive proof of following the specified requirements within the QMS. The philosophies of the ISO 9001 standard are, customer focus, leadership and the commitment of people, relationship management, enhancement through a process approach as well as decisions based on evidence (SFS-EN ISO 9001).

The ISO 9001:2015 QMS has included the Deming cycle PDCA in its process approach. Together with the PDCA and a risk-based thinking style, the standard enables organizations to manage any discrepancies as well as take advantage of opportunities. The Deming cycle as adapted by the standard is shown in figure 7 below. The square in the figure represents the entire QMS of the organization, this depicts the organization and its structure, the environment it operates in, the interested parties of the organization and the scope of the QMS within the processes of the organization (FIGURE 7). At the core of the figure leadership is found, leadership engagement into the QMS is crucial. Within the leadership circle the organizational structure is also described, the roles and responsibilities of the different functions within the organization need to be defined within this circle. (SFS-EN ISO 9001.)



FIGURE 7. ISO 9001:2015 Structure (adapted from SFS-EN ISO 9001)

The circles connected to the leadership are factors that the ISO 9001 QMS require organizations to research. In some cases also document, these circles are linked with the Deming cycle. For instance, in the ‘development’ circle, the risks and opportunities of the company need to be defined together with the quality objectives. Within the same circle the plan for how to achieve the objectives is done referring to the PDCA connection. The plan needs to be clear and communicated to the organization. The following step is ‘doing’, and here the ‘operations and support’ circle contain information about, what resources are needed, the competence level required, and what type of infrastructure needs to be in place to perform the doing. Therefore, the actions and processes required to offer a service or a product and to what extent should be clear for a company adapting a QMS. The third circle ‘evaluation’ includes all the necessary KPIs set in the ‘development’ circle, the evaluation of the KPIs monitored by internal and external audits, are seen as the checkpoint before the following circle, ‘enhancement’. This final circle represents the constant improvement organizations need to have in a changing world, this is the ‘act’ step in the PDCA circle. (FIGURE 7.) Based on the outcome of the evaluation, actions

must be taken either to improve the product or speed up the service offered depending on the customer requirements. (SFS-EN ISO 9001.)

Challenges with ISO standards is the fact that it does not dictate how to do the actual work or which methods to choose, it merely explains what is required, consisting of both an opportunity as well as a risk for choosing the right method. However, the study of Fonesca and Domingues reveal that an increase of using methods such as Kaizen, Lean and Six Sigma have been noted within the Portuguese ISO certified companies (Fonesca & Domingues 2017). This suggests that a continuous improvement method would be best suited with the ISO 9001:2015. Disadvantages with ISO standard series is the amount of resources and documentation it requires, highlighting the cost of implementing ISO if not carefully planned (Mishra & Sandilya 2009, 155-161). Another drawback with the system is the resistance towards change shown by the workers, as a continuous improvement method, changes should occur on a regular basis, which according to Mishra and Sandilya (2009), is a strain on the management.

3.1.2 The COD method

The COD method partly introduced already in chapter 2 in the thesis uses gap analysis as their main improvement tool. With gap analysis according to the COD method, the initial starting point is to envision the goal, questions such as “how do you see the organization or department in five years’ time” need to be asked. The question used is very important as the answer should start with “we are”, for instance, “we are structured in our processes” or “we are innovative within green technology”. If the view of the current state of the organization is unstructured, and the goal is to be structured there is a clear gap between the two. Finding this gap and closing it, is the means of going forward. Examining figure 8, it shows two pictures. One depicts a room where people are looking in from different windows, and on the right-hand side a process flow or as described in Jilséns and Cadonau book, a funnel is shown. In order to reach the goal the process needs to be fulfilled, the information to each section is collected perhaps not in an orderly fashion however each step needs to be completed, starting with the background, coming to a conclusion, closing the gap which is in front of the goal and eventually reaching it. (Jilsén & Cadonau 2015.)

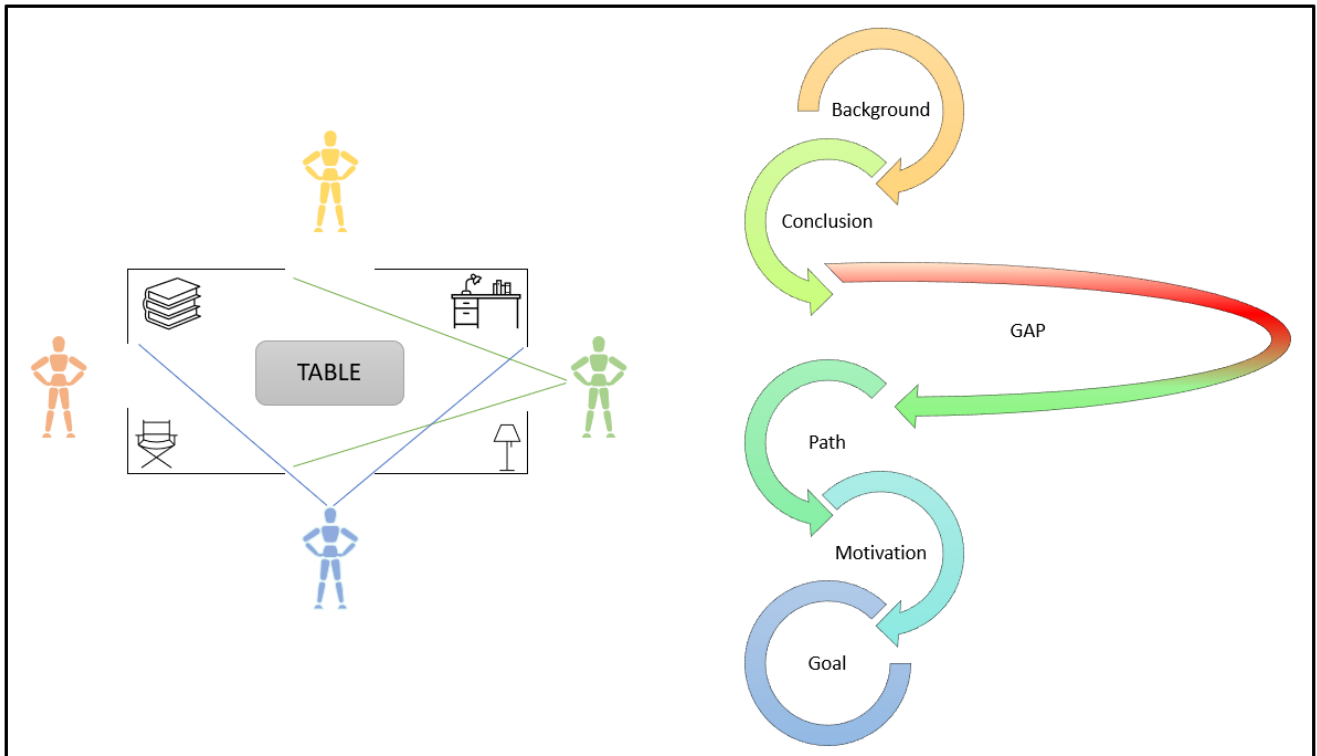


FIGURE 8. The Room and the Funnel (adapted from Jilsén & Cadonau 2015)

The room people are looking into, is the source for the background and the conclusion, as already described in the organizational behaviour section every individual has their own background, values and act according to their best-known practices when making decisions. What the room depicts is the different views, everyone can see that in the middle of the room there is a big table, but the lamp in the right corner is not seen by all, nor is the desk nor the books (FIGURE 8). Being able to see the holistic picture of where the company is today, and making a conclusion of it which everyone can agree to, is therefore key to moving forward and to solve the gaps that stand between the now and the future.

Jilsén and Cadonau also point out the importance of choosing the right people around the room, if everyone is chosen from the same department the room will lose its windows. Bringing in people from different parts of the organization to discuss the issue will allow the room to have more windows, referring to more information and insight. Involving people also makes them more committed to the task at hand and motivates them to go further. (Jilsén & Cadonau 2015.) The method works similarly to the Kaizen team, where a team of different employees is set together, explaining the background and examining the current state of the process as well as having the future picture as a goal (Lopes 2023).

The implementation of closing a gap needs to be steered by the focus and the targets of the company, this can be controlled by the management team however, the persons around the room need to choose

the right path to get to the end goal. This requires leadership, motivation and a systematic work method a new kind of leadership. Continuous improvements are also seen to be used within the COD method, the gaps of the company should be revisited every quarter, and if the gaps have been closed it is time to choose a new gap (Jilsén & Cadonau 2015). Whilst working with closing the gap it is also customary to use Kanban boards to visualize the work and follow up on the process (Jilsén & Cadonau 2015). Like many of the other methods reviewed earlier there is no real budget for the COD method as it should be a part of the organizational culture.

