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Organizational change management in corporations

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NORMATIVE REFERENCES

In this thesis the following normative were used:

ГОСТ 7.1-2003 – Bibliographic records. Bibliographic description. General requirements and rules of compilation.

ГОСТ 7.32-2001 – Scientific research paper report. Structure and rules of preparation.

ABBREVIATIONS

| | |
|-----|--------------------------------------|
| ADR | – American Depositary Receipt |
| FIG | – Financial-industrial group |
| HR | – Human Resource |
| GDP | – Gross Domestic Product |
| JSC | – Joint-stock company |
| LLP | – Limited liability partnership |
| MNF | – Multinational corporations |
| NC | – National company |
| TNB | – Transnational banks |
| TNC | – Transnational corporations |
| TSA | – Transnational strategic alliances |
| RK | – Republic of Kazakhstan |
| ROA | – Return On Assets |
| R&D | – Research and Development (НИОКР) |
| ROI | – Return on investment |
| ROS | – Return On Sales, Net Profit Margin |
| USA | – United States of America |
| UK | – United Kingdom |
| WTO | – World Trade Organization |

INTRODUCTION

The Relevance of the research. Transformation of world economy is characterized by huge changes in all areas of national economy. Society as a system is being subject to continuous movement, modification and shaping. All social elements of the system are also being transformed: economy, technology, social surrounding, politics and others. Significant reasons for such changes are fluctuations in the economy. Consequences of such changes are not always favorable for most subjects.

Global practice have shown that the biggest success in winning external markets is being achieved by transnational corporations (corporate leaders) [1].

Successful development of domestic economy is being largely determined by the ability of large, medium and small enterprises to promptly response to changes in external environment. Reasons for Kazakhstani industry crisis lie not only in its low technological maturity, incompliance of the manufactured goods with global standards and overstated costs of production and consumption which do not allow domestic products competing with similar foreign goods at the international and domestic markets, but in larger extent it is incompliance of domestic companies with global companies' standards, their low capacities conditioned by personal factors, absence of market infrastructure and unpreparedness of organizations to transition towards modern state.

Oil and gas industry renders a significant influence on country's social and economic development and development of its particular regions; in essence, it is being a locomotive for the whole state economy and contributes to development of other economy sectors. Operation of oil and gas enterprises helps to bring to life the most significant social programs within the scale of regions and of the whole state [2].

Changes, strategically planned response to existing and future threats and opportunities is urgent for most enterprises notwithstanding their size and business area. There is no such industry sector where companies and other economic subjects would not worry for their future and would be fully protected from future financial instability. Processes of their formation on the territory of countries with transformed economy vary because conceptual inconsistencies emerge preventing the stable dynamic economic development.

According to statement of "Kazakhstan-2050" Strategy: "Kazakhstan must implement a triple modernization: build a state and implement a breakthrough towards the market economy, build up a social state and transform the mindset of society. Transformation in Kazakhstani economy will allow ensuring a more rapid growth and realization of companies' development potential" [3].

Most managers admit the significance and necessity of strategic vision, future changes but do not always have clear answers to which action plan shall they choose, which methods must be applied, which periods shall be passed and which resources must be attracted in order to minimize the risk of failures of projects with high investment including personnel and time and prevent such outcomes as finding out

that the scheduled changes does not occur, expected result was not achieved and crisis phenomena only increase. Top management of corporations now sees in practice that common sense, business instinct, previous experience and market performance are no longer a reliable basis when conducting transformations: specialized knowledge and qualification required the use of which significantly increase the possibility of reaching the transformations' purposes. All this leads to rise of significance of rational, scientific planning methods of planning and implementing organizational changes developed by management theory.

