

Business Strategy Change Management in IT Company

Diploma thesis

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Abstract

Sedláček M, Business Strategy Change Management in IT Company, Diploma thesis. Brno: Mendel University in Brno, 2016.

The thesis main aim is to create proposal of complex and comprehensive framework for business strategy change management applicable in any IT software company. The result is the methodology describing step by step process of the change which includes not only a business strategy level, but also the whole company structure, therefore methods of strategic management are used.. Management of change is based on Lewin's model of change completed by elements of Risk management and project management. The situation analysis help to identify position of the company. In the last part of thesis all the knowledge from previous chapters is applied on a real company acting in a real market conditions.

Keywords

Business strategy, change management, strategic management, situation analysis, risk management, project management.

Abstrakt

Sedláček M. Řízení změny obchodní strategie v IT společnosti, Diplomová práce. Brno: Mendelova Univerzita v Brně, 2016.

Cílem diplomové práce je návrh komplexní metodologický rámec pro řízení změny obchodní strategie aplikovatelný v jakékoliv IT firmě zaměřené na vytváření software. Výsledkem metodologie je krok po kroku popsany process změny zahrnující nejen úroveň obchodní strategie, ale strukturu celé společnosti za využití strategického řízení. Řízení změny je založen na Lewinově modelu změny doplněný o prvky risk management a projektového řízení. Pomocí situační analýzy společnost identifikuje svoji pozici. V poslední části práce jsou poznatky z předešlých částí aplikovány na společnost působící v reálných tržních podmínkách.

Klíčová slova

Obchodní strategie, řízení změny, strategický management, situační analýza, risk management, projektové řízení.

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1 Introduction

The world is changing a day by day, minute by minute and second by second, also the environment in and out of the company are changing and companies have to react if they want to succeed. In IT especially subjects under the pressure of the continuous developing and progressive market where a delay of reaction is hardly punished by loss of profit, market share or partner. Therefore it is necessary to react and keep pace with trends.

If the company wants to be successful on the market it has to be able to anticipate market opportunities and be able to solve potential problems on strategic level. The basics of the proper solution is to have a strong business strategy. The lack of the detail planned business strategy is nowadays problem of many companies. The source can vary, but most often it is the overload of key persons in the company, the lack of responsible employees and especially in IT segment this issue often touches human capital or human resources.

In last decade segment of information technologies or information-communication technologies grew up by hundreds percent. The amount of startups increased and the lack of knowledge in management and furthermore strategy is often the reason for company's end. Business strategy is only one of the strategy levels in company. It is necessary to identify the position of business strategy and its context and connection inside company.

IT industry is amazingly growing field, the trends are changing from day to day and it is required from any participant on the market to react as soon as possible to not loss advantage and keep pace with the competition. Furthermore globalization destroyed all the borders on the electronical market and it is easier and easier to reach a new market. The environment inside and outside company is dynamic and company face the change every day whether it is planned or not. The change can be divided into three main groups transformational, incremental (step by step) or combination, thus it is possible to create a methodology, which will be applicable for most of the cases.

Important point in the process of change are risks and the management of risk which helps to maintain an acceptable level of each risk and avoid in a maximum possible level its realization or impact. Risk is often misunderstand with a threat. Risk in contrast with threat have a certain probability of realization and the scale of an impact on observed subject. Three main approaches to the risk exists, the first are persons or institutions loving to undertake a risk, secondary those who have a negative attitude to the risk and try to avoid it as much as possible and last the neutral attitude to the risk. Based on the attitude subject makes decisions. Values of the risk are assigned subjectively on a previous expert analysis or expert estimations, here the space for mistakes appears. The decision makers often rely on a certainty in key index future development which influence strategic decision making or the managers often try to avoid the risky decisions, which result to delaying in final decision making. The problem might also become too narrow intervals for identified risks, where the subject can be exposed to greater risk than it

was expected. Last but not least the mistake can appear in disrespecting of the top management decision on a lower levels of organizational structure. It may lead to undesirable behavior. Thus it is necessary to care about mutual and unified strategy according to the risk.

Business strategy change management is a process consist of the steps ordered by logic and systematical approach which avoids to omit any of the phases. This thesis identifies individual steps and phases and apply them in real conditions.

2 Objectives and methodology

2.1 Objectives

The main objective of the thesis is to design the complex methodology for the change in business strategy management of IT company perceived. The principles of the theory of change management and project management will be applied. The main goal of the thesis will be supported by three sub-objectives.

The first partial objective is to analyze change management risks, identify the intervention areas and apply risk management methods. The task is to make a risk management process, which will be applicable for any company in a change management of business strategy.

The second partial objective to analyze the business strategy and its position in the company's structure on information technologies market.

The last, third, objective is the application of proposed methods to the selected company which want to change a current business strategy the requirement is the company is IT focused.

2.2 Methodology

The thesis contains three main chapters which are later separated into smaller parts. To keep convenient and logic framework of the work the first chapter is Literature overview which collects sources from various literateru sources. The second chapter is the guide to the process of business strategy change management in IT industry and finally the last part is the application of the process to the real condition of IT company.

In literature overview chapter the comparative methodology of collected problems, ideas, theories, hypothesis or attitudes to the related issues are observed. The method of comparison is used in in comparison of models or risk management and others. This chapter is therefore focused on collection of secondary data from a literature and journals supported by scintific articles.

In second and third part analysis and synthesis methods are used. Methods of analysis are used to split observed phenomons to smaller parts which will be used for further analysis or application. This method is used e.g. in situation analysis. The task of synthesis is in oposite to gather and unify all ideas and procedures to make a complex and comprehensive work.

The first step is to compile a situation analysis consisting of external and internal environment analysis. PESTE analysis or PEST analysis for IT industry is the fundamental stone of proper analysis, followed by Porter's five forces analysis which will analyze external environment from a view of suppliers, competitors and substitutes. To appropriately evaluate internal environment of the company the model 7s McKinsey's company is used, this method is the most convenient for IT industry since it is highly human capital focused industry. This model focuses on

seven fields in the company and analyze its internal efforts in detail. To complete internal analysis also the financial analysis has to be done. Various financial ratios in combination with cash flow in last years reveals the financial health of company and may explore and discover fields where company may often use financial assets more efficient. Financial ratios will be calculated from a following formulas:

Tab. 1 Financial ratios formulas

Solvency ratios	
Debt ratio	Debt/Assets
Equity ratio	Equity/Assets
Debt equity ratio	Debt/Equity
Interest earned ratio	(EBIT+Interest expenses)/Interest expenses
Profitability ratios	
ROA	EBIT/Assets
ROE	EAT/Equity
ROE INFA	control
ROS	EAT/Sales
Finanční páka	Total assets/Equity
Liquidity ratios	
Current ratio	Current assets/Current liabilities
Quick asset ratio	(Current assets-inventories)/Current liabilities
Cash position ratio	Short term financial assets/Current liabilities
Activity ratios	
Total assets turnover ratio	Sales/Assets
Total assets turnover	Assets/Daily sales
Inventory turnover ratio	Sales/Inventories
Inventory turnover	Inventories/Daily sales
Average collection period	Current receivables/Daily sales
Creditors payments period	Current liabilities/Daily sales

To summarize situation analysis and clearly demonstrate its results SWOT analysis take a part as a final part of this step.