3.1.3 Recycling the Performance Methods

It is quite inherent that the methods discussed above are similar to each other and when it comes to many of the methods discussed they all have one common denominator which is the TPS (Minh 2022). In his study Minh refers to the TPS as Lean, suggesting that they would be one and the same, the Lean methodology was introduced in a book called ‘The Machine that Changed the World’ in 1990 (Minh 2022). Dag Näslund (2008), points out in one of his papers, that Lean is in fact similar or even a copy of the JIT method. The method is one of the key elements within TPS (Minh 2022). As an addition to this Fonesca and Domingues conclude that Lean, Six Sigma and Kaizen have their roots in the TPS (Fonesca & Domingues 2017). Could it be that everything is in fact connected?

According to a chart shown in the Lean Six Sigma Green Belt education, introduced by the company Quality Knowhow Karjalainen, the TPS system was founded in the 1940s followed by the JIT, Lean and Kaizen between 1950-60. TQM was founded in the 1970s, ISO 9001 was firstly introduced in the late 1980s followed by Six Sigma in the 1990s and finally by the Lean Six Sigma in the new millennia. Prior to all these methods was however the Deming cycle or the PDCA, introduced already in the 1930s. (Pirainen 2023.) The connections to the TPS system are seen visually in figure 9, depicted below. In the inner blue square, the techniques and methods used within the TPS system are shown, the middle green square depicts the methods that have their roots connected to TPS or are methods that have been developed from said system. The outer square holds methods that are linked with TPS or a so-called next generation model of the methods derived from TPS. (FIGURE 9.) The methods shown in figure 9, are merely the techniques discussed in said thesis, excluding any other possible tools and techniques that may have been developed or evolved from the TPS.

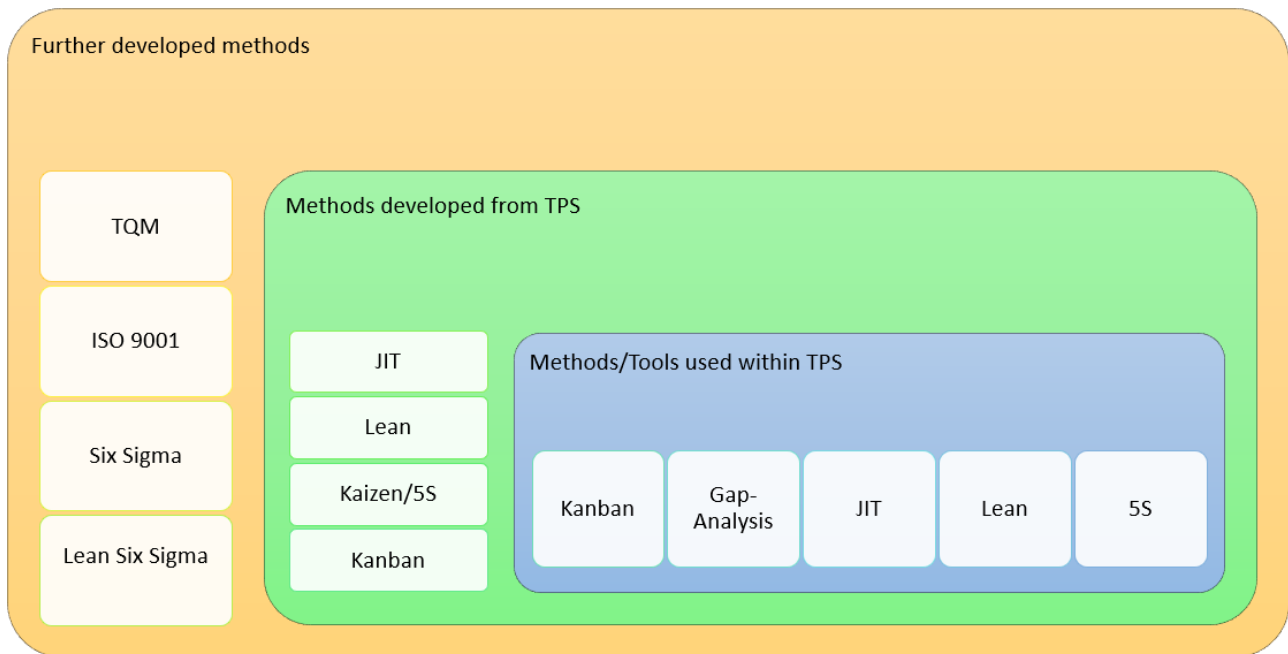


FIGURE 9. Connections Between Performance Improvement Methods (adapted from Minh 2022; Damij & Damij 2021; Leignel, Menager & Yablonski 2019; Piirainen 2023; Fonesca & Domingues 2017; Randhawa & Ahuja 2015)

Näslund suggests that the different methods and techniques are merely trends from the original idea, and due to the difficulty of implementing one method the interest into using it has plummeted. Consulting firms and researchers have then changed a few aspects of the original method and started over with a new appealing name to get businesses implementing the newest best improvement methodology. (Näslund 2008.) Trends are seen to come and go, hairstyles and clothes also move in cycles and make a comeback with new suitable names, why would this not apply to improvements methods. Näslund points out in his article that these are the stepping stones managers need to be aware of, simply because something is trending, does not mean that it is suitable for every business (Näslund 2008). It seems to be clear that the methods are copy paste versions of the real deal, but is that a problem? Being able to combine different methods and use the best part of each technique to enhance the organizational performance should be seen as a great opportunity, much like the COD method combining the best solutions and styles to excel.

3.2 Critical Success Factors

As with all methods there are challenges, whether it is to improve existing methods or try to implement new ones. Some difficulties have already been discussed, however, this section will examine the critical success factors within many of the methods reviewed above. Lean, Six Sigma and TQM are all methods that incorporate management commitment as the most crucial success factor, if there is no commitment from the management when it comes to these methods the implementation will certainly fail (Sreedharan et al. 2017). Continuous improvement methods such as the above mentioned including LSS also emphasize the worker commitment, communication, education, and organizational culture as key elements in succeeding to implement the improvement systems (Sreedharan et al. 2017). Similarly relying on leadership commitment and organizational culture that is willing to embrace the continuous improvement mentality is Kaizen, which has been deemed more complex than initially understood, and has therefore proven to be difficult to sustain after implementation (Marin-Garcia et al. 2018).

According to Randhawa and Ahuja, the approach towards the chosen system has also shown to be crucial, at least when discussing the 5S method. In Western countries 5S is seen as a technique whereas in Japan, it is seen as a philosophy or a life wisdom. (Randhawa & Ahuja 2017.) It is clear that the implementation of a tool or technique differs a great deal from a philosophy which should be embraced in a completely different way. The lack of leadership and the lack of understanding the entire concept, has shown difficulties in implementing 5S (Randhawa & Ahuja 2017). Understanding the concepts of the improvement methods is therefore vital, as there are many methods to choose from, managers need to understand which methods suit the business best, as some are considered cost reducing and some aim at creating more value for the customer. Damij and Damij also point out in their research regarding Kanban, that it is very important to understand the relationship between the different elements and processes, disclosing what is meant by a work being done for instance (Damij & Damij 2021). To conclude, the commitment from different stakeholders, open and clear communication between each other and the understanding and education of the method chosen, should always be considered critical success factors, when it comes to adapting a performance improvement method.

4 CHANGE MANAGEMENT

Darwin had it figured out already in the 19th century when he came up with the evolution theory, “It is not the strongest of the species that survive, nor the most intelligent that survives. It is the one that is the most adaptable to change”- Charles Darwin. This quote can be considered true not only regarding animals but as I see it regarding businesses as well. To survive a company must evolve, comparable to the polar bears losing their ice, many companies lost their habitat during the COVID-19 pandemic and did not survive. With evolution there must be change, whether it is forced, embraced or unforeseen, businesses must be ready to act or react to the ever-evolving natural habitat of the consumers. This chapter will discuss change drivers and the need to change. Introducing different change models, how they may be applied and to what purpose. Lastly in this chapter some key factors within change management will be brought up.

4.1 Change Drivers

In figure 10 below change drivers that affect organisations have been listed. The different drivers are workforce, technology, the market, social trends, politics and the last being sustainability (FIGURE 10). Changes within the workforce drive organizations, consider for instance the changing demographic, the need to hire successors or the need to outsource (Robbins & Judge 2018, 316), both are changes that need to be planned. Technology has become a great driving force, artificial intelligence, robotics, automation and data are all pushing organizations to become more efficient and aiming to solve problems (Technology Drivers of Change 2023). During the pandemic it was clear how much technology aided companies in sustaining the work, as employees were able to work from home and complete their tasks. The third driver shown in figure 10 is the market, within the market competition and economic shocks are included. Competitors’ success and direction within the market drive companies, economic shocks such as recessions which tend to come in cycles also affect organizations, and especially the market when consumption is low (Robbins & Judge 2018, 316).

