

Institute for Economy
and the Environment



University of St.Gallen

Change Management in turbulent Märkten

Was die Energieindustrie vom Wandel in anderen Branchen lernen kann

Gieri Hinnen
25. Mai 2015

How can **organizations** that have known a highly **stable environment** for the last 50 years adapt to a **rapidly changing environment**?

How can **organizations** overcome existing patterns of **behaviour and cognition**?





1. Analysis

What are the causal relationships?

2. Aim

What do we want to be

3. Decision Pattern

How do we get there?

Strategy is a pattern in collective behaviour.

Strategy means adapting to a constantly changing environment.



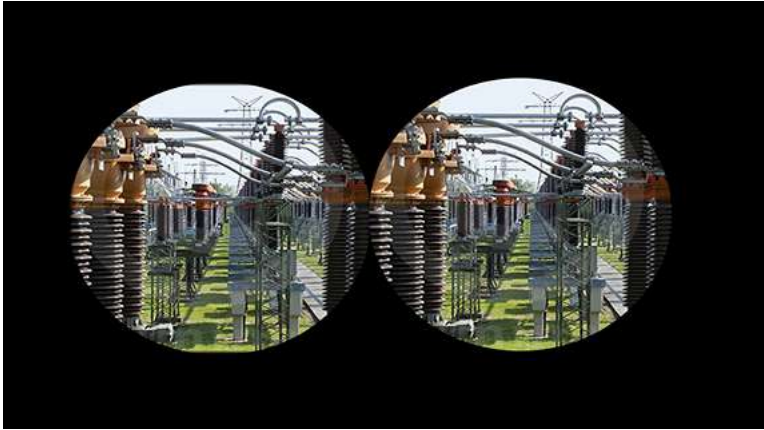






«Organizational renewal requires that a firm's top managers make timely adjustments in their mental models following significant changes in the environment» (P. 15)*

«Organizational memory concerns (...) the structure of beliefs, interpretative frameworks, codes, cultures by which the organization interprets the state of the environment and its own internal states» (P. 2)**



Mental models allow us to make sense of complex environments

Battery technologies will make a leap in this decade

The *Energiewende* will be rejected in a popular vote

Nuclear will be phased out

The political focus will be on hydropower

Market will become more liberalized

Renewables will grow exponentially

The *Energiewende* is a reality

Nuclear is here to stay

Coal will dominate the 21st century

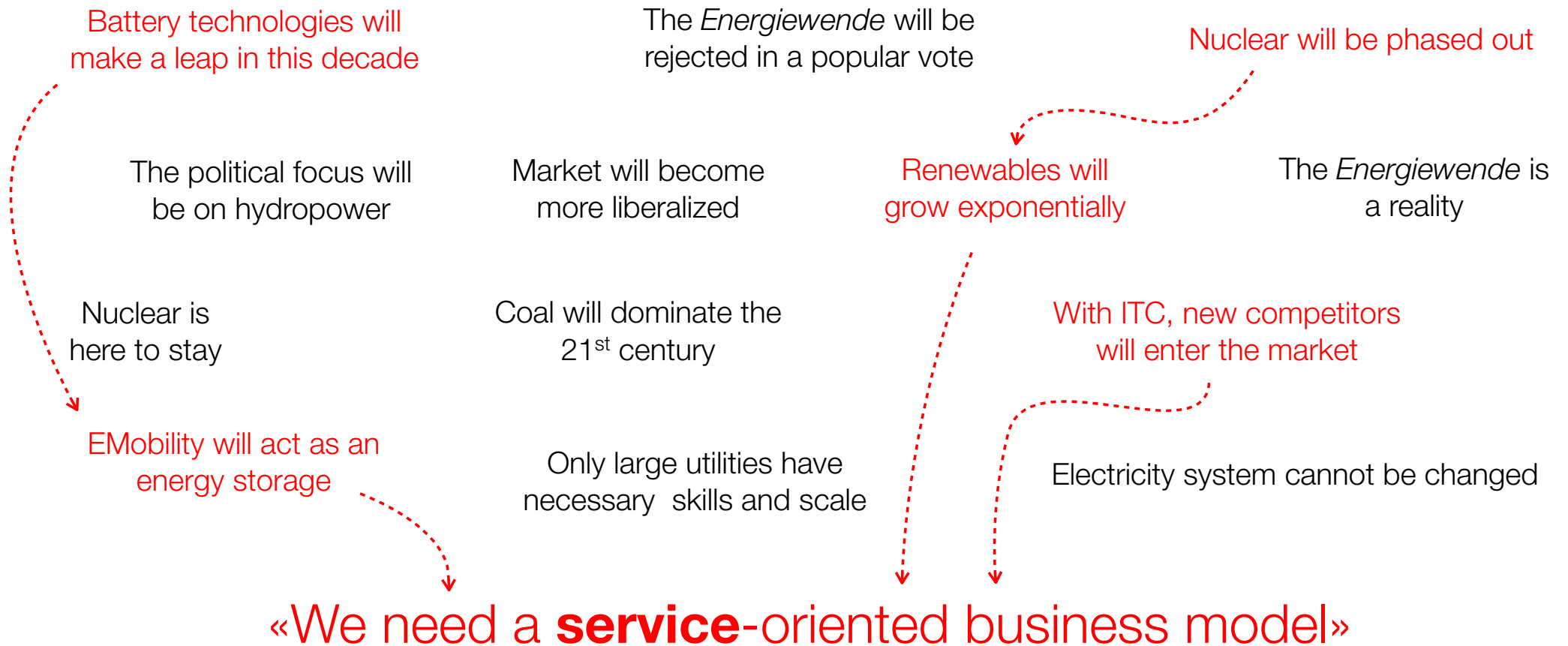
With ITC, new competitors will enter the market