The next step contains the risk management which consist of risk identification and its origin, followed by a risk analysis where the probability of occurrence and scale of impact are evaluated. Based on this information the risk matrix is compiled which is the essential source for strategies proposed by the company to avoid or minimize individual risk. For the coherent and complex view

on the whole process the essential methods of logical framework in the project management are applied.

Fig. 1 Logical framework of the project

Objectives	Succes measure	Verification	Assumption
Goal	←	→	
Purpose	←	→	
Result	←	→	
Activity	←	→	

In the following phase of the business strategy change management the application of change itself will be applied. Fundamentals of Lewin’s model will be used for change itself. Lewin distinguish three steps in change – unfreezement, change and refreezement. In final part of change management the evaluation and results are presented.

The application part the whole procedure is applied to the company which operates in a real conditions of competition and have to face a real market environment. The objective of third chapter is the complete change of business strategy in IT Company based on a compiled framework.

The last part is discussion and conclusion which summarize the whole thesis and evaluate its results.

3 Literature review

In literature review all the information about business strategy change management and methods related to this topic are described. The literature background, methods and theories are later applied in a following parts of the thesis.

3.1 Strategy and strategic management

Companies around the world, day by day, are facing the challenges influencing their existence. It is harsh to concentrate on certain or narrow scope activities in a long-term period without any previous planning. Companies are thus often not able to manage and keep their market advantages. Fragmentation and wide scope of business activities leads to fragmentation in management and the reality is the few of these activities are done for one hundred percent.

Absence of systematic processes occupies companies' capabilities from a financial and capacity point of view, it causes overload of employees, low solvency or credibility and can carry as far as it following existence. Strategic management opens the door to keep or gain competitive advantage against competitors, ensure the company is following objectives and goes ahead to its stated strategic direction. Strategic management also helps to keep the consistence in company and transparency for interested groups such as employees or partners. The more strategic management is clear the better achievable objectives are.

Strategic management is a wide discipline involving the wide scope of activities, factors and sources. The difference between long-term planning and strategic management is the first mentioned ask "Where are we leading?" and the second "How we can reach this point".

The words 'strategy' and 'strategic decisions' are typically associated with issues like these:

- "The long-term direction of an organization. Brad Garlinghouse explicitly recognized that strategic change in Yahoo! would require a 'marathon and not a sprint'. Strategy at Yahoo! involved long-term decisions about what sort of company it should be, and realizing these decisions would take plenty of time.
- The scope of an organization's activities. For example, should the organization concentrate on one area of activity, or should it have many? Brad Garlinghouse believed that Yahoo! was spread too thinly over too many different activities.
- The scope of an organization's activities. For example, should the organization concentrate on one area of activity, or should it have many? Brad Garlinghouse believed that Yahoo! was spread too thinly over too many different activities.

- Strategic fit with the business environment. Organizations need appropriate positioning in their environment, for example in terms of the extent to which products or services meet clearly identified market needs. This might take the form of a small business trying to find a particular niche in a market, or a multinational corporation seeking to buy up businesses that have already found successful market positions. According to Brad Garlinghouse, Yahoo! was trying to succeed in too many environments.
- The organization's resources and competences. 2 Following 'the resource-based view' of strategy, strategy is about exploiting the strategic capability of an organization, in terms of its resources and competences, to provide competitive advantage and/or yield new opportunities. For example, an organization might try to leverage resources such as technology skills or strong brands. Yahoo! claims a brand 'synonymous with the Internet', theoretically giving it clear advantage in that environment.
- The values and expectations of powerful actors in and around the organization. These actors – individuals, groups or even other organizations – can drive fundamental issues such as whether an organization is expansionist or more concerned with consolidation, or where the boundaries are drawn for the organization's activities. At Yahoo!, the senior managers may have pursued growth in too many directions and been too reluctant to hold themselves accountable. But lower-level managers, ordinary employees, suppliers, customers and Internet users all have a stake in the future of Yahoo! too. The beliefs and values of these stakeholders will have a greater or lesser influence on the strategy development of an organization, depending on the power of each. Certainly, Brad Garlinghouse was making a bold bid for influence over what seemed to be a failing strategy."¹

It is obvious the strategy is a wide discipline explaining directions and scope of an organization over the long term which achieves advantage in a changing environment through configuration of resources to fulfill stated objectives and expectations. Strategies exist at a number of levels in an organization, essentially we distinguish three levels of strategies.

Strategy definitions according to Mintzberg is the formulation involving the interpretation of environment and the development of consistent patterns in flow of organizational decisions. On the other hand Hofer and Schendel defines the strategy as the match of organization achieves with its environment. Different approaches defines the strategy different, but the connection can be seen in a word organization and environment.

¹ GERRY J., SCHOLLES K., WHITTINGTON R. Exploring corporate strategy, 2007.

3.1.1 Concept of strategic management

Before we start a change of Business Strategy, it should be defined its position according to other levels of strategies in company. The change management in business strategy is composed of many parts, therefore has to be considered as the part of the higher grades of strategy and be compatible with the lower levels. Business strategy has to be made according to organization's strategy. Concept of strategic management is involved in the thesis to emphasize how the business strategy belongs and influence other strategies in organization. Hanzelková says it is a complex set of opinions on a strategic management, which express certain imagination about arrangement of strategy and its connections, processes and functioning of strategic management. They Point out their point of view on the strategic management is not the only and fully correct, but it reveals many benefits usable in real conditions:²

- Contains logical structure according to organizational strategy,
- company strategies are organized hierarchically. It allows, mostly at the bigger companies, transparent and understandable structure,
- respects "top down" policy, but also take to an account opinions of lower control units,
- the model implies information type requirements, which should enter to strategic analysis,
- model is flexible. Can react flexibly on the company's development and adapt processes of strategic management (e.g. Company restructuring),
- involves all the parts to strategic management and strategy formulation. It means not only top management, but also middle and lower managerial levels,
- it is possible to adapt it to conditions of certain company.

3.1.2 Structure of concept

Structure of concept used for a strategic management is hierarchically ordered strategies. On the top the corporate strategy is settled, the second level is Business (competitive) strategy and the third level functional strategy. The highest level, corporate, does not mean it is more important than the lowest level strategy. These strategies has to coexist and be made according to each other. It would not work if the different level of strategies do not match each other. Strategy in a lower level always reacts in order to the higher strategy. The lower level strategies develop strategies from a higher levels to the detail plan to reach the objectives. On the top of these strategies are Mission and vision of company.

² HANZELKOVÁ, A. Strategický marketing: teorie pro praxi, 2009.