A shift within social trends has been seen after the pandemic, work-life balance and importance in finding a purpose within one’s work have become more and more trending (Social Trends drivers of Change 2023). This trend coincides with the ideas of Baker, as he points out the HR system needs to change their focus on creating a purpose for the employees (Baker 2022, 19-26). During the past years

politics have affected many organizations, war and geopolitical tensions have forced many to change their organization (Dufva & Rekola 2023) including their operating market. Sustainability and the green approach have still a decade ago been seen as a social trend (Robbins & Judge 2018, 316), however today sustainability has been recognised as a key driver and not only a trend (Sustainability Drivers of Change 2023). Subjects such as climate change, governance and social wellbeing are incorporated into many businesses today. A new feature has also risen namely Green jobs, meaning jobs that somehow contribute to the preservation of nature. (Sustainability Drivers of Change 2023.) With sustainability it is also important to recognize the different drivers within, such as the European Union with their Green Deal initiative, setting legislations for companies (The European Green Deal), and the United Nations with their sustainability developments that regard all nations to strive towards a better tomorrow (Transforming our world: the 2030 Agenda for Sustainable Development).



FIGURE 10. Change Drivers (Adapted from Robbins & Judge 2018, 316; Technology Drivers of Change 2023)

An additional trend introduced by the Future of work hub site is that of COVID-19, disclosing the changes in personnel wellbeing and shifts of values (COVID Drivers of Change 2023). In my opinion this shift in values and preferences can be seen as an addition to the workforce section described earlier. However, it is true that a new type of disease that could spread as COVID did, would certainly have implications to many organizations. Yet, since the pandemic many organizations have measures in place to react if a new pandemic would occur. Moreover, it is important for managers to be aware of the different drivers as local and internal drivers, such as processes, may also affect businesses. In order to stay proactive change drivers should be examined from time to time.

4.2 Change Management Models

Once the change drivers have been identified and the changes needed been discovered, it is time to start to implement the change. There are many different models managers can use, the first and perhaps the most famous one is Lewin's model consisting of unfreezing, movement and refreezing (Robbins & Judge 2018, 320). Change models can be divided into two different categories, people focused and process focused (10 Change Management Models explained in 10 Minutes 2022). The models shown will be of both categories starting with Kotter's 8 stages model, followed by the McKinsey 7S framework, the Lippit-Knostrer model and finally the change curve. The different models have different purposes when it comes to change, and some of them have also been implemented in the empirical part, therefore these models are shown even though there are several other models available that are perhaps more popular.

4.2.1 Kotter's 8 Stages Change Model

Kotter's 8 stages model is a process focused model, the model itself can be divided into three different phases. The model is shown in figure 11, with the top tier describing the initial phase, creating a climate for change. This is done by forming urgency, perhaps convincing people that the current situation is not satisfactory, having less work and becoming more efficient, requires changes. According to Kotter, the majority of the board members of a company need to approve the initiative for the change, otherwise the change will not be successful. (Kotter's 8-Step Change Model Explained 2021.) As already explained in the performance improvement methods the management commitment needs to be in place. The next step is to choose the right team for the task at hand, the team will lead the change and

therefore it is important that the right persons are chosen (Kotter's 8-Step Change Model Explained 2021). There must be different types of team members from different departments, with key persons from the organization involved the change process should be successful (Kotter's 8-Step Change Model Explained 2021). Similar aspects were shown in chapter 2, where Moore gave insight into the traits a successful team should have. The last step within the first tier is to envision the path or the roadmap for the change, a clear vision of why the change is needed should be stated (Kotter's 8-Step Change Model Explained 2021; FIGURE 11).

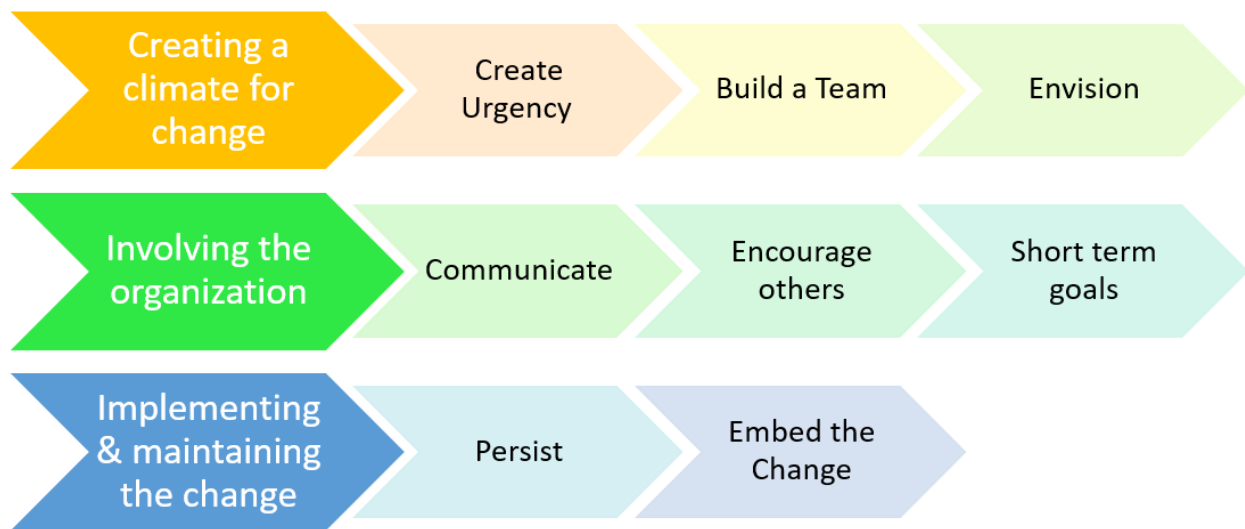


FIGURE 11. Kotter's 8 Stages Model (adapted from Kotter's 8-Step Change Model Explained 2021)

The following tier in Kotter's model shown in the middle of figure 11, involving the organization, aims to engage the entire company, here the change and the vision need to be communicated. The main focus is to have as many employees as possible to believe in the vision and the change offered. Motivation must be kept up and this can be done in numerous ways such as creating reward systems or increasing education of staff. Barriers that affect the change must be removed, which might be lack of resources or resistance towards the change. To keep up the momentum of the change, creating short term goals is important, motivating workers to stay focused and proceed with the vision. The final tier in the model (FIGURE 11), is implementing and maintaining the change, this is achieved through persistence, repeating the steps in the second tier, communicating, encouraging, and achieving short term goals. The final step is to implement the change, making sure that the change is a part of the day-to-day work within the organization and a part of the organizational culture, only then can the change be seen as successful. (Kotter's 8-Step Change Model Explained 2021.)

The advantages of the model are the clear step by step process and the fact that the model suits traditional organizational structures. Another advantage is the focus to involve and get consensus from key persons within the company to go ahead with the change. Some of the disadvantages of the model are that it may raise resistance from employees, this might occur in the early stages but also later on in the process. Another disadvantage is that the model is not made to sustain the change, it is better used for initiating the change and receiving the buy in from other workers. (Kotter's 8-Step Change Model Explained 2021.)

4.2.2 McKinsey 7S Model

The McKinsey 7S model was created in the 1980s, the model has remained one of the most commonly used strategic planning tools since its release. It is used in various ways, for instance to expedite organizational change, aid in implementing new strategies or business mergers as well as to identify the changes needed for the future. The framework consists of seven different elements within an organization, these elements are according to the model, interconnected and equally important. The seven elements are, strategy, structure, system, shared values, style, staff and skills, entailing that the model is both people and process oriented. The model is depicted below in figure 12, here the shared values are placed in the middle and the people focused processes are shown on the lower part of the figure, however all elements are connected to each other. Due to the connection between the elements, a change in one field should always affect another field, without the balanced change throughout the elements the symbiosis will be lost and effectiveness of the organization will come to a halt. (Jurevicius 2023.)

Reviewing the model starting with the strategy of the organization, there are many explanations to what a good strategy is, most strategists agree upon that a strategy is a long-term plan, which is unique to the organization, it is something that sets it apart from the competition and is linked with the vision and objectives of the organization. Due to its longevity the chosen strategy should not only focus on core objectives but also on future opportunities and how the company is able to create them, all the while keeping the strategy dynamic. (Johnson, Whittington, Scholes, Angwin, Regnér 2017, 4-7.) According to Jurevicius a short-term strategy can be advantageous even if considered a weak choice, if the company is able to support the strategy within all the other elements shown in figure 12 (Jurevicius 2023). The advantages of the model are the insight and understanding it gives the organization, considering both the emotional elements and the practical side of the business (Belyh 2019a).