EMobility will act as an energy storage

Only large utilities have necessary skills and scale

Electricity system cannot be changed

Mental models allow us to make sense of complex environments



Mental models allow us to make sense of complex environments

Battery technologies will make a leap in this decade

The *Energiewende* will be rejected in a popular vote

Nuclear will be phased out

The political focus will be on hydropower

Market will become more liberalized

Renewables will grow exponentially

The *Energiewende* is a reality

Nuclear is here to stay

Coal will dominate the 21st century

With ITC, new competitors will enter the market

EMobility will act as an energy storage

Only large utilities have necessary skills and scale

Electricity system cannot be changed

«We need a **production**-oriented business model»

Mental models allow us to make sense of complex environments

Flying is
commodity

Flying is
luxury

The rise of virtual reality
substitutes business travel

Passengers are increasingly
price sensitive

Market will become
more liberalized

ICT leads to price
transparency

Passengers want an
individualized product

Gulf Carriers offer a
superior product

Gulf Carriers abuse
the market

Passengers want
convenience

Low-cost long haul will be the
next big thing

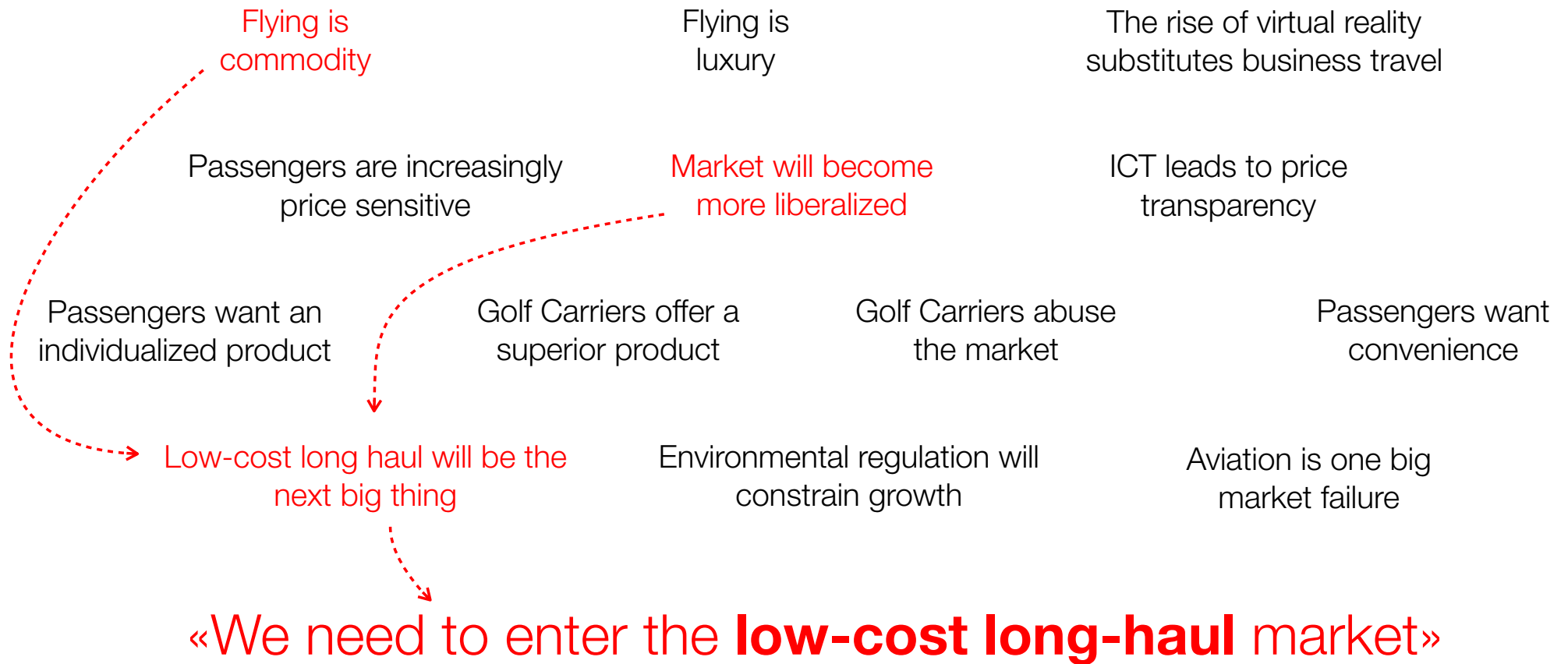
Environmental regulation will
constrain growth