Mission and Vision

Mission and vision are on the top of strategic management pyramid. When the customer read mission of the unknown company, he or she should be available to recognize which company's mission he recently read. A mission is a general expression of the overall purpose of the organization, which, ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organization. It is sometimes referred to in terms of the apparently simple but challenging question: 'What business are we in?'³

The vision is the source and main idea of a company. It is a picture how a company should look like in the future, formulating a core ideology and a purpose of existence of the company guiding the basic directions for the desired company development. Visions are often the results of the imagination of an individual about a possible trend-setting development-visionary ideas so to say, which can be the basis for great entrepreneurial performance. Visions can therefore have similarities with scenarios, but they usually don't offer alternatives and are of higher commitment towards their recipients.⁴

Mission and vision are not only influencing corporate, business or functional strategy, but has a very strong impact on company culture, which is a part of company identity and impact on an image or brand.

The scale of a strategy is limited with the resources which can be used, none of the companies can use infinite amount of money or knowledge. Strategic capability is concerned with the resources and competences that an organization can use to provide value to customers or clients. Unique resources and core competences are the bases upon which an organization achieves strategic advantage and is distinguished from competitors.

A business strategy include broad range of activities, therefore a business model, how to reach tasks risen by this level of strategy has to be adapted by company. The flow is not necessarily only from company to its customers. As every subject has some effect on its environment, the environment has an impact on a subject. A business model describes the structure of product, service and information flows and the roles of the participating parties. For example, a traditional model for manufactured products is a linear flow of product from component manufacturers to product manufacturers to distributor to retailers to consumers. But information may flow directly between the product manufacturer and the final consumer (advertising and market research).

Strategic control involves monitoring the extent to which the strategy is achieving the objectives and suggesting corrective action (or a reconsideration of the objectives).³

³ GERRY J., SCHOLLES K., WHITTINGTON R. Exploring corporate strategy, 2007.

⁴ SABRAUTZKI, S. Strategies, mission, vision, goals. 2010.

Corporate strategy

Corporate strategy is compiled on the basis of company's vision and mission, which is further developed and is also fundamental stone for compilation of business strategy. Main task of corporate strategy is to define important business decisions about:

- Strategic target (volume of production, market share, ROA, etc.),
- field of business,
- market (Region, whether business is international, etc.),
- capital allocation,
- the way company will compete in the market.

Corporate strategy as a modern concept traces back to the writings of Ansoff, and coll. particularly their assertion that the most important task of top management is one of corporate direction, identifying what business the firm is in and what business it should be in. From the outset corporate strategy has dealt with fundamental changes in the firm's business.⁵ This should cover the overall scope of organization – geographical coverage, diversity of products or services and what resources use in a processes. Decisions on this level should be taken by top management and stakeholders.

Companies are often divided into smaller units called Strategic business units (SBUs). A strategic business unit is a part of an organization for which there is a distinct external market for goods or services that is different from another SBU.⁶

Michael Porter deals with the corporate strategy in his work "strategy", where he says: "Corporate strategy is what makes corporate whole add up to more than the sum of its n business unit parts."⁷ This means the corporate strategy consist of more parts and has to describe the direction where company is heading to. Porter further developed his idea by generic strategies. There are three types of generic strategies:

1. Differentiation strategy,
2. overall cost leadership strategy
3. focus strategy.

⁵ LEONTIADES, J. Multinational corporate strategy: planning for world markets, 1985.

⁶ GERRY J., SCHOLLES K., WHITTINGTON R. Exploring corporate strategy, 2007.

⁷ MONTGOMERY, C. PORTER, M. Strategy: seeking and securing competitive advantage, 1991.

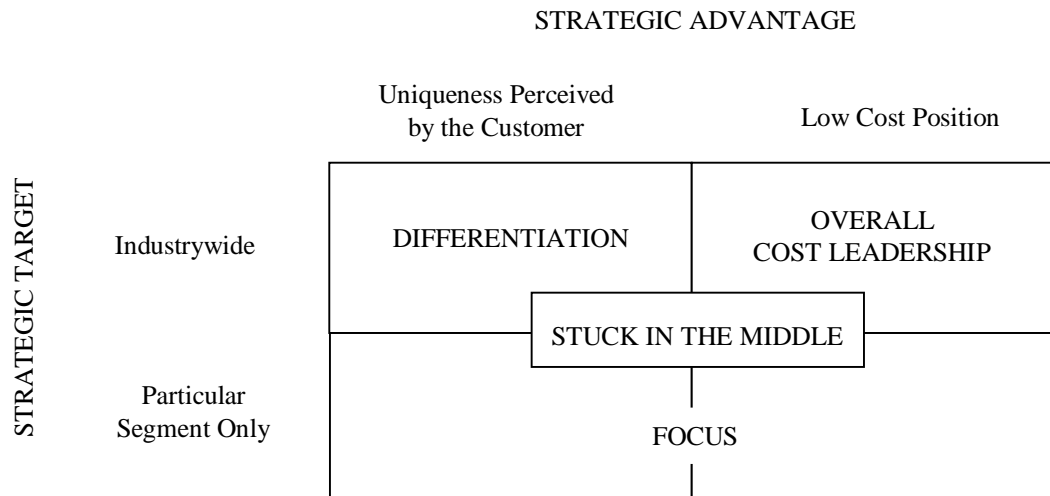


Fig. 2 Porter's Generic strategies

Successful implementation demands different sources and skills and differentiate in control procedures, system development or organizational requirements.

Business Strategy

Business strategy is never a once-and-for-all-event – it goes on and on. There is a need to continually review strategic objectives because the environment is always changing. Depending in the stance your company adopts, the purpose of strategy either to make a business “fit” into its environment or use the resources of the business to “change the rules of the game” or reshape the environment. By achieving this, the probability that the organization will survive and prosper are enhanced.⁸

The Economist define business strategy as the plan, choice and decision used to lead a company to higher success and profit.⁹ This level of strategy focus on a business result mainly strengthen the position of company on a market, increase revenues and raise profit to the maximal possible value. The strategy helps to plan and highlight how profit can be increased through development of products extensions, changes to the products mix or adjustment of appropriate price level. Business strategy helps to improve internal level of organization. It shows the weak and strong skills of managers and reveals the areas which can be improved to work on and increase. It is necessary to mention the business strategy is plan which should help a future position of the company. In most of the cases the impact is not instant or immediate, but the proper planning is the more fruitful re-

⁸ CAMPBELL, D. Business strategy: an introduction, 2011.

⁹ KOURDI, J. Business strategy: a guide to effective decision-making, 2015.

sults it brings. The market environment changes continuously and it is always harsh to estimate the future development, but it is highly recommended to be able to react on market changes and offer a certain flexibility.

