

**St. MARY'S UNIVERSITY COLLEGE**  
**BUSINESS FACULTY**  
**DEPARTMENT OF MANAGEMENT**

**ORGANIZATIONAL CHANGE AND  
INNOVATION IN ETHIOPIAN SHIPPING LINES SHARE CO.**

**By**

*Senait Tsegay*

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

Organizational change and innovation is a phenomenon of the period since earlier time and there is no limit to the origin of it and the forces currently driving business to change are more powerful than in the past. Business organizations have faced change more extensive and more fundamental in their transforming quality than any thing since the modern industrial system.

One of such organizations, and, in fact, a basic business partners for other organization is the shipping line. Shipping has become enormous and vibrant activity providing the very life blood of an economy, As a result, its demand has been increasing and the competition among shipping companies, equally, becomes more intense than ever before (Beckhard; 1996:183).

### 1.2 Background of the organization

Ethiopian Shipping Lines S.C. was established in 1964 G.C and launched its service along the UK (North and west Europe route, which was then major direction of the country's import and export trade). In the course of its innovation the company has further expanded its service to include the Mediterranean, Adriatic, Far East areas, Gulf regions and the Red Sea in view of the growing traffic movements on these routes (ESLSC's magazine, March, 2005).

At present the company uses the port of Djibouti as its base and has agency networks in all its trading areas for assisting shippers from Ethiopia or abroad in arranging and consolidating their Shipments. It also provides liner services to specified ports on regular sailing schedules which are subject to necessary inducement. Besides its former and current fleet, ESLSC has made agreement on slot charter agreement with a number of other shipping companies such as Maersk Sea Land, P&O Ned Lloyed, APL, PIL, NYK, and Hyundai. Such a global practice has enabled ESLSC to give a weekly shipment service and to show growth. ESLSC operates a regular form of liner service in the period since the

foundation of the company (Ethiopian Shipping Lines, a story of progress, Addis Ababa, pp 3).

The researcher prefers this company for it is the backbone of the country's import-export economy and which is a tool to fasten the per capita income of the nation. Industrialization would take place if and when the country is able to export its products to the world market and import capital to the nation. Since the company has a significant contribution to the country's economy, the government as well as other concerned parties should pay it particular attention. It should be given priority in its development plan and its organizational change activities should be given serious attention to compete efficiently.

### **1.3 Statement of the problem**

The major trade activity of the world, i.e. import and export, depends mainly on the existing safe, modern and fastest transportation system. The transportation system, whether it is by sea, air or land or other to plays vital role in economic growth of ones' country as it facilitates the movement of good\services from one place to anther. However, among the various means of transportation; shipping services take the line share in import and export trade activates for at least two basic reasons: its carrying capacity and economical nature. Consequently, many nations, if not all, strive to have a well organized, coordinating, developed and secured fleet management system (ESLSC's magazine, June, 2008).

The Ethiopian government has given prior concern to conduct its international trade through Ethiopian Shipping Lines S.C. This company transports the country's product to the world and also bring foreign product inside. These huge activities are performed worldwide along with other partners. The company also established good agency network worldwide. Nevertheless the current complex market situation in the shipping industry in general and the increasing demand in the company's service(which resulted from the country's economic growth) in particular put their challenge in Ethiopian Shipping Lines S.C. not to fulfill its customers' need effectively and as required. Hence, it is time for the company to

be efficient and there by competitive in order to hit its supposed target(s). To achieve this, the company ought to have a strong organizational structure and innovative management. This study, therefore, seeks to identify the major gabs or /and problems of the company associated with the organizational change and innovation and hence to address those challenging issues which hinder it to meet customer needs.

#### **1.4. Basic Questions**

To address the above problem, the following questions were raised:

1. What are the causes of human resistance to change and to what extent the employees participate in the change of development activities of ESLSC?
2. What are the strategies for change and innovation in the organization?
3. To what extent the trainings given by the company results in changing organizational and individual innovation?
4. How is the flexibility of top level managers towards changes and differences?

#### **1.5. Objectives of the study**

##### **1.5.1 General Objectives**

The general objectives of this paper was to identify the major problems of the company & hence to address those challenging issues, which hinder to meet customer needs, by emphasizing the current organizational change that took place in response to the company's market demand.

##### **1.5.2 Specific Objectives**

The specific objectives of this study were-

- To identify the strategies for change and innovation in the organization.
- To asses the causes of human resistance to change and to what extent the employees participate in the change of development activities of ESLSC.

- To know flexibility of top level managers towards changes and differences.
- To identify the factors for failure in change program
- To assess the result of trainings given by the company in changing organizational and individual developments.

## **1.6 Significance of the study**

The research was made use of major data from Ethiopian Shipping Lines Share Company. The justification is that the benefits in organizational innovation and change are undeniable. But how they can change should be strictly identified.

- The researcher believes that, the out come of this paper was provides additional information to organizations how they can avoid their weakness in making and managing changes.
- The findings of the study were also creates awareness to managers how far the organization achieve in having organizational innovation programs and change efforts and to involve employees in the change process.
- This study was also expected to create an understanding of each and every component of external and internal forces for change and respond accordingly.
- The finding of this study is believed to be significant in orienting organizational innovation programs towards possible areas of actions through its recommendation.
- This study can serve as a basis for those who want to make a detailed and further study on changing and developing an organization through its recommendation and any business organization in general and Ethiopian Shipping Lines Share Company in particular.

## **1.7 Scope of the study**

The study covered organizational change and innovation at the shore level; it didn't include such study at a seagoing (vessel) level.



## **1.8 Limitation of the study**

Because of the time and financial constraints, and lack of experience in research work, the paper was very narrow in scope in that it didn't exhaustively dig out all aspect of organizational change and innovation issue in the work place.

Another limitation of this study is that only head office employees of the company were considered as sample. It was difficult to collect data form seagoing workers.