Aviation is one big
market failure

Mental models allow us to make sense of complex environments



Mental models allow us to make sense of complex environments

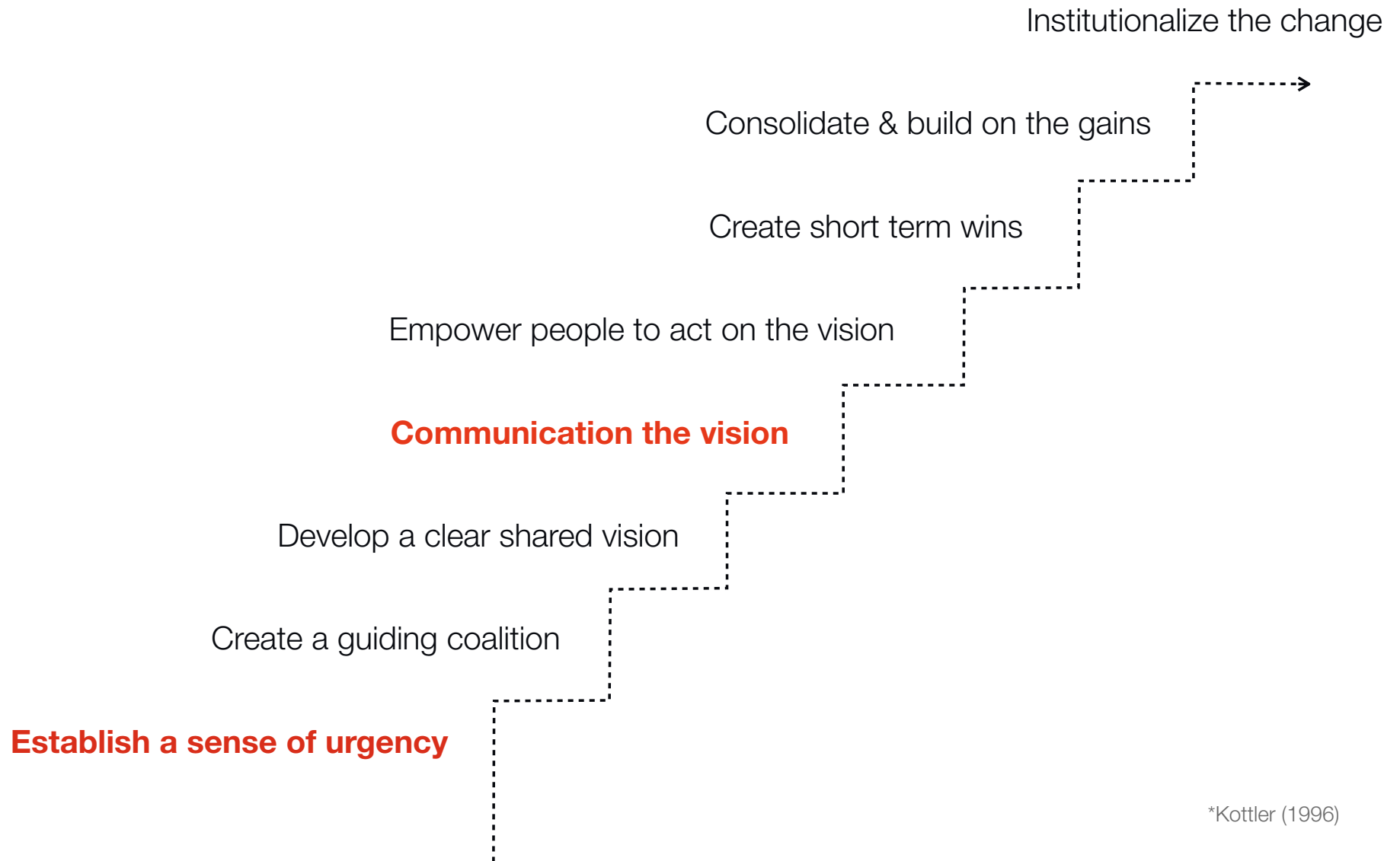


«The CEO
«The Management Board
«The Board of Directors