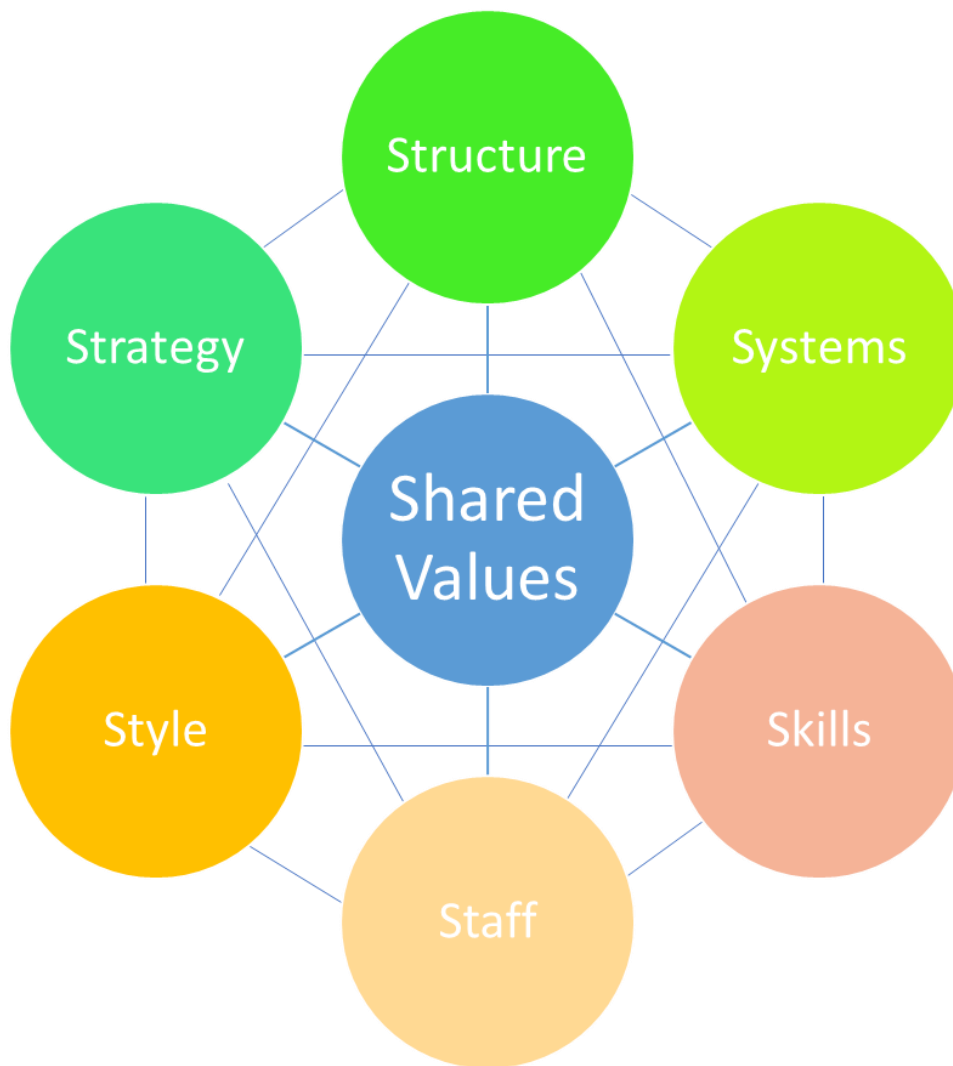


FIGURE 12. McKinsey 7S Framework (adapted from Jurevicius 2023)

The following component in figure 12 is the structure of the company which needs to be set similarly to all other elements, it needs to align. If the values of the company are innovation and teamwork the structure of the company cannot be an organization with a hierarchical and high bureaucracy structure as the two counter act each other. The following element is the systems or the processes within an organization, according to Jurevicius this section should be the main focal point for managers during organizational change. Moving to the bottom part of figure 12, and the so called soft areas, the components concern the skills and the knowledge of the employees, meaning that the organization needs to know what type of employees are needed. The staff circle considers how many employees the organization should have and how it can attract the right skill set (FIGURE 12). The last component the style concerns the way the organization is managed, indicating that the leadership style of the organization also needs to align with all elements used. (Jurevicius 2023.) In the centre of the model lies the shared

values, as discussed in chapter 2, values are what guide people and ultimately what guide the organization.

Keeping these seven elements connected and in symbiosis to each other may seem simple in theory, the reality is quite different. The negative aspects of the model are the complexities of it, failing in one component means that the entire system is at risk if not managed properly. It can also be pointed out that in most cases, organizations that have executed the McKinsey 7S framework have failed in their attempts. (Belyh 2019a.) To use the model the top management needs to commit to the framework and decide what type of structure, skills, staff and processes are needed in order to achieve the strategic objectives (Jurevicius 2023). To keep all the seven elements in symbiosis continuous assessments must be made on the elements themselves as well as the interconnection between them. Suggested by Jurevicius (2023), this can be done by gap analysis, where the desired level is not met, changes must be made. The chosen changes must accordingly be implemented in all areas to maintain the link between them. Whether the change is done by consultants or by own employees the implementation and the embedding of the change is crucial as if not done correctly might lead to failure and ultimately a misalignment of the elements (Jurevicius 2023).

4.2.3 Lippit-Knoster Model

The Lippit-Knoster model is referred to as a model to be used for complex change. Figure 13 below demonstrates the different factors that need to be in place for a change to become successful. The different elements are, vision, acceptance, competence, motivation, resources, and an action plan. The model gives a holistic view and can be seen as a map of needs that guide managers in complex change situations. Caredda mentions in his post that the model envisions the right mindset when it comes to change as the importance of all the different elements need to be grasped. The drawback of the model is the lack of phasing, although similar elements are used in Kotter's 8 stages model, the sequencing of the different stages can clearly be followed. (Caredda 2020b.) Same elements are also found in the McKinsey 7S framework and even though the McKinsey framework emphasizes the balance of the different elements the Lippit-Knoster model shows a very good picture of what can happen if an element is discarded.

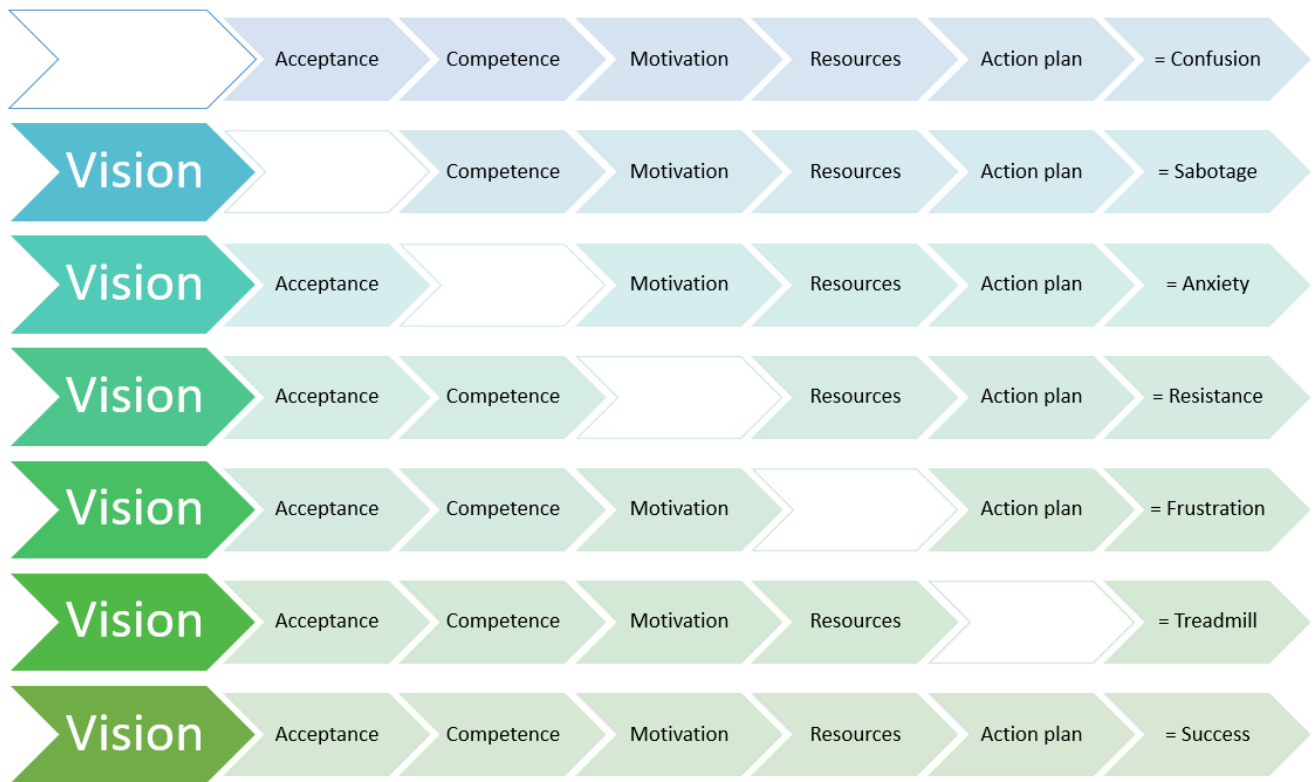


FIGURE 13. Lippit-Knoster Complex Change Model (adapted from Caredda 2020b)

Reviewing figure 13 starting from the top tier, the outcome of a change without a clear vision is confusion. The vision is the red line of the change, explaining why the change was needed in the first place. The second tier is lacking acceptance, the outcome of this path might end up in sabotage as workers have not accepted the need for change. (Caredda 2020b.) Jilsén and Cadonau also point out the importance of acceptance, without the commitment of the workers there will be no result. Their view is that employees should participate in the decision-making process of finding solutions, in this sense the outcome of sabotage could be avoided. (Jilsén & Cadonau 2015, 76-77.) The third tier in figure 13 lacks competence, the lack of the right skillset when it comes to changes can lead to anxiety, fear of not being able to perform (Caredda 2020b).