## **1.9 Research Design and Methodology of the study**

### **1.9.1 Research Design**

Generally this research was descriptive type of research with primary and secondary data source. The primary data was collected using interview and questionnaire. The secondary data was collected from internet, book, reports and brochures. The researcher used simple random sampling techniques to identify the sample unit.

### **1.9.2 Population and sampling techniques**

The analysis was based on a quantitative data obtained from a randomly selected sample group out of the population. To do this, the current 657 employees were taken as a population and 74 (which were 11%) were including in the sample. From these sample group, the 70 employees involved in filling out the questionnaire while interview was held with four (4) senior management officers. Simple random sampling was technique employed to identify the sample group. This was achieved through, first, giving everyone a three-digit number, starting with 001, 002, 003, 004, and so on, up to 657 then a list number constructed and finally, using simple random sampling, particularly lottery method, the sample group was identified.

The lists of sample numbers look like this:

555	081	561	399	192	185	123	045
236	551	646	220	237	004	613	073
260	223	367	001	321	652	475	108
366	558	091	664	221	111	334	216

The person corresponding to the above numbers were selected as a sample from the entire population. There was less bias in this selection because everyone in the total population had an equal chance of being included in the sample. The researcher has made no attempt to organize the population into different sections or proportions. Respondents with the corresponding numbers above were included in the sample through, in a few cases; it was not possible to get the individuals selected. And in such cases, individual marked by the next number from the unreached were selected.

### **1.9.3 Types of data used**

The research was carried out by using primary and secondary types of data. The primary data was used for empirical investigation, while the secondary data was used for theoretical discussion and for the literature review.

### **1.9.4 Methods of Data Collection**

Primary data was collected through interview, questionnaire and direct observation. The methodologies mainly employed were interview and questionnaire. In-depth in interview was made with informants who had the expertise in the relevant topics covered in the study. All the interviews were conducted by the principal investigator. With regard to the question, it was distributed to the randomly selected group with the help of a friend who works in the company. Secondary data was collected from internet, books, magazines, reports and brochures.

### **1.9.5 Methods of data analysis**

The analysis was carried out using descriptive analysis. In order to organize the data, simple tabulation, elementary statistics techniques, such as average and percentage are employed.

### **1.10 Organization of the study**

This study was divided into four chapters. The first chapter contained background of the study, statement of the problem, basic questions, and objectives of the study, significance of the Study, scope of the study, research design and methodology of the study.

The second chapter dealt with the theoretical frame work and brief views of different authors about change management and organizational innovation was stated.

The third chapter deals with data presentation, data analysis and data interpretation. This chapter emphasized on the analysis part of the study diagnoses the data collected and tried to them to the change management and innovation practice so as to provide sound conclusion and render sound recommendation.

The final chapter summed up all the points that were raised in the paper as summary of the findings, draw conclusion and recommendation and bibliography attached.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 The concept and purpose of organizational change**

Organizing is open system in constant interaction with the environment, so organizations change continually. Most organizations are faced with accelerating change in both the external environment supra system and internal organizational subsystem that affect the managerial process (Curtis and Phillip; 2001:529).

One of the most important duties of manager is decision making. The very nature of decision implies a change from the current situation toward a desired future state of being. Change is making thing different. It is one of the facts of life in organizational behavior. The repercussions and implication of change must be well understood to be managed and controlled. In extreme case, poorly managed change can completely wipe out the ability of team member or department to work effectively together. Improperly introduced changes can also nurture resentment and sabotage (Sudan and Naveen; 2004:29).

Any change in some way modifies the way thing are done now. The more general situation in which change is encountered is that of modifying previously established behaviors to fit a new situation. Whatever the change situation, a certain amount of resistance is bound to encounter. The ability of separate individuals or groups to attain their own objective can be blocked or hampered by others. The process by which managers sense and respond to the necessity for change has been the focus of much research and practical attention in recent-years. If managers were able to design perfect socio-technical organizations and if the scientific, market and technical environments were stable and predictable, there would be no pressure for change. But such is not case (Mishra; 2003:390).

#### **2.2 DRIVING FORCES OF CHANNGE**

Organizations encounter many different forces for change. These force come from external source which are outside the organization and internal forces which are

inside the organization. Awareness of these can help managers determine when they should consider implementing an organizational change (Kumar; 2003: 429-433).

### **A.EXTERNAL FORCES**

External forces for change originate outside the organization. Because these forces have global effects, they may cause an organization to question the essence of what business it is in and the process by which product and services are produced. They are four key forces:

- **Customers:** individual customers demand that they be treated individually. They expect products that are configured to their needs, delivery schedules that match their manufacturing plans or work-hours, and payment terms convenient for them. Customer now can do for themselves what supplier used to do for them, moreover, customer's now how easy access to enormous data. These facts induce companies to rearrange the way they are doing their business to satisfy customers.
- **Competition:** Today's market is full of fierce competition. A company needs to outperform competitors in order to survive the competition. If a company can't stand shoulder to shoulder with the world's best in a competitive category, it soon has no place to stand at all. Technology changes the nature of competition in ways companies don't expect. It is through the implementation of change that companies innovate and survive in this competitive business environment.
- **Change technology:** The rapidity of technological change also accelerating organization innovation, the point is that not only have product and services life cycles diminished, but so has the time to develop new products or services and introducing them. Today companies must move fast, by introducing and adopting the results of new technological advancement.
- **Political Pressures:** Political event can create substantial change. In this case, the government concern for social and environmental issues will

result in regulation and deregulations that may require alteration of the usual practices of companies conducting their business.

## **B.INTERNAL FORCES**

Internal forces for change come from inside the organization. Internal force for change comes from both human resource problems and managerial behavior.