.... decides the Strategy»

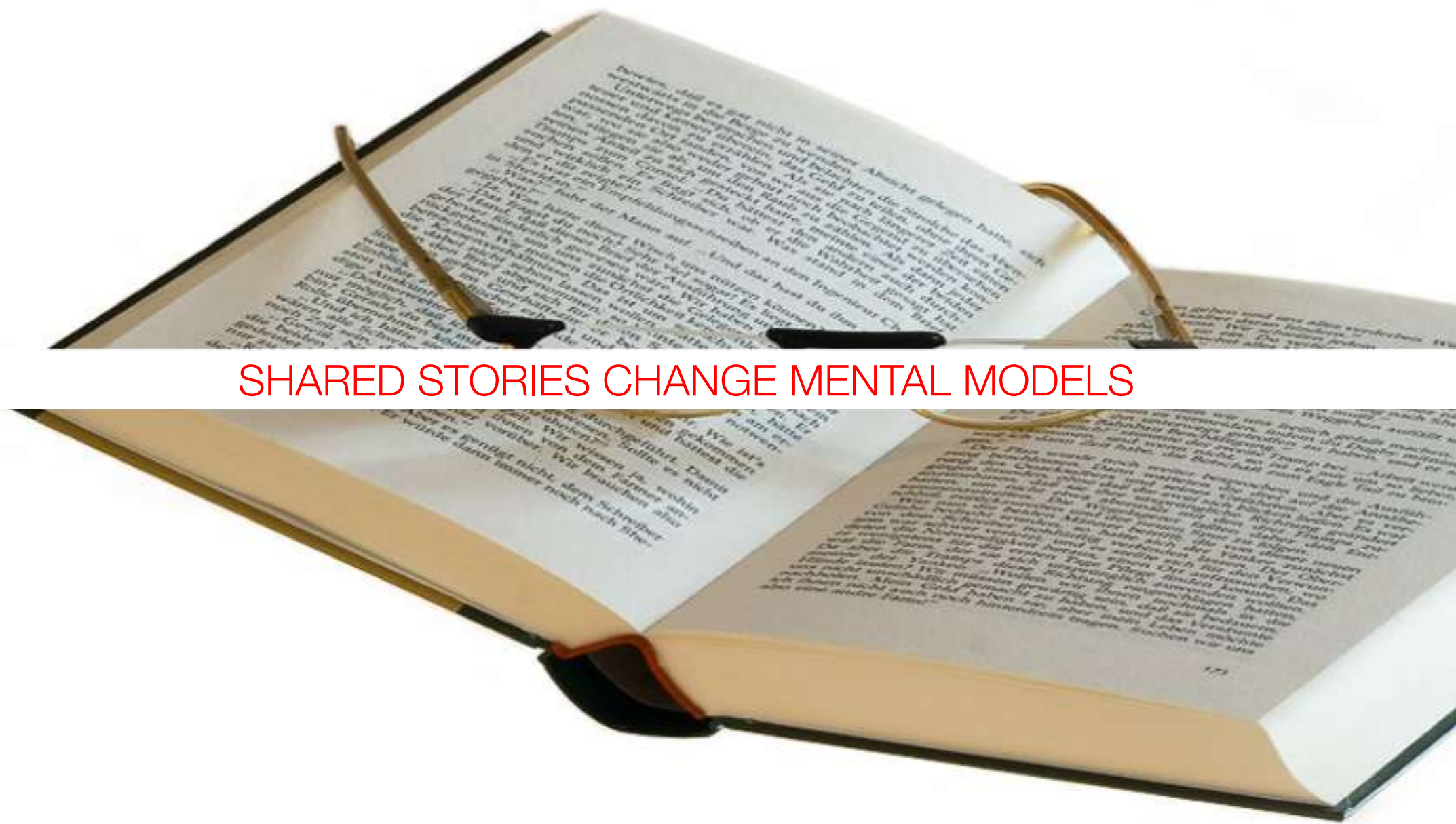
«The CEO
«The Management Board members
«The Board of Directors members
«The employee might not know the strategy
.... might not agree on the strategy
.... might have a different mental model»