The level of the topic scientific development. Organizational changes management has a long history of theoretical research, mainly in foreign publications. In economic literature, issues of corporate cultures development and methods of effective changes management were mainly being reflected in English scientific literature and periodical publications since the middle of XX. However, there is no common theory of organizational changes management. In 1950–1970 a number of foreign authors have developed concepts of organizational changes that were of dominant nature within the literature publications on organizational changes and preserved their pertinence till now (K. Lewin, R. Blake, J. Mouton, L. Greiner, C. Bell, W. Freeh). The greatest popularity of papers on organizational changes management with the point of view of total control of the manager was evidenced in the end of XX and beginning of XXI centuries (M. Tushman, E. Romanelli, A. Van de Ven, A. Pettigrew, K. Weick, D. Stace, D. Dunphy, R. Marshak, I. Palmer, B. Lichtenstein, Q. Huy). Nevertheless, in our opinion, one of the solutions of theoretical analysis in the area of organizational changes is the prevailing conservatism of conclusions and recommendations ignoring the specifics of the industry, business organization life cycle, national and corporate culture, certain situation, etc. Also, in their research they do not take into account the specificity of functioning of corporations in the national economy's transformation environment.

In Kazakhstan, in the area of corporate management within the environment of changes the most known are works of R. Alshanov, I. Beisembetov, U. Baimuratov, N. Isingarın, A. Koshanov, M. Kenzheguzin, K. Kazhymurat, B. Khusainov, O. Sabden, O. Yegorov, N. Nikiforova, A. Nurseyit, N. Mamyrov, K. Okayev, R. Satova, K. Sagadiyev, S. Satubaldin, O. Yanovskaya and some other economists in which the financial and industrial area of corporate management are being considered, and the issues of transformation of external and internal environments and its influence on activity of the corporations are almost not covered at all.

Poorness of scientific research in this area increases the pertinence and timeliness of the research subject selection, and its connection to state objectives and anti-crisis programs of the Republic of Kazakhstan.

The aim of the research is revealing main conceptual directions of research in the area of organizational changes management and defining the areas of its best application in corporations.

In accordance with this aim the following objectives were set:

- 1 Defining the essence and notion of organizational changes process in companies.

2 Considering prerequisites and conducting system analysis of organizational changes management process development.

3 Conducting complex analysis of problems and assessment of organizational changes management process results.

4 Developing methodology for organizational changes management in corporations according to the existing dynamics of external and internal environments.

5 Substantiating the choice of instruments and conducting analysis of state of enterprise human resource management within the changing conditions of economy management (based on example of JSC National Company “KazMunaiGaz”).

6 Developing generalized system for reformation of corporate management process within the scope of organizational changes by creating a simulation model of changes in corporation and prerequisites for improvement of human recourse management within the fluctuations environment.

Object of study is corporation of oil and gas industry of Kazakhstan within the organizational changes period.

Subject of study is a set of theoretical and scientific and methodological provisions of complex economic analysis of organizational changes as an integral part of corporate activity, and actions of companies aimed on their implementation.

Theoretical and methodological base of the dissertation research are during the implementation of set objective dialectic and system methods and approaches of economic research were used: comparison, generalization, methods of multi-criteria economic modeling, estimative and analytical, expert, statistical and other methods.

Basis for qualitative analysis was made by responses of experts and HR managers to open questions of questionnaire and materials obtained during round tables and expert interviews on issues of theory and practice of organizational changes.

The scientific novelty of the results of dissertation. Paper allowed obtaining theoretical and practical results defining the scientific novelty of research and its separate components:

1 Possibilities of change process system approach are substantiated which allows viewing and designing of corporation as an open and modern business form adapting to its competitive environment the relationship with components of which also change during the process of corporate changes.

2 A substantiation of authors wording of organizational change as a process of acquiring by organization of new or loss of old features as a result of micro-influence of market transformation. Taking into account the cause-and-effect relationship between corporate management and changes in external and internal environment studied by author.

3 Influence of various change directions in organization on development and improvement of economic activity of corporation was defined. Corporation as a system creates barriers for external changes and this confrontation may increase up to a certain limit after which the balance is lost and a qualitative change happens both to corporation and to all of its components.

4 Methods of research of change process in corporation were systematized. Strict or flexible management methods can be effectively used for diagnostics of solutions and planning of changes.

5 On the basis of complex analysis of changes process in corporation the main problems were revealed which are represented by inefficient assessment of internal and external organizational conditions; problems of data collection and analysis; inadequate setting of change objectives; dependence of successful changes implementation on opinion of external experts; inefficient assessment of results and fixing of changes.

6 A model of changes designing in corporation was offered which will allow making it possible to determine the influence of project factors of transformation and obtaining aggregated assessment of readiness of organization for changes implementation.