- **Human Resource Problem:** Dissatisfaction is the symptom of an underlying employee problem that should be addressed. Unusual or high levels of absenteeism and turnover also represent forces for change. Organization might respond to these problems by using the various approaches to job design, by implementing realistic job previews, by reducing employees role conflict, overload, and ambiguity, by removing the different stressors and empowerment. Prospects for positive change stem from employee participation and suggestions.
- **Managerial Behavior:** Excessive interpersonal conflict between managers and their subordinates is a sign that change is needed. Inappropriate leader behaviors such as inadequate direction or support may result in human resource problems requiring change.

## **2.3 TYPES OF ORGANIZATIONAL CHANGES**

There are four types of organizational change:

1. **Change by exception:** this type of change aiming at introducing change to one or some parts units of the organization. Introducing change in the financial management of an organization can be an example.
2. **Incremental change:** is an attempt to introduce change gradually in a continuous manner to improve performance. Total quality management will represent this type of change.
3. **Pendulum change:** is forth and back approach to change to respond seasonal changes. It is to make some temporary adjustment to accommodate changes.

4. **Paradigm shift:** is the most dynamic type change that transforms the whole organization to a new state. Business Process Reengineering is this type of change (Sudan and Naveen; 2004:29).

## **2.4 STEPS IN MANAGEING CHANGE**

The first step in change process is to identify the need for change and the area of change as to whether it is strategic change, process-oriented change or employee-oriented change. This need for change can be identified either through internal factors or external forces that may be in place. Once this need is identified, the following general steps can be taken to implement such change (SudanA.S, Naveen Kumar; 2004: 33).

### **I. Develop New Goals and Objective**

The managers must identify as to what new outcomes they wish to achieve. This may be a modification of previous goals due to change internal and external environmental or it may be a new set of goals and objectives.

### **II. Select an Agent for change**

The management must decide as to who will initiate and oversea this change. A manager may be assigned this duty or even outside specialists and consultants can be brought in to suggest the various methods to bring in the change and monitor and change process.

### **III.Diagnose the problem**

It is important to gather all regarding the area or the problem where the change is needed. This data should be critically analyzed to pinpoint the key issues. Then the solutions can be focused on those key issues.

### **IV.Select Methodology**

Because of the natural resistance to change, it is very important to chart out a methodology for change which would be correct and acceptable to all. Member's emotions must consideration when devising such methodology.

## **V. Develop a plan**

This step involves putting together a plan as to what is to be done. For example, if the company wants to develop and implement a flextime policy, it must decide as to what type of workers will be affected by it or whether flextime should be given to all members or only designated workers.

## **VI. Strategy for Implementation of the Plan**

In this stage, the management must decide on the “when”, “where”, and “how” of the. This includes the right timing of putting the plan to work, how the plan will be communicated to workers in order to have the least resistance and how the implementation will be monitored.

## **VII. Implementation of the Plan**

Once the right timing and right channels of communications have been established, the plan is put into action. It may be in the form of simple announcement or it may require briefing sessions or in house seminars so as to gain acceptance of all the members and specially those who are going to be directly affected by the change.

## **VIII. Receive and Evaluate Feedback**

Evaluation consists of comparing actual results to the set goals. Feedback will confirm if the goal are being met so there are if any deviation between the actual performances out come corrective measure can be taken.

## **2.5 RESISTANCE TO CHANGE**

Inevitably, change will be resisted, at least to some extent by both individual and organizations. Resistance to change is baffling because it can take so many forms. Covert resistance may be manifested in strikes, reduce productivity, shoddy work, even sabotage. Convert resistance may expressed by increased tardiness and absenteeism, requests for transfers, resignations, loss of motivation. Lower morale and higher accident or error rates. One of the more damaging forms of resistance is lack of participation in and commitment to proposed changes by employees,



even when they have opportunities to participate (Sudan A.S, Naveen Kumar; 2004: 36).

### **INDIVIDUALS RESISTANCE**

Individuals at all organizational level are prone to resisting change. Personality, perception, learning and motivation provide the basic characteristics of individual that make them inclined to resist change. The following discussion summarizes five of the main reasons individual resist to change.

**SELECTIVE PERCEPTION:** When changes are initiated, individual tend to focus on how they will be personally affected rather than seeing the big future for other organization. For example, assume a manager announces that members of his group will henceforth be paid on piecework rather an hourly basis. Irma, who is fast and highly skilled, may eagerly embrace the change as an opportunity to increase her pay. Angelo, a new employee, may objective for fear he will fall behind the others. At other times, individuals may perceive that change is incompatible with personal beliefs and values.

**LACK OF INFORMATION:** People will resist change if they lack knowledge as to what is expected or why the change is important. Many people take the attitude that “if it’s not broken, don’t fix it.” If the reasons for change are not clearly presented, they tend to fill in the missing pieces with speculation, which often assumes the worst in terms of initiator intentions and personal impact. In addition, if people don’t have enough information about how to change, they may fear making mistakes, so they will not try.

**FEAR OF THE UNKNOWN:** Individuals resist change when they are uncertain about how it will affect their well-being. They ask themselves, for example: How will downsize or web-based B2B marketing affects my job security? Other fears include uncertainties about not knowing how to change or of not being able to perform as well as before the change, losing position, income, status, or power. There is also the possibility that work will be less convenient or more difficult, and the potential of losing desirable social interactions.

**HABIT:** Many people prefer familiar actions and events, even if they are not optimal. Have you ever tried to break a bad habit like smoking, drinking too much coffee, or not exercising? Breaking a habit is difficult because it takes hard work and involves giving up perceived benefits from the habit, even if the new behavior has more desirable consequences.

**RESENTMENT TOWARD THE INITIATOR:** If a change seems arbitrary or unreasonable, or its timing and manner of implementation lack concern for the people expected to carry it out, resentment and anger are often directed toward those initiating the change (Mishra; 2003: 403).