HOW DO WE CHANGE **SHARED** MENTAL MODELS?



*Kotler (1996)



SHARED STORIES CHANGE MENTAL MODELS

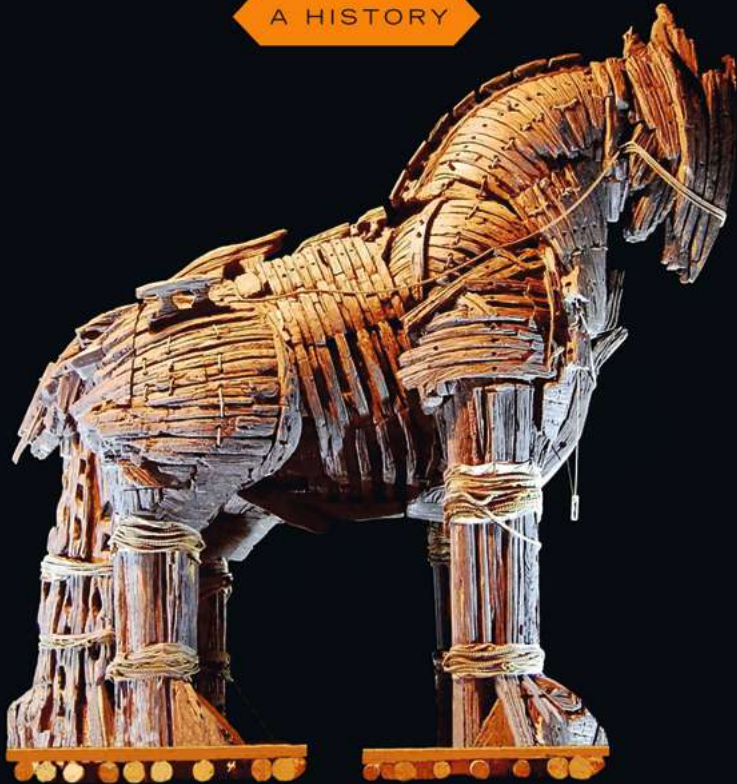


«Not only are stories instruments of strategy, they also give form to strategy. Reinforced by cognitive strategy and the role of interpretative constructs and scripts in organizing attitudes and behaviour, narratives have moved to the fore in the contemporary strategic literature in military, politics, and business.

In order to come to terms with recent trends in thinking about strategy we need to come to term with stories»

Strategy

A HISTORY



Lawrence Freedman

«One large conclusion of this book is that [strategic plans] struggle to survive their encounter with reality»

Strategy, and thus change management, is an adaptive narrative.

«Rather than to think of strategy as a three-act play, it is better to think of it as soap opera with a continuous cast of characters and plot lines that unfold over a series of episodes»

1. The case: Airlines and Energy

- What is changing?
- What's the strategy?
- What's the challenge for the organization?
- How to overcome these challenges?

2. The instrument

- What is storytelling?
- What's the limit of storytelling?