The following tier lacks motivation or a rewarding system, which may lead to resistance, keeping the key participants engaged in the change and showing them the value of the end result is important if resistance is to be avoided (FIGURE 13; Caredda 2020b). Reviewing the discussion in chapter 2 about choosing the right reward, Baker points out that the work should be more than a pay check at the end of the month, the work itself should motivate. The ideology Baker has is that given the freedom to influence, the worker will eventually become self-motivated. (Baker 2022, 161-170.) The next missing element in the figure above is resources, which leads to frustration if not acquired, resources during a

change may be time, people or even infrastructure (Caredda 2020b). Frustration is seen very clearly if all other elements are in line, but the lack of resources is delaying the progress. The final missing element in figure 13 is the action plan, which creates a false start or a hamster wheel effect, where no real progress is done due to the lack of direction. The final tier depicts the successful process, where all the elements are in place, this is the ideal way of change according to the Lippit-Knoster model (FIGURE 13). However, Caredda points out that even though one element is missing change may occur albeit very slowly and perhaps not in the intended way (Caredda 2020b).

4.2.4 The Change Curve

The change curve is different from the other models as it concentrates on the emotions people or employees have towards major changes. The model was initially used in medicine, where the patient was diagnosed with a terminal disease. Even if the background of the model is in medicine it is seen as a good tool for managers within business. (10 Change Management Models explained in 10 Minutes 2022.) The change curve helps managers anticipate the emotional struggles employees might have towards change (Belyh 2022). Even though emotions are unpredictable the model provides a framework for what might occur. The emotions shown in figure 14 below might not occur in the same order which is the challenge with the model according to Belyh (2022). She continues to explain that it is also possible for some employees to jump between the five stages from the first to the third and back again, whilst others might not go through all emotions (Belyh 2022). The importance is that managers are aware of the emotional rollercoaster and have tools to use in the different stages (Belyh 2022).

Reviewing figure 14, the initial emotion or stage one is shock and denial, where employees are not able to handle the change given nor accept it. This might affect the work performance of an individual when the initial instinct is to block the change. The initial stage may be short however, depending on the individual, the refusal of the change might take a long time. The second stage in the model is frustration or anger combined with the third stage called bargaining (FIGURE 14.) Here it is important for managers to understand how employees express their frustration to aid them. During this phase employees might want to discuss the change, perhaps there are alternative solutions, and the change does not need to happen, trying to bargain themselves out of the change. The fourth stage is despair, here the lack of motivation and enthusiasm can be seen, productivity may not be great as many lose faith and are unable to see a way through (FIGURE 14). The final stage is acceptance, where employees

may start to trial out the changes. Once the new has been tested a decision is made to go forward with the change and implement it (FIGURE 14). (Belyh 2022.)

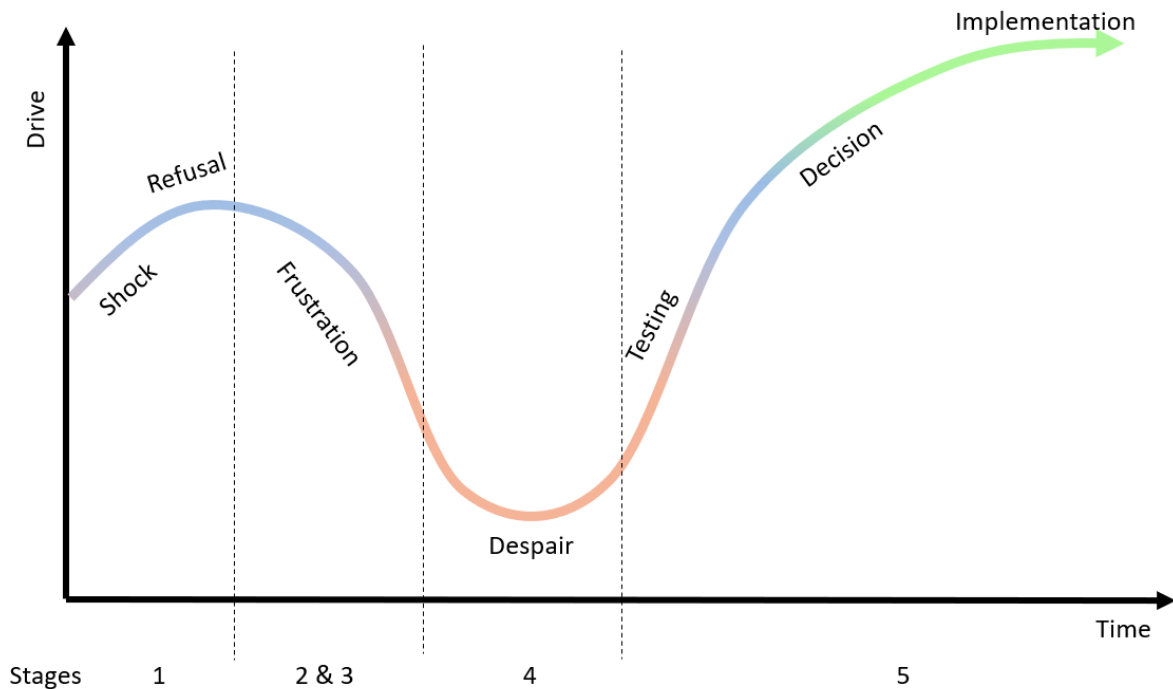


FIGURE 14. The Change Curve (adapted from 10 Change Management Models explained in 10 Minutes 2022; Belyh 2022)

For managers the implications of the different stages need to be understood, this way the managers can be prepared. In the initial stage, it is very important that the communication of the change is done in a manner which will allow the employees to understand the change and ask questions if needed. When it comes to frustration and anger, there are many ways to express oneself. This stage is crucial for managers to steer as the environment within the company can become toxic. Supporting those who struggle the most and giving clear communication is key. Managers also need to accept that this stage is completely normal. Once the anger has past there might still be some employees who start to negotiate the change, as acceptance has not yet occurred. Going into the depression stage often means a lack of performance, in this situation it is recommended that the managers motivate and try to engage the employees within the change. When the employees realize the value of the change, they will accept it and managers will start to see the end results. (Belyh 2022.) It is important to keep up the communication and inform on the effects of the change as one must consider that not all employees are at the same stage.

4.3 The Cornerstones of Change Management

70% of process improvement projects fail, due to lack of change management implementation (Malik 2021). Change management is a misunderstood discipline, at least if choosing to believe Caredda. In his post he suggests that change management is one of the most crucial factors within management today, and that every manager should have knowledge within change, however this is not the case. (Caredda 2020a.) Karasvirta implies, that managers and supervisors have a great impact on change and would need to improve their knowledge base about the subject. She points out that this is not happening due to the fact that companies and managers are not allocating enough time for these change agents to develop their skillsets (Karasvirta 2023.) If there is only a 30% chance to implement a change that will enhance the performance of an organization, would it not be in the interest of the managers or the board to allocate as much resources as possible to increase the success rate?

Huuskonen introduces four cornerstones of change management, he suggests that once these elements are in place change can happen. Firstly, he points out the importance of the company foundation, the functions and processes within a company need to be functional. To change, the change itself needs to be understood and accepted, changing habits is hard enough, not understanding why will only lead to failure. (Mitä ovat neljä tärkeintä muutosjohtamisen peruskiveä? 2019). The same conclusion can be found in Jilsén and Cadonau's book, they point out that acceptance of the solution is the key to success (Jilsén & Cadonau 2015). Huuskonen continues with the importance of role models, these may be leaders, co-workers or change agents (Mitä ovat neljä tärkeintä muutosjohtamisen peruskiveä? 2019).

Change agents or leaders need to inspire about the new change, there must be a meaning, a vision that the worker can understand and connect to. Further there should be trust, trust in their own capabilities and trust within the company, this is something that change agents can advance (Valonkumous 2023, Ella Koota: Viestinnän uudistamisen avaimet 2023). The final cornerstone is competence and knowledge, Huuskonen points out that a person must have enough capacity to be able to move from the comfort zone into the unknown (Mitä ovat neljä tärkeintä muutosjohtamisen peruskiveä? 2019), likewise to what Koota suggested in her thoughts about change agents and what they should focus on. The organizational culture should have a low threshold for asking help, especially when the capabilities possessed seem to be insufficient, asking for help is vital for the entire change process (Mitä ovat neljä tärkeintä muutosjohtamisen peruskiveä? 2019).