## **II. ORGANIZATIONS RESISTANCE**

Organizations resist change for many of the same reasons individuals do. In addition, many organizational practices minimize risk taking; if a process is working satisfactorily, they quite often won't change it until they are forced to. There are also many forces inside an organization that create resistance to changes initiated by environmental conditions. Some of the main ones are summarized below.

**POWER MAINTENANCE:** Change in decision-making authority and control of resource allocations threaten the balance of power in organizations. Units benefiting from the change will endorse it but those losing power will resist it, which can often slow or prevent the process.

**STRUCTURAL STABILITY:** Organizations create hierarchies, subgroups and procedures to promote order and guide behaviors. People who "fit" these desired behavioral criteria are hired and shaped to conform further through the socialization process and organizational conditioning. These organizational structures, rules and conditioning are designed to develop consistent, predictable behaviors. Such behaviors resist change.

**FUNCTIONAL SUBOPTIMIZATION:** Differences in functional orientation, goals, and resource dependencies can cause changes that are seen as beneficial to

one functional unit to be perceived as threatening to another. Functional units usually think of themselves first when evaluating potential changes. They support those that enhance their own welfare, but resist the ones that reduce it or seem inequitable.

**ORGANIZATIONAL CULTURE:** Organizational culture is established values, norms, and expectations act to promote predictable ways of thinking and behaving. Organizational members will resist changes that force them to abandon established assumptions and approved ways of doing things.

**GROUP NORMS:** Most members conform to these norms, especially in cohesive groups, consequently, any change that disrupts group norms, tasks, or role relationships will probably be resisted. Groups also suboptimize to ensure their own self-interest often at the expense of the organization. This means that groups will often resist changes that do not directly benefit them individually.

**EDUCATION AND COMMUNICATION:** Help people learn beforehand the reasons for the change, how it will take form, and what the likely consequences will be. Even if the consequences of a change are generally perceived as positive, extensive communication is required to reduce anxiety and ensure that people understand what is happening, what will be expected of them, and how they will be supported in adapting to change.

**PARTICIPATION AND INVOLVEMENT:** Encourage those involved to help design and implement the change in order to draw out their ideas and to foster commitment. Participation increases understanding, enhances feeling of control, reduces uncertainty, and promotes a feeling of ownership when change directly affects people. It is difficult for people to resist changes that they themselves have helped bring about.

**FACILITATION AND SUPPORT:** Provide encouragement, support, training, counseling and resources to help those affected by the change adapt to new requirements. By accepting people's anxiety as legitimate and helping them cope

with change, managers have a better chance of gaining respect and the commitment to make it work.

**NEGOTIATION AND AGREEMENT:** Bargain to offer incentives in return for agreement to change. This tactic is often necessary when dealing with powerful resisters, like bargaining units. Sometime specific things can be exchanged in return for help in bringing about a change. Other times, general perks can be widely distributed to help make the change easier to undertake (Mishra ; 2003:404).

## **2.6 PEOPLES EMOTIONAL PHASES OF CHANGE**

Change in organization involves changing the attitude, behaviors', value and beliefs of the organization to members, because employees are the human capital that enables the organization to achieve its objective .The four emotional stages experienced throughout the change process are:

- **Denial stage:** The first emotional stage experienced during change is denial. Employees encountering a change initiative might be saying to them'' I can't believe this is happening to us''. Unresolved fears about the change initiative need to be addressed during this phase.
- **Resistance stage:** It is common for employees to begin to resist the change initiative. During this phase, employees attempt to slow down or derail the Change initiative. You must be able to spot resistance when it occurs formulate sound strategies for over coming it.
- **Exploration stage:** If employees are unable to stop the change from occurring, they begin to explore their new roles. Both individual roles as well the over all role of the group are specifically defined in this stage.
- **Commitment stage:** The final state is commitment to change initiative. Mutual commitment is established for the change effort. Obstacles have been removed and the focus is on successful implementation of the change (Kumar; 2003: 435).

## **2.7 REASON FOR FAILURE IN CHANGE PROGRAM**

Even though organization attempting to change, not all successfully carried out the change, as a result they failed to achieve the desired out come. The most common reason for frailer change program is:

### **Lack of commitment from the top**

Commitment from senior management is required if the change program is to succeed. People reveal their values through their action, not their employees infer what is important from management's behavior.

### **Change overload**

Trying to do much at once is often obstacle because trying to accomplish too many activities can create confusion. Helping the group to on well defined steps that carry them from one initiative to another will instill a sense of order and confidence in the process.

### **Lack of incentives tied to change initiatives**

Often change programs are initiated with changing initiated with changing incentive to reinforce the desired new behavior. Change is expected, but the old behavior is still being reward. The organization must publicly recognize and reward employees who change linking promotion and pay rewards to the desired behaviors. Reward that reinforces old methods must be eliminated.

### **Lack of proper training**

Another cause of frailer is that too little attention is given to developing the skill people require to make a new change work. The organization must develop experiential training that provides real time hand on experience with new processes and procedures.

### **Lack of communication**

No communicating to employees when implementing change programs is the worst mistake a company can make. During time of uncertainty communication voids are filled with rumors. Communication lowers stress and anxiety. When restructuring jobs or refocusing the organization's direction, it is very important to clarify roles and how they support each other.

### **Lack of a continuous monitoring of result**

Change must be continually managed to yield sustained results. Measurement provides a way to track progress. An effective measurement system would be specific, simple to understand, creative and involve both managers and employees (Sudan and Naveen; 2004: 45).

## **2.8 THE CHANGE PROCESS**

Most effective plans for managing change recognize that achieving organizational change is not a one step process; there are a series of processes through which those affected by the change must travel.