The business strategy is a broad level of overall strategy, according to Jeremy Kourdi development of strategy involves making decision about:

- Who to target as a customer,
- what products or service to offer,
- how to undertake related activities efficiently.¹⁰

Anthony W. Ulwick describes in his Business Strategy Formulation an approach called The Customer Driven Achievement process or short CD-MAP. This approach being used by Fortune 100 companies in the world to make a proper business strategy fitting their field. This process focuses most to 3 fields:

- Structure which enable organization to successfully organize,
- process which enables organization to capture,
- the tools to deliver the processing power to information which leads to optimal solution or strategy.

This method is mainly used in companies which are looking to process to:

1. Devise company operating strategies.
2. Formulate a short and long-term products and services.
3. Create strategy that improves a value added processes.
4. Optimize trade-off and investments.
5. Strategies that reduce time to approach the market.
6. Identify and select appropriate market.
7. Optimize product and service concept.
8. Improve quality of management, operational or support processes¹¹

If the firm is divided into SBUs the business strategy is formulated for every single one and is subordinated to the corporate strategy. The best known approach to the business strategy is Kotler's marketing mix.

Product means a good or service portfolio offered by a company to the market. Product is a combination goods or services which company decide to manufacture or provide to the end customer or partner. Every product has its own life-time. Opinion of Chai Lee from International Journal of marketing studies the product is not anymore a closed in a nutshell, but says: "Product is stated in the singular but most companies do not sell a product in isolation. Marketers sell product lines, or brands, all interconnected in the mind of the consumer"¹² Product is a now taken as a bunch of activities from production to the services accompanying with the

¹⁰ KOURDI, J. Business strategy: a guide to effective decision-making. 3rd, 2015.

¹¹ ULWICK, A. Business strategy formulation: theory, process, and the intellectual revolution. 1999.

¹² LEE GOI, Ch. A Review of Marketing Mix: 4Ps or More?, 2009

product. This item of course includes the quality of product, design, features packaging etc.

Price is the financial expression of the product's value which has to be paid to obtain this product. Price is relevant mark of the product, the company has to decide about the price strategy. The customers are sensitive on a price changes and quickly reacts to the changes on a market. The price strategy involves not only the list prices, but also a discounts provided to the partner or customer, payment period and method or credit terms. The most famous methods are visible in figure 3. Every company has to decide which combination of product quality and price will be offered to the target market.

PRICING STRATEGY MATRIX

	Low quality	High quality
Low price	ECONOMY	PENETRATION
High price	PRICE SKIMMING	PREMIUM

Fig. 3 Pricing strategy

Promotion is the communication with emphasis on the merits of the products which persuade customer to buy this product. These activities mainly involves advertisement, maintain of public relations a goodwill of company and personal selling. According to Horáková and coll. is not equal to communication mix. Communication mix should be solved on a functional strategy level, therefore the business strategy should more focus on segmentation and targeting.¹³

Market segmentation helps to divide customers into small groups. These groups are heterogeneous between each other while every single group is internally homogenous. Homogenous group is characterized by the same needs, demographic distribution or reaction on the marketing or communication activities. This available strategy to target to this group with the higher efficiency. It is necessary to determine criterions for a segmentation, this is individual for every company.

¹³ KOTLER, P. , ARMSTRONG. G. Principles of marketing. 2012

The most recommended is to segment on the psychographic, demographical, geographical or life-style criteria.

After the groups are distributed it is convenient to create the segment profile. Segment profile describes purchase power, size and potential of certain segment, its lifecycle, consumer's behavior and more characteristics which helps company to target on an appropriate segment with an appropriate product.¹⁴

Place defines the market and channels how to reach this market. It is an activity which makes product available to customer. It includes also the network of partners, locations, Inventory and stock, logistic transportation etc.

These four "P" makes the core of the whole marketing mix idea. In the time more the theory was extended and more elements were added to the basic theoretical background of "P" marketing mix.

People the human resources used in the company to produce, distribute and sell company's products. This discipline research how many people, where and with which skills or knowledge has to be allocated on a certain activity.

To the popularity in a past came a **processes** and improvement of process efficiency. Processes involves activities such as a timing of supply, production, distribution and others, which supports customer's satisfaction achievability. Optimization and efficiency are the key factors influencing customers view on a product.

Last but not least **the physical evidence** is the look of the material part of services. It contains look of packaging, building interior, documentation, business cards, uniforms, references of previous customers, reviews, etc.¹⁵

In a context of business strategy it is necessary to mention unique selling proposition or unique selling point (USP). The Economist defines USP as: "A unique selling proposition (USP) is a description of the qualities that are unique to a particular product or service and that differentiate it in a way which will make customers purchase it rather than its rivals."¹⁶ We can find much simpler definition at Talabi who describes USP as proposition which distinguishes a brand from another company.¹⁷

Every company should have its own UPS which gives them an advantage on a market and attract customers. The UPS should be easy to express eg. In one paragraph or tens of seconds and should be easy to distinguish a certain company. UPS can be sought as an offer of the lowest price, highest quality, being exclusive or to offer the best customer service.

¹⁴ SOLOMON, M., MARSHALL, W. a STUART, E. Marketing očima světových marketing manažerů, 2006.

¹⁵ PAVLEČKA, V. Marketingový mix [online]. 2008.

¹⁶ HINDLE, T. Unique selling proposition, 2009

¹⁷ TALABI, F., CHILE S., BUBAKRI R. Making Slogans and Unique Selling Propositions (USP) Beneficial to Advertisers and the Consumers, 2012.

Functional strategy

Functional strategy is the lowest level in hierarchy of strategies, the purpose of this level is to further develop business strategy and of course match the direction of corporate strategy. Functional or operational strategy, which are concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people. For example, web page designers in each of its businesses, for whom there are appropriate operational strategies in terms of design, layout and renewal. Indeed, in most businesses, successful business strategies depend to a large extent on decisions that are taken, or activities that occur, at the operational level. The integration of operational decisions and strategy is therefore of great importance, as mentioned earlier.¹⁸

Operational level of strategy is at the operating end of an organization. This level of strategy concerned with how the component parts of an organization deliver effectively the corporate- and business-level strategies in terms of resources, processes and people. This is mostly taken by single person responsible for small team or individual decisions. Operational strategy, however it can be seen as a least important level, is the cornerstone of both the business and the corporate strategy, which are built on an everyday decision.

Each single strategy has clearly limited strategic subareas and clearly defined objectives. These areas are made to not omit any of important field. Concept of strategic management might from a different point of view. Nowadays companies makes business across the countries, therefore the strategy has to be adjusted to this fact and all the SBUs has to be synchronized with the same strategy, again according to business and corporate strategy. This phenomena call globalization appeared in last decades.

Process of global development is disclosed by Czinkota and coll.¹⁹ these authors perceive globalization as international entrance process result. The company applies strategy on every market separately. This strategy is adjusted to local environment and differences (products, services, segments). It means the strategy differentiate by target country and their common cooperation is minimal or none.