4.3.1 Resistance Towards Change

In this thesis the main focus on change has been on improving or enhancing the performance, but not all change can be seen as beneficial from an employee point of view. Enhancing performance might lead to cutting down on resources or replacing personnel resources with robotics or result in an imbalance between work and personal life. With that said, resistance towards change might actually be needed in some cases. Even in the Finnish government they have the opposition, perhaps not in the same way resisting change, but questioning new legislations and making sure that a broader picture of the change is seen before it is done. The most dangerous changes are the ones not discussed beforehand, changes within one department might affect another, the silos created by departments should be eradicated in order to see the bigger picture, discussing the change will allow others to accept it and not resist it (Jilsén & Cadonau 2015).

Resistance towards change is connected to the unknown, which can be frightening and daunting. Resistance can come from any level of the organization, which can lead to employees quitting or taking sick leave. Resistance is shown in different ways, obvious resistance is very direct, which is easier for managers to react on. Delayed resistance can also occur weeks or months later, referring to lack of trust and decline in motivation. This type of resistance is hard to acknowledge as it can be very subtle until it emerges. (Robbins & Judge 2018, 317.) Resisting a change can also be embarked from feelings, unconscious feelings that go against peoples' values, when this happens employees tend to resist the change and try to push it away (Valonkumous 2023, Ella Koota: Viestinnän uudistamisen avaimet 2023).

There are different tactics that Robbins and Judge recommend for change agents to use against resistance, the first being communication. It is important that the change is communicated in a value adding way, giving all the stakeholders a clear vision of the change. Choosing the right people to participate in the change, choosing the resisting employees to participate in the change can diminish the resistance. Contrary to this choosing the persons who are willing to change may also create more change agents. Tactics such as manipulation and intimidation are also mentioned, however these tactics can build a very toxic environment. More positive ways are focusing on the relationships between workers and supporting each other. (Robbins & Judge 2018, 318-319.)

4.3.2 Emotions & Stress

Under the course of five years I have heard the expressions, “I should be a therapist”, or “I feel like a therapist”. These are comments made by different managers and supervisors within different traits. Personality clashes, problems at work or home are more and more brought to the attention of managers. Therefore, it is important to also discuss emotions and how they drive us as human beings. Already in the resistance towards change, fear of the unknown was discussed as a driver. According to Ella Koota, individuals are solely driven by emotions (Valonkumous 2023, Ella Koota: Viestinnän uudistamisen avaimet 2023). An emotion is the initial reaction which is then analysed and based on the person’s values and knowledge of the issue, a reaction is given (Valonkumous 2023, Ella Koota: Viestinnän uudistamisen avaimet 2023). Koota continues with explaining that the initial reaction happens in the subconsciousness and cannot be controlled or stopped. Further she suggests that the essence of the choices made are based on feelings (Valonkumous 2023, Ella Koota: Viestinnän uudistamisen avaimet 2023).

Koota aims to give advice to managers and leaders when it comes to emotions and change, simply by putting oneself into the workers shoes, examining what feelings and emotions the person could have when a certain change is happening. Koota adds that managers must build trust with the employees, a connection that will allow them to learn from each other. She urges managers and leaders to take a deep dive into humanity. When a common vision exists, trust is built, and a connection within the company is established, change will be embraced. (Valonkumous 2023, Ella Koota: Viestinnän uudistamisen avaimet 2023.) The advice given by Koota corresponds with the tactics for change agents explained by Robbins and Judge in the previous chapter.

Discussing emotions and how people feel about change it is impossible to ignore the stress that change may cause. The World Health Organization defines stress as a state of psychological tension and concern caused by a difficult situation (World Health Organization 2023). Stress can be seen as a positive challenge which can in fact motivate employees (Robbins & Judge 2018, 327), however large amounts of stress can impact both the physical health as well as the psychological health (World Health Organization 2023). Stress embarks feelings such as anxiety and irritability (World Health Organization 2023). The consequences of stress at work may lead to dissatisfaction, the lack of motivation, increased sick leave and procrastination to name a few (Robbins & Judge 2018, 327-332). Burnout is also common when the pressure and stress build up for a longer period of time (Mehiläinen).

The documentary called *The Happy Worker* from the year 2022 states that one in two employees shows signs of burnout. When examining millennials the figures increase to three out of five employees that have symptoms fitting burnout. (*The Happy Worker – tai miten työ sabotoitiin 2022.*) A study done in Finland shows that more than every fourth Finnish employee suffered from exhaustion at the end of 2022 (Hytönen & Pennanen 2023). There is a clear increase in Finland within mental health issues especially when it comes to middle aged women and the younger generations. The causes for the issues were, fatigue due to work, and the fear of not having the right capabilities. (Sutela 2020.) This can be directly related to Huuskonen's view about having the right capabilities and the capacity in place when change is to be implemented.

Change and performance are some of the factors that stress people, therefore it is important to know, how to deal with stress. There are many ways of managing stress, most common methods are keeping up with the daily routines, eating healthy, exercising and sleeping (World Health Organization 2023). At the workplace it is also the routines that matter, managing time, connecting with people and managing tasks in a step-by-step basis reaching small goals (Robbins & Judge 2018, 331-335). It is important that this factor is not missed by the managers, nor the leaders or change agents striving for better performance, as this can be seen as the negative impact of driving performance within organizations.

5 METHODOLOGY

The following chapters will show how the thesis research was conducted and what methods were used. This chapter will also discuss further developments into the subject. The aim of the thesis was to show whether gap analysis could be used in enhancing the performance of the Company X combined with the COD method. The COD method and the gap analysis had been introduced to me already in 2018 through several workshops. The method had been used for several years at the principal company of Company X. The method has since been disputed and the success of the method was to be proven through the thesis. Further objectives were to introduce other improvement methods and the key factors within change.

5.1 Action Research

Mixed methods were used in the thesis, namely action research and data collection of primary data as well as secondary data. Action research is a qualitative research method used primarily for solving work related problems. Action research uses interviews, documented evidence such as meeting notes or reports as well as focus groups. (Quick & Hall 2015.) I chose the action research method due to the fact that I was working on implementing the ISO 9001 quality standard at a new company, getting to know the employees' required interviews which gave great insight into some of the process issues. To conduct a change implementation together with a group during the work was seen as a natural step.

The primary data was collected through workshops and in-depth interviews, the interviews have been excluded from the thesis. However, they are used as a base for understanding the organization and its project management process. The primary data from the workshops held was analysed based on the comments, feedback, behaviour, and the climate observed during the workshops. The initial secondary data was collected on the project management process used as a guide during the workshops. Secondary data was also collected of other performance improvement methods to gain more insight into what methods are used and for what purpose. As leadership is a part of the COD method entailing a new kind of leadership, secondary data on leadership and management styles were collected. The objective was to review if the COD approach was in fact a new method, as well as to get a better understanding of the different styles. As people are the main resource of Company X the thesis also included a human

perspective of behaviour. When implementing a change there are many factors that can affect the outcome, therefore an extensive search of secondary data was done on change management.

5.2 Validity & Further Developments

Both primary data and secondary data were collected over the scope of 1.5 years, the change implementation process lasted for six months from the initial workshop setting the baseline, through the final evaluation meeting. Secondary data has been collected prior to the workshops as well as after to conclude certain aspects of the outcome. The decision to use secondary data such as books, journals, articles, videos and blog posts was due to the extensive literature already found. The aim was to use both commercial sources as well as academic sources to disclose if, there were contradictions between the two. Out of 38 potential books 11 were chosen for the thesis, 13 journals out of 40 possible, 7 videos out of 11 watched and several blog posts including websites were examined and a hand full picked for the thesis. I chose to further review literature from different time periods to see if any new ideas had embarked regarding the topics or if any trends could be spotted. The data collected gave a holistic overview of what is needed when implementing a change. Many of the academic sources gave more explicit knowledge, as the commercial sources gave adaptable examples which could be easily fitted into any business.

The limits of the thesis were the lack of practical expertise when it comes to many of the methods shown, nor was there in-depth knowledge about the methods provided. The success of the thesis is seen in finding the original source for the different improvement methods suggesting that the others are a copy paste version of the original method. In addition the COD method was revealed to be a combination of different leadership styles rather than a completely new solution. The empirical result further coincides with many of the theories explained in the literature.

Further developments could be made within job descriptions, if the future employee is able to say what position he or she should get based on the skills and knowledge the said person has, or will there still be requirements to fill. How will the leaders of the new generations operate, studies suggest that millennials and gen z employees have different preferences to the older generations. As Baker pointed out the importance of purpose and greater meaning are now shaping the work, as well as the leadership methods (Baker 2022, 19-26). How should leaders prepare themselves for the new generations to come, could also be a new research topic. Further the success rates of improvement projects are very

slim, the faults and blame has been aimed at the management. This could be further investigated as to what the root cause for the change management incapacibilities actually are when 70% of attempts fail.