Three phase of planed change

- **Unfreezing:** Raising awareness that current conditions are not satisfactory and reducing resistance to desired change. The process of unfreezing makes the individual or organizations aware of the necessity for change and prepares them for such a change. The management must pave the way for the change by first “unfreezing the situation,” so that members would be willing the ready to accept the change. Unfreezing is the process of breaking down the old attitudes and behaviors, customs and traditions so that they start with a clean state.
- **Moving:** letting go old way of doing things and adopting new behavior. The second stage of the change process consists of incorporating new behaviors into organizational processes. Behavior and ideas that are embedded in the corporate culture must be replaced. Redirecting people’s attention is an essential part of change development of skills to enable people to do things differently is required. Training must be provided to insure that employees understand their roles in making change happen. Employees must understand the dynamics of the change process and also the functional requirements of the job.
- **Refreezing:** reinforcing the changes made to stabilize new way of behavior. Refreezing occurs when the new behavior becomes a normal way of life. The new behavior must replace the behavior completely for

successful and permanent change to take place. Accordingly, in order for the new behavior to become permanent, it must be continuously reinforced so that this new acquired behavior does not diminish or extinguish. This must be clearly understood that the change is not a one time application but a continuous process due to dynamism and ever changing environment. Accordingly, the process of unfreezing changing and refreezing is a cyclical one and remains continuously in action (Curtis and Phillip; 2001:540).

## **2.9 INNOVATION**

Innovation is of the tools for organizational change. Innovation is new idea applied to initiating or improving a product, service and process. Innovation is a special case of planned change and learning that transforms current product, service and market. Or dramatically creates an entirely new market by introducing radically new product or services line business.

Innovation is a section form of change that can be either substianing or disruptive innovation (Sudan and Naveen; 2004:513).

**Sustaining innovations:** are evolutionary with continues or periodic improvement in product and services, and an occasional new product that provide greater choice with in established market. substaining innovations are almost inevitably developed and introduced by leaders with in an industry as they move incrementally from generation to generation of product.

**Disruptive Innovations:** are revolutionary changes that create an entirely new market by providing a product or service that offers customer new ways of doing things, although at first may seem that the quality is ragged or even less than conventional alternately.

## **2.10 SOURCES OF INNOVATION**

Sources of opportunity exist with in a company and out side a company.

1. Sources of opportunity exist within company/industry
  - Unexpected occurrences
  - Incongruities

- Process need
- Industry and market change

2. Sources of opportunity exist outside a company

- Demographic change
- Changes in perception
- New knowledge

(Curtis and Phillip; 2001: 5)

## **2.11 INNOVATIVE CAPABILITIES**

Three key capabilities to promote innovation are resources, processes and values.

**Resources** include both tangible assets such as people, equipment, cash and technologies and the intangibles such as brand, relationships with suppliers and customers and information.

**Process** such as patterns of interaction, communication and decision making are used to transform resources into product or services of value.

**Value** is the standards by which employees set priorities and decide issues such as whether an idea for a new product is worth while or not, or whether a customer is more or less important( Curtis and Phillip; 2001: 557).

## **2.12 STRATEGIES TO STRENGTHEN INNOVATION CAPABILITIES**

The three primary strategies:

- Create new capabilities by originating new structure change with innovating new ventures and business within existing organizational boundary. These may be product development teams, new business start-up or even an incubator that provides venture capabilities and key services to spawn dozens of new business. The new ventures organizations units noted earlier personality this organizational strategy.
- Create capabilities by spinning off new ventures that don't fit the company's business model (which may be because it is more of a disruptive innovation), yet retain an equity investment position both for technology and earning infusion back to the parent.



- Create capabilities through acquiring companies that have the capabilities the company wants but to prevent the larger parent organization's value and processes from driving down entrepreneurial risk taking enthusiasm and focus business activity. It is better to allow the fledging enterprise to stand alone insulated from managerial tendencies to integrate it into the mainstream process and value (Curtis and Phillip; 2001: 557).

## CHAPTER THREE

### DATA ANALYSIS AND INTERPRETATION

This chapter contains two parts, namely the general characteristics of the respondents and analysis of data which were collected through questioner and interview. Out of the total 675 population of the organization 74 employees that is 11% of the total population was selected to fill out the questionnaire and respond on interview questions.

The questionnaires were distributed to 70 sample employees. All selected sample members were fill out and responded. Interview was conducted with 4 senior management officers of the organization.

#### 3.1 General Characteristics of the Respondents

The following table shows and analyses the general characteristics of the respondents that were included in the study.

**Table1: Respondents by sex, age, educational back ground and work experience**

Item	Alternatives	Frequency Responses	
		No	%
		No	%
1.Sex	Male	49	70%
	Female	21	30%
	Total	70	100%
2.Age	Below 20	-	-
	21-30	27	38%
	31-60	42	60%
	Above 60	1	2%
	Total	70	100%
3.Level of education	Certificate & below	8	11%
	Diploma	20	29%
	BA Degree	41	58%
	MA Degree & other	1	2%
	Total	70	100%
4.Work Experience	1-5 year	31	44%
	6-10 year	20	29%
	11-15 year	15	21%
	16-20 year & above	4	4%
	Total	70	100%

According to table 1, item1, 70percent of the respondents was male and 30percent were female. This will lead to conclude majority of Ethiopian shipping line S.C employees are male. Therefore, there is high concentration of male in the organization.

From table 1, item2, it is clearly shown to reader that 38% of the total populations were youngster and below 30 years old. Majority of the respondents 60% were between the ranges of 31-60 years. The rest 2% were above 60 year. This show the majority of the employees are in their productive and maturity age. Accordingly there is no doubt on their responses reasonability as well as relevancy to the study.

All most half of respondents are degree holders, that is 58%, 29% are diploma holder, 11% are certificate and only 2% MA holder. Considering the degree and diploma holder together they take totally the large number of the respondents, this indicates that most of the employees in the organization are qualified work force. So educated persons need change and they are low resistance to change.