The main provisions for the defense are as follows:

– Application of system approach to implementation of changes in corporation taking into account the competitive surrounding which is also subject to transformation processes;

– Author wording of organizational changes. This clarification allows expanding the research horizon of this matter and determining the specifics of changes depending on the industry sector;

– Influence of possible directions of changes in corporation on improvement of organization performance. Corporation functions as an open economic system being regulated by balance laws. In case of destabilization of balance in organization a transformation occurs;

– Methods of corporate changes process studying. Strict methodology of organizational changes management is effectively applied in situations when human factor is of low significance for changes. Flexible methodology is efficient in cases when the success of changes depends on personal attention of top managers, specialists, employees of the organization participating in planning and conduction of changes;

– The most significant issues of general assessment of changes management in organization;

– Corporate changes design model. In case of full operational readiness there is a possibility to develop recommendation on the most efficient method for implementation of improvements within an organization. If a negative assessment was obtained, that is, a company is not ready for changes implementation, then the company objectives' feasibility must be analyzed.

Theoretical significance of research. Main conclusions and statements of thesis research may be used during development of methodological and methodical basis for study of organizational changes in Kazakhstan. Also, there are possibilities for practical use in corporate management during organizational changes both by Kazakhstani and foreign specialists at rendering of consulting services in management area.

The practical significance of the research (connection of the dissertation

topic with national state programs as well as target republic and regional scientific and technical programs). Practical recommendations can be used by: state governmental institutions and management bodies during development of oil and gas sector development programs in the Republic of Kazakhstan and concept of industrial and innovational development of the Republic of Kazakhstan, such as “30 Corporate Leaders of Kazakhstan” Program, oil and gas sector development program of the Republic of Kazakhstan for 2014–2018 and others. Scientifically based suggestions and recommendations of thesis research were used in practice: during revision of corporate management principles in JSC National Company “KazMunaiGaz” and its subsidiaries author’s suggestions on improvement of organizational climate were used. In addition, these were applied in HR Department and Corporate Security Department.

Materials of thesis research and its scientific results were also used in educational process during development of educational programs on the following disciplines: “Corporate Management”, “Human Resources Management”, and “Organizational Behavior”.

Main results obtained during conduction of thesis research: it is assumed that analytical research and practical studies conducted may be useful for specialists in oil and gas sector in their work on improvement of organizational changes management and for corporate adapting to market economy management conditions.

Approbation and implement of the research results. The main propositions and results of this study were reported at international scientific and practical conferences: Международная научно-практическая конференция «Наука в современном мире» (Москва, 2012), VIII mezinárodní vědecko-praktická konference «DNY VĚDY – 2012» (Praha, 2012), V международная научно-практическая конференция «Экономическое развитие страны: различные аспекты вопроса» (Москва, 2012), VIII mezinárodní vědecko-praktická konference «Achievement of high school – 2012» (София, 2012), X международная научно-практическая конференция «Новые технологии в образовании» (Москва, 2012), Международная конференция «Взаимодействие государственных и корпоративных учебных заведений как ресурс повышения качества профессионального образования» (Казань, 2013), Международная научно-практическая конференция «Актуальные проблемы образования, науки и экономики «Казахстан-2050» (Алматы, 2013), 5th international scientific & practical conference “Innovative development problems in oil& gas industry” (Almaty 2013), IX mezinárodní vědecko-praktická konference «Moderní vymoženosti vědy – 2013» (Praha, 2013), IX mezinárodní naukowi-praktická konference «Strategiczepywania swiatowej nauki – 2013» (Przemysl, 2013), XVIII международная научно-практическая конференция «Актуальные вопросы современной науки» (Москва, 2013), 5th Conference “Applied Sciences and technologies in the United States and Europe: common challenges and scientific findings” (New York, USA, 2014).

Publications: There are 25 publications including 6 articles in journals, recommended by the Committee for Control of education, 3 in international journals

and 1 in Kazakhstan journal, 2 articles in International Congresses, 12 in the proceedings of International Conferences, 1 in journal indexed by ISI Web of Knowledge and Scopus,

Thesis research structure and size. Thesis research consists of introduction, three sections, conclusion and bibliography with sources and appendices.