After a while, with upcoming extension of different strategies, the maintaining units discover this strategies as inefficient – this process is called “multidomestic strategy” following by creation of global strategy, which is coordinated through all the target countries as one. Process of formulating global strategy is obvious below:

¹⁸ GERRY J., SCHOLLES K., WHITTINGTON R. Exploring corporate strategy, 2007.

¹⁹ CZINKOTA, M., RONKAINEN, A., MOFFETT, M. International business. 5th ed, 1999.

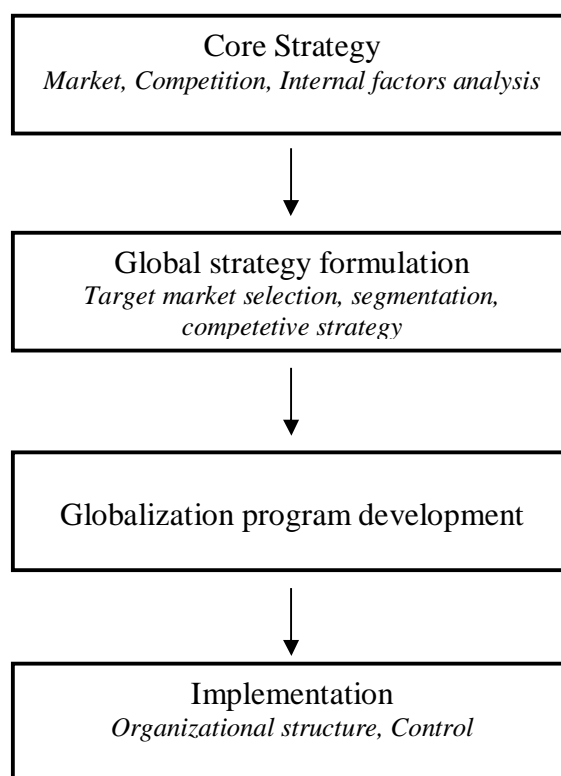


Fig. 4 Process of global strategy

Zdroj: CZINKOTA, M., RONKAINEN M., MOFFETT, M. .International business.

Marketing Strategy

Marketing strategy is according to the strategy hierarchy assigned to the lowest functional strategy. It is necessary to take to an account it participates and is a fundamental stone for a business strategy and thus we have to consider marketing strategy as one of the important parts of company's planning. On the basis of marketing strategy we can collect a marketing mix which is the core of business strategy according to Kotler. Marketing strategy helps to identify a target customer, segmentation and the whole pack of activities on which company should put the most efforts.

Main task of marketing strategy, according to Hanzelková and coll. is, what the marketing strategy should focus on. In more detail which fields it should cover. Prompt definition and formulation of marketing strategy company lower the ballast of management in a process of change management. Furthermore it avoids omission of any of key factors of a business strategy.

Main tasks

Many authors agree that the definition of task has to be formulated according to the method called SMART. This method allows to correctly in detail describe the task, when it should be done, by whom a when in which scale.

- S - Specific,
- M – Measurable,
- A – Action Oriented,
- R – Realistic,
- T – Time bounded.

Brand strategy

The brand strategy drains more and more awareness in a current perception of marketing strategies. Brand is not important only on the national level, but its importance raises on an international level. Strategic management is frequently the core of success. It is financial burden and requires a high requirements on knowledge and experiences. Brand fills a lot of functions:

- Company identification.
- Material and time continuity.
- Value transmitter.
- Differentiation from competition.
- Diversification (price, quality).
- Customers' image, Guarantee of Quality, Tradition.

To make the a corporate brand we have to involve wide range of company activities, it is necessary to feel the brand as an communication channel which has a straight impact on customer, market share and overall success of the company.

One of the activities which company should take a deep look on is positioning. Kotler states the positioning that a customer links only one unique attribute with the company.²⁰ On the other hand theory of positioning can be taken as a concept made on the elemental milestones of marketing objectives analysis. It is necessary to build own identity which would differentiate the company from a current brands and similar products.²¹ It is not the only international corporation who has to emphasize positioning. The company brand is necessary to build on an international level and national or local level, this gives a big advantage on a market. The cliff can appear on a consistence and cohesion across the communication strategy. The incoherence may lead to fail in the branding strategy and avoid the success of company.

Company or corporate brand management is another important field in which has to be identified and formulated. Basically there are two options how to use a corporate brand.

1. To corporate brand add another specific name of a brand (Renault Clio).
2. The corporate brand is superior to product line.

²⁰ KOTLER, P. Marketing management, Milenium edition, 2000.

²¹ MACHKOVÁ, H. Mezinárodní marketing: nové trendy a reflexe změn ve světě. 3., 2009

In second case the corporate brand covers the submissive product line. An example can be mentioned an International company Nestle, with the lines of chocolate candies Orion. On the lowest level of product line we can see the specific names of the products such as DELI, Margot etc.²²

Communication mix

The base of communication strategy is to define what we want to convey to customer about our product, brand or company. Patti and Frazer defines eight approaches of communication strategy, every single type characterize a different approach of communication:

1. **Generic strategy** – emphasize promotion on single products more than a brand or company.
2. **Pre-emptive strategy** – combines generic and strategy and uniqueness of a brand. This strategy is recommended in case when the competitor's level of communication is low or none.
3. **Unique selling proposition** – emphasize the unique product.
4. **Brand image strategy** – Company focus on overall image and good will of company, thus differentiate from competition. Mainly this strategy involves distinction on markets, where the same type of product is offered.
5. **Positioning strategy** – Differentiation from a leading company on the market.
6. **Resonance strategy** – the objective is to provoke experiences, thought or association which support the impact of end customer.
7. **Affective strategy** – provokes an relevant customer's emotion.
8. **Informational strategy** – Use a rational approach to the customer and put emphasis on a relevant information why should customer buy product. This is mainly used when the product is not well known.²³

Different approach has been described by Kotler's push and pull strategy. Communication in push strategy is via distribution units or partners. Manufacturer makes a push on these units of supply chain using marketing tools to present to the end customer. The pull strategy works with the end customer to create demand straight on the segment they want to sell at. The push and pull strategy is expressed in figure 5.

²² MACHKOVÁ, H. Mezinárodní marketing: nové trendy a reflexe změn ve světě. 3., 2009.

²³ PATTI, H., FRAZER M. Advertising: a decision-making approach. 1988.