From table1, item4, anybody can see that 44% of the respondent has less than 5 Years experience. 29% are between 6-10 years, 21% are between 11-15 years and rest 6% are between 16-20 years and above. This shows most the employees are youngster and also less experienced. So youngsters are low resistance to change than elders the company can be easily apply change because youngster and less experienced employees need change.

### **3.2 Analysis of data concerning the employee's response on their working environment.**

This section deals with how employees evaluate the working atmosphere in Ethiopian shipping lines S.C. There are five items concerning the working situation, of which four are "Yes" or "No" type and each further investigates the reason why they say so. Besides, there is an open-ended question which seeks to search for the general problems associated with the office building.

**Table 2: Employee’s response on their working environment**

Item	Responses					
	Yes		No		Total	
	No	%	No	%	No	%
1. Are you interested with your current position	30	43%	40	57%	70	100%
2. Is your office layout well organized	39	56%	31	44%	70	100%
3. Is your office consisted with relevant material	56	80%	14	20%	70	100%
4. Is your office structure suitable for work	46	66%	24	34%	70	100%

Source: primary data

Concerning with whether the employees are interested with their current position, 43% said they are, while 57% said they aren't. It is quiet possible to say that majority of the employees in the organization has no interest in their position because 57% or more than half of the respondents said that we are not assigned with our qualification and interest, 'misplacement'. Not working in directly related to one's skills and knowledge. And this is followed by 'no promotion' or 'closed ladder' which had been claimed by the respondents. Therefore, employees to be more productive they must be assigned with their qualification and skill in the appropriate place.

With regard to whether the office lay out is well organized or not, the majority of the respondent, which is 56% respondent say yes and only 44% respondent say no. The reason for having poorly organized office layout seems that its dependence on the departments; some departments are over crowded while other have problem of noise from outside the surrounding as well as with in the company.

Concerning with the office is consisted with relevant material, 80% respondents said yes, and only 20% said no. Generally, we can conclude from this the office is consisted with relevant materials like computer, telephone, photocopy machine

fax and internet this help the employees to perform their day today activates easily.

With regard to the 4<sup>th</sup> item, 66% responded affirmatively and 34% did so negatively. From this we can concluded that the office structure is suitable for work.

In responding to the over all problems the office building has encountered, respondents pointed out internal as well as external problems. While the most frequent, 34% associated with the size of rooms (smallness), the main external problem linked up with noise pollution which attributed to the location of the office, (near bus station in the main road).

### **3.3 Analysis of the Data Concerning the Organizational change and innovation**

In this section of the study, data on organizational change and innovation is presented. There are two types of items: open-ended and closed-ended. The closed-ended items are summarized in the following table and followed by analyses for each item. Having done that, the open ended items are presented and analyzed.

**Table 3: Employee’s response on the encouragement level**

Item	Alternatives	Frequency of response	
		No	%
Your company encourages change	Strongly Agree	4	6%
	Agree	12	17%
	Disagree	32	46%
	Strongly disagree	22	31%
	Total	70	100%

Source: primary data

This data shows the encouragement level and indicates low encourages in the change planning process.22(31%) of the respondents strongly disagree on the encouragement of the company on change and 32(46%) of the respondents also disagree meaning a total of (77%) respondent said negatively and only (23 %)

responded affirmatively. So from this we can conclude that Ethiopian shipping lines S.C, to be successful in the process of change, it must to be encouraged and involve the potential resistors in the design and implementation of the change, because participation and clear communication about the importance of change help to change the awareness of the potential resistors.

**Table 4: Employee’s response on organizational change strategies were formulated by the top managers**

Item	Alternatives	Frequency of response	
		No	%
The top level manager has formulated organizational change strategies	Strongly Agree	12	17%
	Agree	56	80%
	Disagree	2	3%
	Strongly disagree	-	
	<b>Total</b>	70	100%

Source: primary data

Concerning the second table, “The top level managers have formulated organizational change”.68(97%) responded affirmatively, of which 12(17%) of the respondents claimed that they are “strongly agree” and the remaining 56(80%) of the respondents state they “agree”. On the other 2(3%) replied negatively that they didn’t agree with the statement. Hence it is possible to conclude that the organization change strategy has been formulated by the top level management. However, for successful organizational change it is generally believed that the lower and middle level workers should involve in the process of change. And also have smooth communication between the superior and the subordinate.

**Table 5:Employee’s response on workers are recognize the importance of organizational change**

Item	Alternatives	Frequency of response	
		No	%
The workers of the company recognize the importance of organizational change	Strongly Agree	8	11%
	Agree	27	39%
	Disagree	35	50%
	Strongly disagree	-	
	<b>Total</b>	70	100%

Source: primary data

With regard to whether the workers of the company recognize the importance of organizational change, while 8(11%) agree strongly, 27 (39%) responded that they agree, half of the respondent 50% claimed “disagree”. From this we can infer that Ethiopian shipping lines S.C doesn’t communicate and participate all employees to know the importance of change for organizational and individual development.

**Table 6: The top managers have effectively implemented the change**

Item	Alternative	Frequency of response	
		No	%
The top managers have effectively implemented the change strategies	Strongly Agree	16	23%
	Agree	34	49%
	Disagree	20	28%
	Strongly disagree	-	
	<b>Total</b>	70	100%

Source: primary data

Concerning the 4<sup>th</sup> table, “The top managers have effectively implemented the change strategies” 50(72%) responded affirmatively of which 16(23%) of the respondents claimed that they “strongly agree” and the remaining 34(49%) of the respondent state they agree on the other 20(28%) replied negatively that they didn’t agree with the statement. Hence it is possible to conclude that the top level managers have effectively implemented the change strategies.