6 IMPROVING PROJECT MANAGEMENT AT COMPANY X

This chapter shows how the improvement process was conducted at Company X, what methods were used and how the improvement could be measured. The outcome of the project will be discussed more in detail in chapter 7. During the improvement process I conducted several interviews to understand which process would suit best for the improvement project. The project management process was chosen, firstly due to it being the core process of the company, and secondly since the management wanted to further ensure the success of the core competence of the business. My main task was to act as a facilitator in the project and participate in the works to a certain degree. The enhancement project discussed in this thesis is taken from a period of six months, the enhancements and changes to the project management process were completed at the end of the first quarter of 2023. The changes and enhancements done after the said period will not be disclosed in the thesis.

The change discipline used matches with Kotter's 8 stages model. During the improvement project the company was undertaking the ISO 9001 standard into use, and this created the urgency for the core process to be functional and deemed suitable for the company. Enhancing the performance was conducted through workshops, using the COD methodology, which has revealed itself to simulate the Kaizen team event. The project management process was examined with the help of Robert Wysocki's book 'Project Management Process Improvement'. The Deming cycle and Kanban methodology were also included within the working tools. The team of people working within the improvement project were from different departments, these key individuals gave new perspectives into the project management process. Building of the team coincides with both the COD method as well as Kotter's model. The entire team was a part of the process from the start to the finish of the project.

6.1 Baseline

The initial workshop was held to discover the maturity level of the process. According to Robert Wysocki it is very important to understand the current level of the process before any improvements or changes are made (Wysocki 2004). In Wysocki's book he presents the five phases of project management, the phases are initiating the project, planning it, the execution of it and the controlling of the project and finally the closing of the project (Wysocki 2004, 27). Each phase contains different processes and together they make 39 different processes that can be found in project management. The processes

range from the initiation phase such as the scope definition of the project, to the end of the lifecycle which is described as the contract closure. (Wysocki 2004, 27-70.)

Prior to the workshop, I had conducted several interviews with staff members to get an overview of where the largest issues might be. Once certain key points were made, I proposed different processes or sections from the project management process that should be reviewed more closely. The initial elements chosen for the enhancement project shown in figure 15 below were a combination of project planning and development, referred to in the project as element A. Element B, regarded a combination of cost budgeting and control, the following element C, was a combination of a large amount of processes such as execution, resource planning and organizational planning (FIGURE 15). The following element reviewed was the quality planning, the assurance and control of it referred to as D. E considered communication and information as element F regarded procurement. The final element chosen to examine was a combination of project initiation, contracts and change order control referred to as G in figure 15.



FIGURE 15. Project Management Elements (adapted from Wysocki 2004)

The initial workshop started out by setting the baseline for the current processes depicted in figure 15. The method used for setting the baseline was based on a quantitative group interview conducted by myself using the COD method. I had prepared five different statements of each element shown in figure 15 using the information in Wysocki's book. The statements were made according to the maturity levels, meaning that number 1 gave the lowest score, with no processes in place, whereas number 5 gave the highest score, depicting a standardized process which is integrated within the whole company (Wysocki 2004, 27-70). The statements for each element were shown, and in order to not influence each other, the participants wrote down the number of the statement they believed suited the current process best.

As Singh et al. introduced in chapter 2 performance can be measured by key persons within the company (Singh et al. 2016), and as there was no prior statistical information, the decision to do a subjective baseline measure was unanimous. This is one of the tools described in the COD method, giving all the participants an opportunity to express themselves by writing down their suggestions, and then at the end discuss the outcome and together agree on the level (Jilsén & Cadonau 2015). To get the most subjective answer from the participant I deliberately withheld the information about the maturity levels and only asked the participants to choose the number that best described the current situation. This type of measuring can depend on the mood of the personnel which is a risk, though this approach allowed the statements to be analyzed by each worker giving them a better understanding of the entire process to come.

Some of the elements discussed had a larger variation in how the different participants saw the process. For instance, whilst discussing communication and information, the variance of the levels chosen were as great as two points between the lowest and highest number. The gap between the lower levels can be seen as further apart in contrast to the higher levels, as they only lack one or two factors between each other. The lower levels lack structure and many factors between each other. This shows the importance of gathering everyone involved and reviewing the current process as some feel that everything is working well as others are struggling, this can be referred back to the room in the COD method shown in figure 8. Once everyone had chosen the process level the final figures were discussed, and the baseline was set. Again, referring back to the majority of the models described in chapter 4 discussing the importance of acceptance, at this point everyone had accepted the maturity level of the process and now the discussion could be redirected to the future. Here as well the acceptance of the desired level was agreed upon in consensus enabling the vision of the change to be accepted and depicted.

6.2 Analysing the Gaps

The following workshop discussed the gap between the current process and the desired future process. This was again conducted on all the elements depicted in figure 15. The method used to identify the gaps was in accordance with the COD method explained in chapter 3, meaning the process was reviewed and the background to why the work is conducted in a certain way was disclosed. Once the gaps had been identified they were analysed and prioritized due to the extent of the gaps. Unlike the previous workshop here the participants were able to discuss freely, however in accordance to the COD method, meaning one person at a time could speak, and the others would listen and ask questions if needed. As there were over twelve gaps identified it was decided that instead of using the COD method of voting which gap to choose, the gaps were set in a priority matrix to show their impact on different parts of the organization.

TABLE 2. Prioritizing Tool (adapted from Van, Moseley & Dessinger 2012)

Process/GAP	Impact on the org		Implementation		Current State				Value	
	Number affected (employees)	Employee level	Time to implement, how long will it take to sort out	Re-sources in terms of people involved	Long term GAP	Worker satisfaction, how well is the process working now	Pain level, manual work and long time to do high score	Process exists, informal process meaning no documentation = high score	Benefit/return on investment. What does the company gain by doing something to the process?	Total score
Scale	3 = large	3= MGM	3= short	3= small	3=high	3=low	3=high	1=no	3=high	
	2= average	2=white collar	2=average	2=medium	2=medium	2=medium	2=medium	0=yes	2=average	
	1= small	1= blue collar	1= long	1= large	1=low	1=high	1=low		1=low	

The prioritizing tool (TABLE 2) was divided into four categories, starting with the impact on the organisation, meaning how many workers it will affect and on which level such as managerial or workshop level. The second category concerned the implementation of the solution, high scores were given if the time required was short, and if the resources needed were few. The current state of the process was also examined, if the gaps found were seen as long-term problems, they received a low score. Another criteria was if the employees despite the gaps found the process satisfactory, if this was the case low scores were given. The effort of manual labour and time to complete the said process was also scored, observe this regards the current state of the process not the gap itself. Other measures within the current state were, the lack of a written process, if there was a process already written the scores given were low. The final category was that of value, by improving the process how much could the company gain. The prioritizing tool was an adaptation from the book 'Fundamentals of Performance

Improvement’, where many different matrixes and tables were discussed. The categories shown in the table were created specifically for the company and may not suit every organization. (TABLE 2.)

Due to the number of gaps found, it was decided that the high scoring gaps were to be discussed further within the project team. As pointed out by many change models, keeping up the motivation and creating quick wins is important, therefore the gaps chosen for the project were five gaps out of twelve possible ones. As depicted previously in figure 15 above the elements discussed were from A-G, due to the prioritizing tool this meant that not all of the elements were chosen for the project. The following processes and their gaps were chosen, A; Project planning and development, C; Execution, resource planning and organizational planning, D; Quality planning, assurance and control, E; Communication and Information and F; Procurement. The next chapter will discuss how the gaps were eliminated.

6.3 Elimination of Gaps

To eliminate the chosen gaps, the COD working method was followed, the method was known to many of the participants from before as Björn Jilsén, one of the COD founders, had had workshops regarding the work method in the past. The idea is also described in their book ‘Leadership, Strategy and Culture - how to accelerate development’ in which Jilsén and Cadonau explain that smaller teams should work with the gaps, the teams should also choose a coordinator who will book regular meetings to discuss the gap and the progress (Jilsén & Cadonau 2015). When discussing gaps and how to eliminate them it is important to understand the root cause of them as the ISO 9001 standard also implies. However, looking at the COD method the focus was not on finding out what had caused the gap, rather what had been tested in the past and what new solutions could be used to close the gap.

Each team were to assign 15 minutes of time every week to gather and discuss what had been done, what problems or challenges they were facing and what should be done next. It was important that no meeting memos were done as to save time for the coordinator, the only tool to be used was a visual Kanban board, in this case a digital board. For the tasks, an understanding of when a task was finished, was agreed on within the smaller teams. This created a sense of small wins when tasks could be closed, therefore the tasks could be very small but kept the momentum up within the team. Coaching was done randomly or if any team needed any support. Each team would also meet monthly for more than 15 minutes to review their part of the project and the entire project team would gather every quarter.

(Jilsén & Cadonau 2015.) Choosing the right coordinator and the team for the different gaps was very important, this was highlighted already in chapter 2 within organizational behaviour and how teams function. In some of the teams the coordinator became automatically the team leader, in other groups the teams did not pass all the stages of forming a group and this could be seen in the end results.