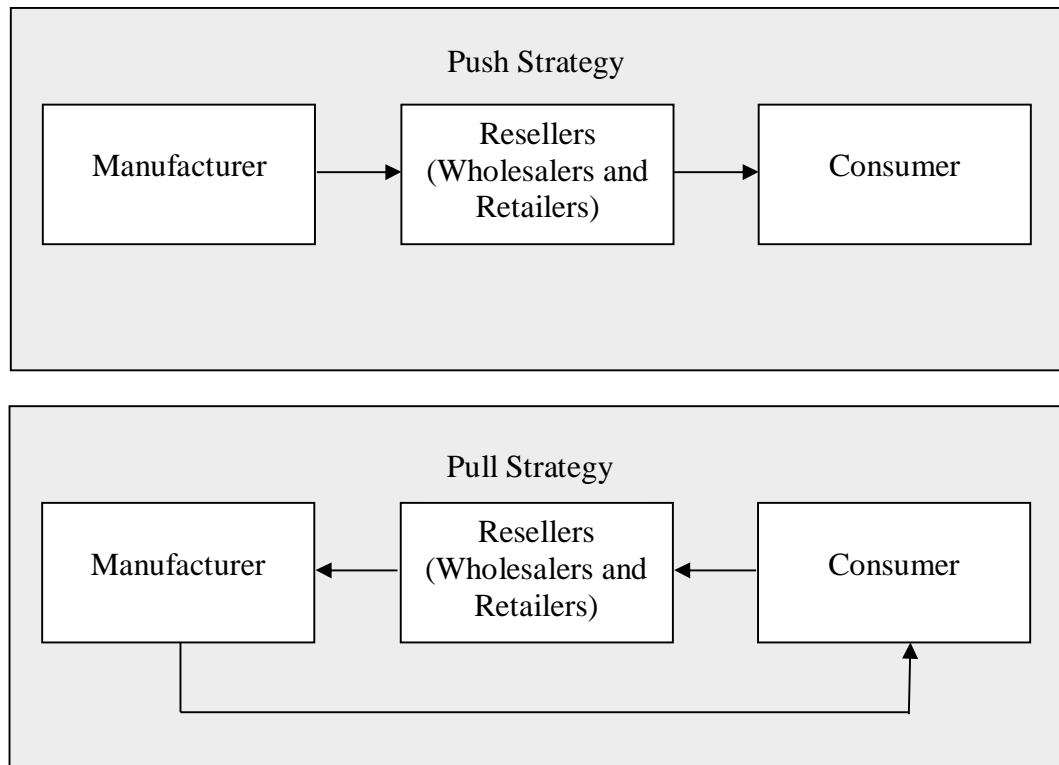


Fig. 5 Push and Pull strategy

3.1.3 Critical factors of success

It is necessary or more required to define and follow the critical factors of success. They are crucial part of company strategy and has to be identified and used in a business as a market advantage.

Leavitt diamond

The change management should be general (holistic) and applied on an every level of strategy on a company. It is composed of four components interacting between each other, thus we cannot separate these factors. This model is mainly applicable in a change management. The change in one of the element has a direct impact on all of the remaining factors. This model was discovered as a fundamental stone for a theory of 7s.

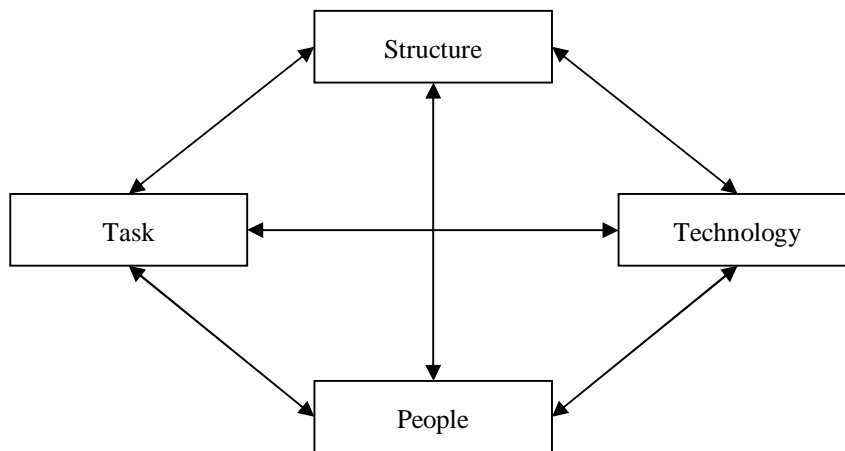


Fig. 6 Leavitt diamond

“7s McKinsey” Model

The ideal approach on a critical factors of success in company is described in a theory made Peters and Waterman. Theory based on a research done on a sample of American companies the most influencing factors of successful strategy are divided to hard and soft elements.²⁴

Hard Elements:

- Strategy.
- Structure.
- Systems.

Hard elements are easier to define or identify. Management has a straight impact on them. The soft elements are on the other hand more difficult to describe, not tangible and more influenced by company’s environment.

Soft Elements:

- Shared values.
- Skills.
- Style.
- Staff.

²⁴ THOMAS J. PETERS T., WATERMAN, H. In search of excellence: lessons from America's best-run companies, 2006.

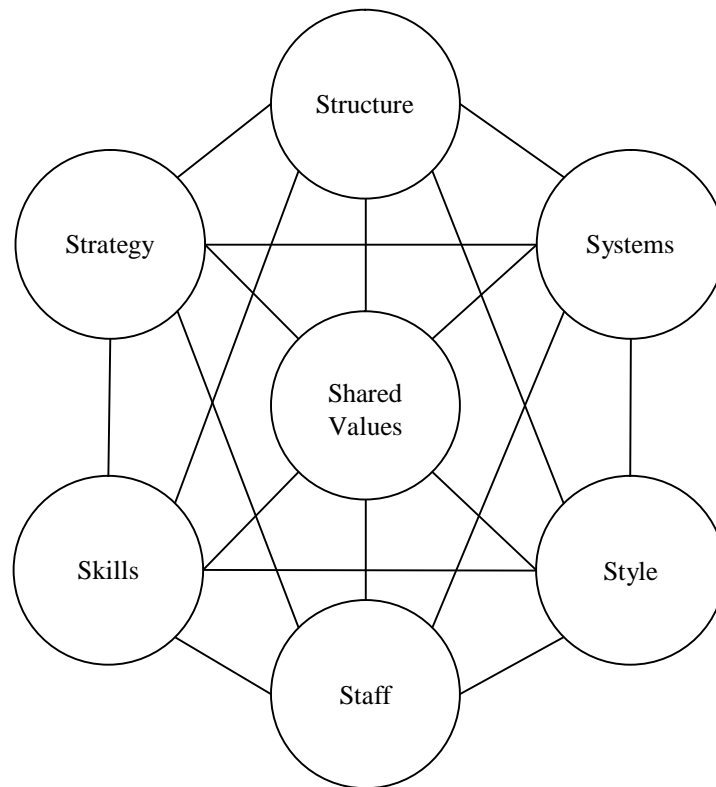


Fig. 7 7S McKinsey

Identification and formulation of the critical factors of success is crucial for company success as well as for it fail, model is convenient for a small, medium, either for a big-sized companies for every kind of field. The 7s model is eternally connected to the name of McKincsey company were both of its inventors worked.

Model EFQM

In late 80's the development of a new model for identification of critical factors of success appeared. It was developed by European Foundation for Quality Management and named after them, nowadays we are using abbreviation EFQM. The main tool of the model is self-analysis and benchmarking. Model focuses on a quality and performance rating, which are judged as a 9 main and 32 secondary company activity criterions. Every criterion has scales according to its importance. First five criterions, called "enablers" are underlay for excellent results four remaining factors are underlay for evaluation. Model comes from a concept of continual improvement of management and performance which are compared with the best market competitors in the company's field and out of it.

