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## **CHANGE MANAGEMENT TO OVERCOME BUSINESS CRISES: COMPANIES CHIEFS AS LEADERS OF THE CHANGE**

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### ***History of business crisis (Journey to the past)***

East India Company (EIC) or British East India Company was joint-stock company. It was formed to trade in Indian Ocean region, initially with the East Indies name of EIC, which is tied with Bengal Bubble of 1769 and credit crisis of 1772. The first one was due to overvaluation of stock between 1757 and 1769, while the second one was a result of massive shortfalls in expected land values for the company [1]. The massive losses of Michelin, the French company, in Brazil in the 1980s, and financial crisis of Nissan in the 1990s are true examples of crisis that were results of wrong management behavior [2]. In September 2015, the Environmental Protection Agency accused Volkswagen of manipulating its engine controls to be able to pass laboratory emissions tests [3]. Covid-19 this year (2020) has made its impact over the world. Many companies have filed its bankruptcy due to Covid-19. [4]

### ***Insights into change management***

Change management is the discipline that guides how we prepare, equip and support individuals to successfully adopt change in order to drive organizational success and outcomes [5]. In 1993 Grundy introduced his model regarding to varieties change figure (1). He builds his model on three categories of change: discontinues, ‘Smooth’ incremental, and ‘Bumpy incremental. [6]

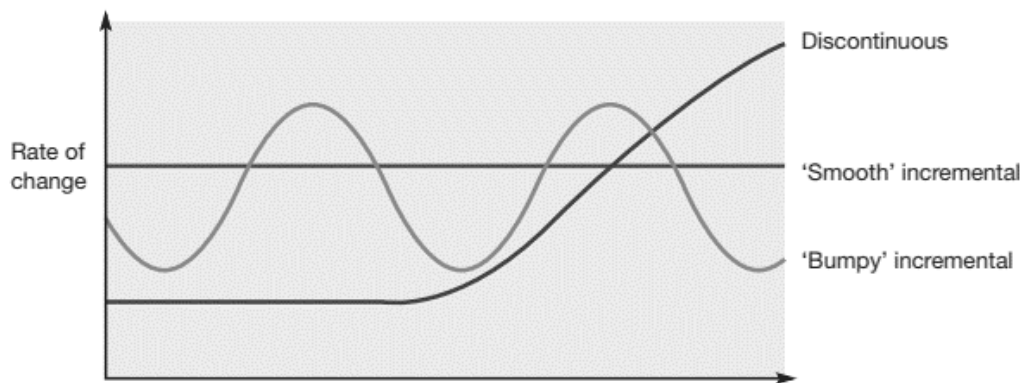


Figure 1 Grundy's major types of change

Lewin's forces field analysis which introduced by Kurt Lewin in his book: *Resolving Social Conflicts* , 1948 provides an overview of the balance between forces driving change in a business and the forces resting change. The figure (2) illustrate the concept behind Lewin's forces. He argued that successful business tend to constantly adapting to their environment and changing, rather than being inflexible. [7, p. 46]

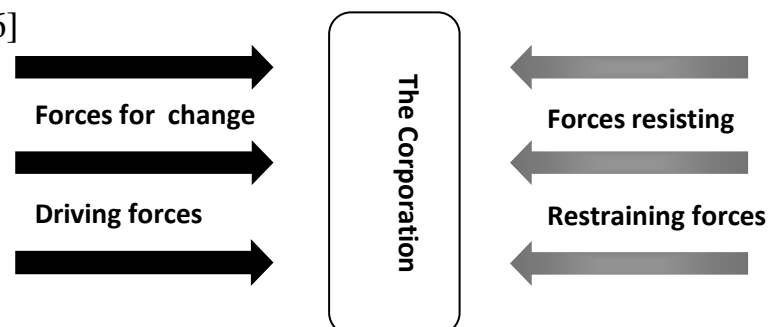


Figure 2 Lewin's Forces

Kotter and Schlesinger , [8, p. 4-6], suggest that there are four main reasons why change is resisted. According to them, the most common ways people resist change are:

- 1) Parochial Self-Interest
- 2) Misunderstanding and Lack of Trust
- 3) Different Assessments
- 4) Low tolerance for Change

There are other contributions and models such as Prosci ADKAR model of change, Satir Change model, SIPOC model, Influence Mapping, Contingency Planning, DICE Framework, Kubler-Ross Change Curve , and McKinsey 7-S model.

*Change management: The turnkey solution*

1. Managing change is about handling the complexities of travel. It is about evaluating, planning and implementing operational, tactical and strategic ‘journeys’ [9, p. 3 ]. In his book “Leading change”, Kotter has answered the question regarding to failure of transforming organization due to eight errors [10, p. 4-14]:

- 1) Allowing Too Much Complacency.
- 2) Failing to create a sufficiently powerful guiding coalition.
- 3) Understanding the power of vision.
- 4) Undercommunicating the vision by a factor of 10.
- 5) Permitting obstacles block the new vision.
- 6) Failing to create short-term wins.
- 7) Declaring victory too soon.
- 8) Neglecting to anchor changes firmly on the corporate culture.

#### *Nissan Revival Plan*

In the 1990s Nissan Motor was revived after going through a period of great financial difficulty. The Alliance with Renault saw the light and helped Nissan to overcome the crisis with help of Carlos Ghosn’s survival plan or Nissan Revival Plan (NRP). The latter succeeded in refresh the business and return the life back to Nissan. Ghosn used his strategy of cross-functional team (CFT) that allowed multiple people with different functional expertise to work toward a common goal. [11]

#### *Radical Change in Zimbabwe*

The Agricultural Finance Corporation (AFC) was a small organization catering in 1979, it was in front to play a developmental role to cater to the needs of the 500,000 farmers who were operating largely at a subsistence level. There was a downturn in supply of trained managers in the country registered with the exodus of expatriate managers after Zimbabwe’s independence. AFC planned a number of strategic changes to manage this discontinuous change in the environment. By 1980, it decentralized decision-making to provincial levels,

initiated business planning, introduced computers and management information and control systems. [12, p. 65-66]

### *Íslandsbanki: New Vision*

Iceland was in a state of economic and social crisis after 2008. Íslandsbanki was founded on the ruins of its predecessor, Glitner, which was taken over by a winding down committee Íslandsbanki's management team, under the leadership of Birna Einarisdóttir, its new CEO, faced a considerable challenge; to rebuild a collapsed bank and create an institution able to gain the trust of the society in which it operated. All employees of Íslandsbanki were invited to participate in a full-day strategy workshop. An unique opportunity to start from scratch, building a new vision, culture and values, learning from prior mistakes made, but at the same time building on the strengths and experience of the bank. [13, p. 176]

### *Conclusion*

The change management has an important role in overcoming many crises. Crisis of Nissan, Agricultural Finance Corporation (AFC), and the Íslandsbanki had all been solved by approach or technique from change management. Today's corporate leaders can also adopt one or multi types of change management style to avoid contemporary crises like the pandemic COVID-19.

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## **ПУТИ СОКРАЩЕНИЯ НАКЛАДНЫХ РАСХОДОВ АВИАКОМПАНИИ**

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