**Table 7: Employee’s response on the level of resistance to bring new thing**

Item	Alternative	Frequency of response	
		No	%
There is high resistance among workers to bring new change	Strongly Agree	20	29%
	Agree	42	60%
	Disagree	8	11%
	Strongly disagree	-	
	<b>Total</b>	70	100%

Source: primary data

With regard to whether the employee are resistance to bring new change, while 20(29%) agreed strongly, 42(60%) responded that they “agree”. Only 8(11%) respondents claimed “disagree”. From this we can conclude that all employees are resist to bring new change due to lack of participation and involvement, habit,

fear of unknown, lack of information and other reasons. Though the new ideas are not totally different from the previous one, they fear the unknown which may also disrupt or threaten existing norms of behavior which seems to them a great loss both for the company and the staff.

Even though the new process based structural setup is believed to bring a sound change, the staff perceived changes unfavorably and misinterpretation. Permutation is there due to the lack of trust. Perhaps the greatest challenge it face is employees' failure to adjusting to indeed embracing non-stop change in the shipping industry and then structural set-up also have its own impact on the materialization of the system.

**Table7: The Company has under gone effective and efficient change**

Item	Alternative	Frequency of response	
		No	%
The company has under gone effective and efficient change and innovation	Strongly Agree	10	14%
	Agree	23	39%
	Disagree	27	47%
	Strongly disagree	-	
	<b>Total</b>	70	100%

Source: primary data

Concerning the above table, “The Company under gone effective and efficient change and innovation”, 14% respondents strongly agree, 39% agree and 47% respondents disagree. From this we can concluded that the company doesn't under gone effective and efficient change and innovation strategies.

**Table 8: Employee's responses on the out come of change**

	Alternative	Frequency of response	
		No	%
What do you say the out come of change	Strongly Agree	11	16%
	Agree	27	39%
	Disagree	-	-
	Don't give any response	32	45%
	<b>Total</b>	70	55%

Source: primary data

With reared to the out come of change, 16% respondents said strongly agree, 39% agree and the rest 45% didn't say any thing (don't give any response) about the



out come of change. From this we can generalized that the employees of the company doesn't recognize the outcome that comes from the change process.

In answering to the question regarding with the type of change the company undergone so far to cope up with market challenges, the implementation of BPR, which consisted of 60% of the total response, was the most frequent answer. Customer handling strategy put in the second rank with 24% of the total response and the rest put other reasons. It includes arranging periodical meeting with its customers, having a good hospitality and ease of accessibility to the company through its website. Another, less frequent answer includes 'salary increment' and 'training'.

The other question is linked with man power development. According to the respondents, Ethiopian shipping lines S.C has trained its employees both in local as well as overseas instructions that offer both full academic and short-term trainings. More over, the company organized different workshop and seminars in which worker could up date themselves with latest information. In addition to this, the company offered internet access to its employees through net work system.

The company has faced different competition from international shipping company in terms of quality, technology advancement, cargo caring, cost, employee motivation, organizational system, economic of scale, world giant carriers operating with many vessels and trade routes are advantageous in terms of economic of scale.

The type of organizational change that the company applied is total quality management was applied before but now under taking business Process Re-engineering (BPR).It shows radical change in the process of BPR. Arranging operational and financial tasks on function bases for easy understand of customers. Now, it is going to be changed into process base and also the top management always considers international shipping practices.

Forces to wards the company's to change are to remain as a winner in competitive world, governmental strategy, customer expectation, international computations,

the market competitions and globalization, external traits, and opportunities forced to see its current business practices and accept changes to stay competitively in the industry. So the company tries to cope up market by implementing different systems. The company is forced to bring new change to its business to be competence and attain its market share.

### **3.4 Interview analysis**

According to the interviews made with four senior managements, Ethiopian shipping lines S.C was trying to implement the change program involving in the change management process which needs special attention. All the interviewee said that

“The change is initiating employee development need training. This goes along with re-education and continuous re-learning. For this purpose the company establishes the training and man power development division under Human Resources Management and Administration Department. Its objectives to develop and acquire a continuous skill up grading of personnel to produce trained manpower not available at the market, to acquaint employees with new technology, to assure proper handling of machinery and equipment and other material to avoid wastage and accidents, to prepare and develop managerial personnel for job assignment. The division organizes and conducts various training programs, seminar and workshops both in-house and outside its premises.”

The company’s training and man power development division head said that

“Every year, about 20% of the employees get opportunities to be sent for training and development. The company also covers 100% tuition fee for employees who pursue their studies through extenuation programs and much effort were made to make change in accordance with the existing plan, but it was not possible to accomplish these tasks precisely on schedule. Various reasons were to account for this shortcoming.”

There was considerable shortage of trained manpower at sea going and the company was making constant effort to improve the performance standard skills of its employees and making changes.

Considering the organizational change is most important to the company or not all the respondents said

“Yes, because the company is under international market and to be competent internationally the company must update itself with new technology, new system. The basic change Ethiopian shipping lines S.C should undergo in order to measure up to the needs of the evolving market economy is either to create or expand the range of its service, it is delivering presently.”

To compute the existing market challenges all the respondents said that “the company has to be flexible, complete, customer focused; customers should be involved in each problem solving strategy, training of employees, always evaluating daily activities.”

All the interviewee said that,

“The majority of employees of the company recognize the importance of organization change. The challenges to bring change are resistance, i.e. individual resistance and organizational resistance. Individual resistance is fear of unknown, habit, lack of participation and involvement, on the other hand organizational resistance which includes organizational culture, group norms and structural stability.”

Interviewee said that

“The company undergoes effective and efficient organizational change.” The outcomes of change are performance improvement, efficient customer satisfaction, cost saving, time saving.



## **CHAPTER FOUR**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

In this section of the study, the over all findings of the analysis were summed up. More over, the conclusion was drawn from the summary. Finally, recommendation was forwarded based on the findings and there by related the existing problems with the theoretical conception on the topic so as to suggest possible solutions that address the problem.

#### **4.1 Summary of Major Findings**

Based on the data presentation, analysis and interpretation of the previous chapter, the following summary of the findings on organizational change and innovation in Ethiopia shipping lines S.C was presented.