Once the solutions from the different teams had been presented a test period of them embarked for a few months. New software tools were implemented, and processes were written as well as checklists made in order to close the gaps. Once the test period was deemed successful, in this case only one suggestion failed as the solution, the new ways of working were implemented into the project management process. The entire project management process was also documented to ensure the correct process flow and way of working. As Company X undertook the ISO 9001 standards the process was also reviewed after some months, once the solutions were adapted by the employees. Due to efforts of the smaller teams the implementation work did not have much resistance, it was rather embraced by many of the workers and the benefits of the solutions were appreciated.

7 OUTCOME

In this chapter the outcome of the improvement project will be discussed. The different methods, gap analysis and the COD method, and how the implementation and theoretical assumptions worked in a real environment will be disclosed. What challenges were found and how they affected the work. The outcome will be based on my own experiences working with the project team as well as the Company.

7.1 Gap Analysis as a Tool

Gap analysis as a tool to identify the gap between the current process level and the desired process level worked well. A note must be made that the gap analysis is clearly an analysis tool, it does not bring forth the solution of how to eliminate the gap, nor does it take into consideration the root cause of the gap. In this specific case it was also clear that there were too many gaps to handle and a secondary tool, the prioritizing matrix needed to be adapted. Another challenge with the gap analysis is the fact that it is most likely done alongside other work and will therefore not be prioritized as much as other development projects would be. The gap analysis can however be adapted into any kind of scenario, it can be used in business process improvements, employee developments as well as strategic planning. The gap analysis is a very simple tool to use and gives a very visual interpretation of what the future vision should be, and what the current situation is. Examining the Lippit-Knoster model, gap analysis is a good initial start for a change process, as the vision is set together with everyone ensuring an understanding of the goal.

Could any other tool have been better at this stage, perhaps not. The gap analysis and the starting point of envisioning what the daily work should be, gave all the employees a clear picture of what the end goal was, and how it could help their everyday work. How to get to the end goal was a different issue, and in this the method could not help. It was also clear that some solutions were done immediately, however, these solutions were in the end not accepted and did not become the new normal, entailing that the root cause of the process was still there. Finding the root cause and trying to eradicate it could perhaps have been a possibility. Another possibility could have been the DMAIC cycle used in Six Sigma, however without statistical data for analysis this method could have failed to a degree. The ex-

tensive knowledge needed for conducting a Six Sigma project, would in the end have resulted in insufficient capabilities and failed. However, with the right knowledge and resources a Kaizen event which has been proven to be similar to the COD method could be an alternative solution.

7.2 The COD Method as a Way of Working

The COD method and how to conduct meetings and find the baselevel by writing down the answer first and then, one at a time discussing their point of view worked rather well. Cultural differences could be spotted between the Southern European workers and the Northern European workers, and this is not taken into account in the method. This entailed that stricter rules needed to be applied for the meetings. The biggest issue with the COD method was trusting the process, finding the right team for the gap, with the right coordinator. The teams that followed the COD method after the gap analysis was done, received the highest improvement score of all the groups. The teams that met more randomly and chose certain elements of the COD method did succeed, however the teams that only had their initial meeting and decided to work individually ended up with not having a viable solution for the gap. Trusting the process and committing to it is an important factor, emphasis on acknowledging this should have been prioritised more.

The change management method used in the COD is based on coaching and leadership as well as acceptance. Jilsén and Cadonau point out the importance of leadership and specially the coaching of individuals similarly to the transformational leadership styles. Unfortunately, within the project all of the elements were not followed well enough, as the resistance towards the change did not occur in the beginning rather towards the end of the project. The reason for the resistance and in part the failure of closing some of the gaps was according to the team the lack of leadership and management commitment. This will remain as a mistake made by myself and the management of the Company, not being able to predict the workers behaviour, their frustration, and emotions.

This fault perhaps also shows the importance of choosing the right change model, as the change model used in this case was Kotter's 8 stages model due to the fact that the change regarded a process. In hindsight the Lippit-Knoster model combined with the change curve, could have been a better solution for the project and the specific company. It was clear that taking into consideration the human psychological factors within change, were not focused on during the project. The organizational culture and the emotions of the team members should have needed more attention. However, it needs to be pointed

out that the teams who were able to close the gaps did have a more positive attitude and the capacity of the teams was focused on the improvement project.

7.3 Evaluation of the Performance Improvement at the Company

To prove the effectiveness of the gap analysis and the COD method the existing process was analysed and compared to the revised process. The measures were based on how many gaps were dissolved and what the new process maturity level was. Depicted in figure 16 below the research started out with examining seven different elements within project management. Due to the large number of gaps only five elements were chosen for the project, these elements are boxed in red in figure 16. The result of the maturity level measurements shows that the first element A; Project planning and development did not change in terms of reaching a higher level. Element C; Execution, resource planning and organizational planning was unable to come up with a solution and at the end of the project the level had even decreased from the initial baseline set (FIGURE 16).



FIGURE 16. Project Outcomes

The following elements D, E and F on the other hand were successfully implemented and the levels were marked higher than in the baseline (FIGURE 16). The two elements that were not worked on show also a difference, firstly element B; Cost budgeting and cost control was not included in the project and this led to a decrease in the maturity level (FIGURE 16). On the contrary the final element shown in figure 16, G; Project initiation, contracts and change order control, had a rise in level, as the solutions that were implemented also had a positive effect on the said element.

The outcome of the maturity level shows that the gaps chosen were linked with different elements, and solving one added value to another. Insinuating that the Company found a way to work smarter, without extra effort. Considering the total outcome of the improvement process and the fact that over 50% of the solutions were implemented and enhanced the project management process, the project could be seen as a success, as the rate for any changes to be successful are very low indeed. The gaps that were not included in the improvement process should now be reviewed by the Company. As the gaps have already been identified a new teamwork could be set in motion to ensure the continuous improvement of the process. As a further suggestion the Company could examine the different teams already existing during the improvement process and evaluate if the team is cohesive and functioning, or if new teams should be created to cover the still existing gaps.

8 CONCLUSIONS

The aim of the thesis was to show whether the gap analysis together with the COD method could improve the existing project management process at Company X. The results shown in the thesis were that the combination of the said methods was successful. Even though other improvement suggestions were examined in my opinion the other methods would not have suited the Company X, due to a lack of knowledge of the other methods during the time of the research. The thesis does reveal similarities between the different methods and given the opportunity and resources some of the methods could be functional within Company X.

There is a specific theme handled throughout the thesis which is, management commitment and the importance of leadership. It is very clear that the leadership role is a crucial factor when it comes to change, and that change agents play their part in the transformation. Managers and leaders are separate entities, an individual can be both given the chance, however, true leaders are those workers choose to follow, not merely because they need to, because they want to. A good leader builds trust, motivates and creates a balance between work and private life. An inspirational leader listens, guides and develops the employees for the future, not only for the job they possess, but for the job they will one day have.

Managers and leaders need to acknowledge the shift in values, when it comes to the younger generations. The greater purpose that is searched for within a workplace needs to be shaped, together with the employee. The one-fits-all type of job descriptions needs to stay in the past. Employees need to be able to develop within their capabilities as well as their capacity, when it comes to handling pressure from the workplace. However, the negative aspects of change and certainly performance and the relentless strive for enhancing performance needs to be addressed. The thesis showed that younger generations are struggling with the pressure placed on them at work. This is a crucial factor within wellbeing as well as the social side of sustainability. Organizations need to support their employees in order for the company to thrive. Happy and satisfied workers do perform better as disclosed in the said thesis.

How emotions steer behaviour and how that can affect a team has played another key part within this thesis. Understanding the turmoil that change can cause and managing the emotions directed to the change, is another key intake that managers and leaders should recognise. Change management as a

philosophy is more complex than given credit for, dealing with people, behaviour, emotions, and external factors such as change drivers. The competence needed of a change manager is at the least vast, if not infinite. The cornerstones of the company and the culture of the organization need to support change in order to embrace change.

There is no escape from the fact that organizations want to improve their performance, forging their way through different times. The essence of improving something whilst not crumbling the employees of the company is to work smarter not harder, as this will allow the workers to embrace the change instead of resisting it. Further studies that would support the thesis could be studies into the negative effects of performance and change. The shift in values of the younger generations as well as the connection between change management and the failure of improvement projects could also be considered as a research topic. The role of the organizational culture together with leadership and change agents could further advance the genre of this thesis.

The action research approach allowed me to participate and get in-depth information about how individuals and teams work, and in a sense gave new perspectives into change management. A real feel of organizational behaviour and how individuals can steer and influence each other based on their emotions was shared. The theories discussed in the thesis emphasize the real-life situation. Since starting the research process I have found a sense of personal motivation also discussed in the theoretical framework, suggesting that employees with fulfilling jobs may inspire themselves to such a degree that they in the end motivate themselves in their work. This theory has been tested and deemed successful, at least in my case. Even though some experts might disagree the lesson learned is that there is knowledge and wisdom within theories and techniques. It is always worth considering what others have gained and lost with their attempts, as they can guide and enhance one's own performance and capabilities.

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