The EFQM model is quite difficult to collect, according to the scale and costs it is mostly used by a big-sized companies.

Model of Entrepreneurial success

Model founded by Kislinger and coll. for a small and middle sized companies which collects critical factors from three different sections:

1. **Character of entrepreneur.** Further divided in four areas – Character, Performance, Motivation and Health of entrepreneur.
2. **Company activities.** Strategy and vision, networking in combination with finance management, internal processes etc.
3. **Management of internal and external environment.** Explains all the factors influencing the company from the inside and outside. We can stress the government policy, capital availability, physical infrastructure, services, partners, market situation etc.

3.1.4 Strategic analysis

To define a business strategy we have to take to an account not only the business part of company's activities, but the whole bunch of activities and processes beginning from the resources used, processes through which the product is collected, via people participating to the channels of distribution, marketing and targeting. Part of the strategic analysis is analysis of internal, external and position analysis, company can follow with force field analysis. In a strategic analysis we than perform these analysis:

- External environment analysis – the best known is PESTE analysis
- Competitive position analysis – e.g. Porter's five forces
- Analysis of internal factors – e.g. 7s McKinsey
- SWOT analysis
- Analysis of force field

The direct impact on a business strategy is obvious. It is necessary to to take to an account the process is continual and the responsible feedback is required to this process.

3.2 Change management

Change management is a broad discipline dealing with a process of change. This chapter analyze possible approaches and methods which can be used in this topic.

3.2.1 Situation analysis

Situation analysis has been described in previous chapters. In more detail will be described in following chapters simultaneously with its application in a real conditions.

3.2.2 Change management models

Changes are unavoidable part of everyday life and the everyday performance of company as well. Changes in company allows to adapt on external environment to make a better position on a market. Change should be provoked from a will of participating subjects and their willingness to perform these changes. The key to success in a change management is the key to successful entrepreneurs, for a company and or individuals. The process of change is continuous, uninterrupted, process and company has to naturally react. Constant need of change influence factors as globalization of markets and rapid technology development.²⁵

Change in a company has most frequently two sides, it is a major – transformational change, or it is a slow change – incremental. From these two options comes out first two groups of changes transformational and incremental models. Some of the authors identifies either thirst group of continuous transformation.²⁶

3.2.3 Incremental change model

In this conception of change the change is perceived as a continuous process of small changes, where partial parts of organization solve this change separately with one objective. Main objective of partial changes is process of continuous adaptation and reaction on changing internal and external environment of the company.

Basic of this model are searchable in Japanese philosophy – method of Kaizen. Kaizen is combination of two Japanese words “kai” and “zen” meaning “change for better” or we can translate it as a method of “continuous improvement” this means it should be part of everyday activities, it is perceived as a never ending process

²⁵ ADEYEYE, J.. Managing Organizational Change in Nigeria Manufacturing Enterprises: Lessons from the Unilever Nigeria, 2009

²⁶ SMEJKAL, V. Řízení rizik ve firmách a jiných organizacích: poučení z nejlépe vedených amerických společností. 3., 2010.

which keeps the discipline and motivation of employees, improve the communication, standardization and feedback from participants.²⁷

3.2.4 Transformational change models

Stability of company is disrupted by a revolutionary and major changes, which disrupt continuity of processes a procedures in a company and makes a new paradigm for a season of balance. These models are worthy where e.g. once in four years are election for a new management of company. For a time of their election period they work as a management by a normal stated procedures. After a new elections the change of persons comes, but the procedures and processes are made by these new management and company has a new paradigm.²⁸

Transformational changes has two fundamental forms. First is proactive approach of activity unification in company or second as reactive adaptation of competitive environment. Transformational change is harsh to manage in a framework of processes and procedures which already work in company. Two approaches exists:

- Planned Transformation,
- transformation forced by changes in environment (internal or external).²⁹

Continuous transformation change model

This method combines an incremental and transformational models of change. According to this method the change has to be fundamental and continuous simultaneously, only thus companies can survive in a market's competition. Model of continuous transformation is the task mainly for companies with fast movement of goods, other characteristic for this method is short life-cycle of product. These companies have often the change management already integrated in a company culture. Nowadays this type of change is touching the companies which are oriented on IT or ICT or informational systems. Companies in this industries has to continuously adapt to a fast, radical and primarily very harsh predictable external environment. For these type of companies it is necessary to undertake the model of continuous transformation change.²⁹

Model of continuous change

As far the work of Lawrence and coll.³⁰ made a mode based on a four phase cyclic model of continuous change as a reaction on a models of change management

²⁷ ALUKAL, G. a MANOS, A. Lean kaizen: a simplified approach to process improvements, 2006.

²⁸ SMEJKAL, V. Řízení rizik ve firmách a jiných organizacích: poučení z nejlépe vedených amerických společností. 3., 2010.

²⁹ JOHNSON, G., SCHOLLES, K. Road to successful company, 2000.

³⁰ LAWRENCE, T., DYCKY, B. MAITLIS, S., MAUWS, M. The Underlying Structure of Continuous Change, 2006

which are much simpler and linear. Model stress out for every phase specific resources and key person who realize the certain phase. Individual phases are in model described as:

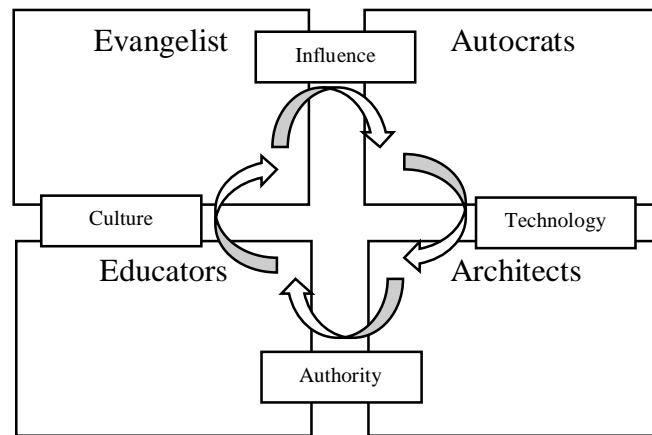


Fig. 8 Model of continuous change

Individual phases are in model described as:

- **Using influence to sell ideas**

The key person is “Evangelist” (the messenger of good messages) who has access to a top management and ability to force them to done some idea. He can motivate and inspire stakeholders but also employees.

- **Using authority to change practices**

“Autocrat” plays a main role in this phase. This person has to force the change and overcome a struggles which appears. His authority and powers promote a change a break the resists therefore the influence and the status are required.

- **Embedding change in technology**

In this phase the role of “Architect” appears. The role of Architect anchors the changes in organizational structure and systems. The requirement is in the deep knowledge of current systems and organization. He is the proposer of changes.