- More than half of the respondents or 70% of respondents were males, majority of the respondents or 60% of the respondent's aged range from 31-60 years.
- The majority or 44% of the respondents were those who had work experience less than 5 years.
- The majority or 89% of the respondents education was Diploma and above.
- Majority of the employees in the organization had no interest in their position, because more than half of the respondents said that they were not assigned with their qualification and interest, i.e. they were misplaced.
- 56% of the respondents said the office lay out was well organized, but 44% respondents said no because some departments were over crowded while other had problem of noise from outside the surrounding as well as with in the company.
- Majority of the respondents said that the office is consisted with relevant materials like computer, telephone, photocopy machine, fax and internet.
- In responding to the over all problems the office building had encountered, internal and external problems were put forwarded. Internal problems in divided the size of rooms (smallness), external problem linked up with noise pollution which attributed to the location of the office.

- 77% respondents said the company didn't encourage change while only 23% responded affirmatively.
- The organizational change strategy had formulated by the top level management.
- The workers of the company recognized the importance of organizational change half of the respondents claimed disagree.
- Totally 89% respondents agreed that there was high resistance among workers to bring new change. Change is often resisted at both the individual and the organizational level. Resistance to change in Ethiopian Shipping Lines S.C was due to lack of participation, fear of unknown, lack of information and involvement. This was the problem faced in the change management.
- Ethiopian shipping lines S.C had trained its employees both in local as well as overseas instructions that offer both full academic and short-term trainings. More over, the company organized different workshop and seminars in which worker could up date themselves with latest information.
- Organizational change could be initiated deliberately by Managers, it could evolve slowly with in a department, it could be imposed by specific changes in policy or procedures, or it could arise through external pressures.
- The company had faced different competitions from international market in terms of quality, technology advancement, cargo caring capacity, cost, organizational system.
- The type of organizational change that the company applied was changing the total quality management into Business Process Re-engineering.
- Forces towards the company's change were too remained as a winner in competitive world, government strategy, customer expectation, international computations, the market competitions and globalization.
- To compute the existing market challenges the company had to be flexible, complete, customer focused; customers should be involved in

each problem solving strategy, training of employees, always evaluating daily activates.

## **4.2 Conclusion**

Based on the findings, summary and literature reviews the following conclusions are forwarded.

- There is high concentration of male in the organization.
- The majority of the employees are in their productive and maturity age. Accordingly there is no doubt on their responses reasonability as well as relevancy to the study.
- The employees are youngster and also less experienced. So youngsters are low resistance to change than elders the company can be easily apply change because youngster and less experienced employees need change.
- Employees to be more productive they must be assigned with their qualification and skill in the appropriate place.
- The office structure is suitable for work.
- The main external problem linked up with noise pollution which attributed to the location of the office, (near bus station in the main road).
- The company didn't encourage change.
- The organizational change strategy had been formulated by the top level management.
- Ethiopian shipping lines S.C didn't communicate and participate all employees to know the importance of change for organizational and individual development.
- All employees are resisting bringing new change due to lack of participation and involvement, habit, fear of unknown, lack of information and other reasons. Though the new ideas are not totally different from the previous one, they fear the unknown which may also disrupt or threaten existing norms of behavior which seems to them a great loss both for the company and the staff.
- The employees of the company didn't recognize the outcome that comes from the change process.

- The company didn't undergo effective and efficient change and innovation strategies.
- The company has faced different competitions from international market in terms of quality, technology advancement, cargo carrying capacity, cost, organizational system.

Generally to conclude what is done up to know, the most unchanging aspect of organizational life is change itself. To survive and grow in a contemporary society, an organization or a company must be highly adaptive. Change is a universal aspect of all organizations in many senses over time as organizations develop, their members come and go, their environment change, their product line and custom sets evolve. As a consequence, every organization must conform the challenge of continually recognizing it self.

While change can threaten the survival of an organization it also frequently offers an unprecedented opportunity for development. Indeed some organizations seek out rapidly changing markets to this very reason. To maximize the opportunity for development and to reduce the treating effect of any change, organization need change oriented managers, hence managers would be always interested in organizational improvement and there would be always an opportunity to get better. Managers continually ask the question. How can these organizations be more effective, more efficient and more satisfying place of work? Whenever the organization can identify difference between where it is and where it would like to be on any dimension, it can engage in the process of planned change.

### **4.3 Recommendations**

In view of the above conclusion, the following are suggested as possible, recommendation for effective organizational change, a manager should consider the environment both internal and external environment that forces of change and how to minimize resistance of employee.

The Ethiopian Shipping Lines S.C, to make success possible in the process of changes, should consider has prepared ways of coping up resistance to change

- Ethiopia Shipping Lines S.C in its vision mission- value should introduce the over all out look of the new idea to its entire employee on a one day



seminar. These programs have relieved almost all employees from their in frustration on the new structure. This process continues to include providing training in new skills in both technical training and management development courses.

- Ethiopian shipping lines S.C, to be successful in the process of change. The top level managers should be encouraged and involve the potential resistors in the design and implementation of the change.
- For successful organizational change it is generally believed that the lower and middle level workers should involve in the process of change. Involving the potential resistors in some aspect of the design and implementation of the change helps initiators (the management and experts) to have all the information they needed to design and implement the change.
- . But to be effective and to change the awareness of the employees must be communicate and participate.
- To compute the existing market challenges Ethiopia Shipping Lines S.C has to be flexible, complete, customer focused; customers should be involved in each problem solving strategy, training of employees, always evaluating daily activities.
- It must be able to monitor and activate change, assess its goals in the light of change and alter its capabilities accordingly.
- Managers should understand what necessitate change and the motivation for change and they should balance.
- The company should aware it employees about the out come of the organizational change that is intended to implement.

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# APPENDICE