- **Managing culture to fuel the cycle of change**

The continuous change requires a change of culture. It has to be favorable to learning and innovations. The key person of the phase is are “Educators”.

Kotter’s process for leading change

Research of American economist J. P. Kotter proved 70 % of major changes in organization end up with a fail. The explanation is, the companies often do not use a

holistic (overall or global) approach. Kotter recommends to follow his “The 8-Step Process for Leading Change”, which contains 8 steps helping companies to avoid fail in the change management and furthermore adapt company to a change. If companies are available for a proper change management, their chance raise in a future.³¹

1. **Create Urgency** – inspire people to a change, make real, reachable and relevant objectives.
2. **Form a powerful coalition** – make a fitting combination of skills and abilities of responsible people.
3. **Create a vision for change** – motivate team to make a simple vision and strategy with emphasize on emotional and creative aspects, which are necessary for effective change management.
4. **Communicate the vision** – make sure most of the participants understand and accept the vision. Vision should be simple, everybody should be able to spread it to anybody. Vision should explain the goals of change and strategy how to achieve these goals.
5. **Empower Action** – eliminate struggles and obstacles, allow feedback and fix up the support of change leaders. Important is ability to recognize and appreciate development and success of change.
6. **Create quick wins** – set the goals easy achievable. Demonstratively appreciate people who participated on a quick win.
7. **Build the change** – support and encourage the endurance to make a change. Support following spread of change. Highlight achieved and future milestones.
8. **Make it stick** – integrate change into company culture.

³¹ KOTTER, J. Leading change. Boston: Harvard Business Review Press, 1996.

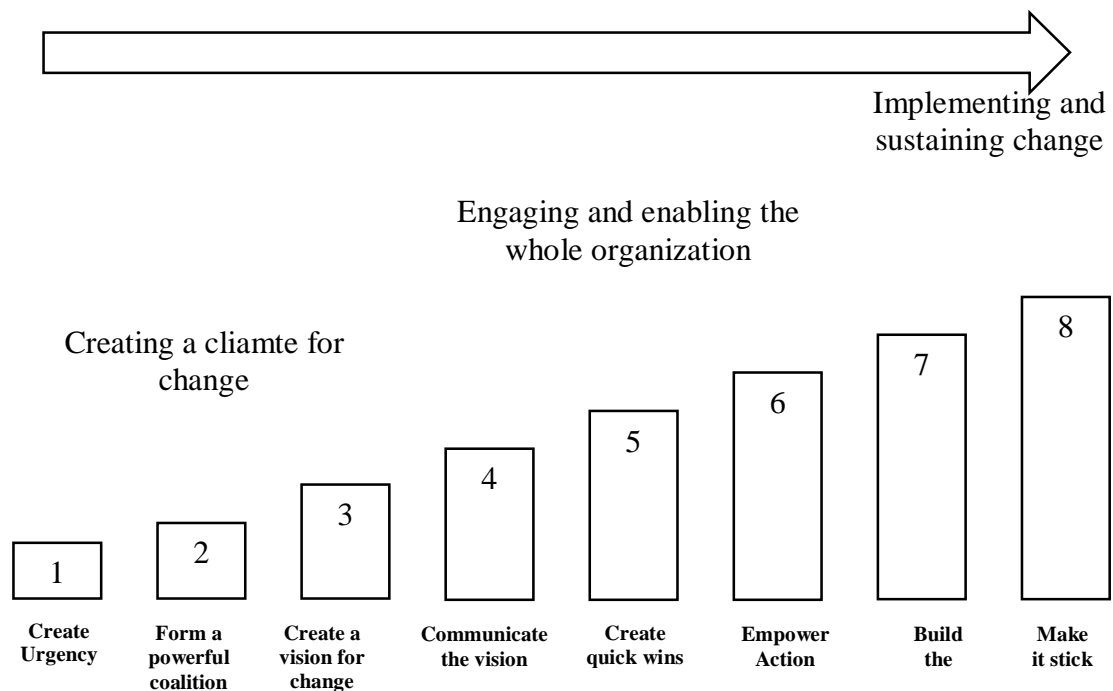


Fig. 9 Kotter's model of change

According to figure 9 we can see many similar points with Lewin's model of change. Lewin's model emphasizes the powers supporting change over the forces resisting the change. An agent in Kotter's approach represents a team collected directly to make a change. Lewin's interventional strategy is comparable to human resources. Mooring of change to organizational structure is parallel to Lewin's third phase of refreeze.³²

Lewin's change model

Lewin's model is based on a top of Kurt Lewin's behavioral research of individuals and groups in society. He studied group behavior as a system of interactions a forces with cause on a behavior of individuals. Lewin says the behavior of individual is influenced by internal environment of group (force field). The group influencing the individual cannot thus be in an optimal equilibrium and balance, but has to constantly adapt. The first approach focused on a group cooperation, to solve a problem it used a dialog, therefore this model was humanistic and democratic. Lewin was convinced that the change is successful only when acceptors of change would understand problem and its possible solution. Aspect of group teamwork was much more important than a technical process of change.

The model have phases:

1. Analytical phase – analysis current state.
2. Proposal part – contains three subparts how collect a proposal.

³² KUBÍČKOVÁ L., RAIS, K. Řízení změn ve firmách a jiných organizacích. 1, 2012.

- a. Creation of change model (accepted a supported by sponsor).
- b. Agent of change.
- c. Partial processes to achieve final state.
3. Realization phase – realization of a proposal part and change.
4. Evaluation and feedback – change process evaluation and feedback of participants.
 - a. Change of a current strategy.
 - b. Acceptation and Refreeze.

The change is based on three steps unfreeze, change itself (movement) and re-freeze. The scheme is then:

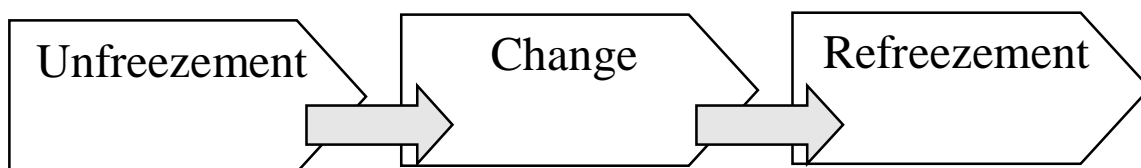


Fig. 10 Lewin's change model scheme

Lewin pursues the willingness to get rid of an old behavior to overcome forces which forces the old state, supporting the acceptor of change is the way to accept and proceed a change. The bearer of the change has to undertake the risk that often the confrontation at the phase of unfreezing is unavoidable. Thus it is necessary to convince the groups, which are against change, to understand the need of this change and involve them in the process of change.³³

3.2.5 Agent of change identification

Agent of change is an expert or manager of certain company, who has appropriate knowledge, skill and competences necessary for a change management successful procedure. Agent of change is the leading person for the whole process and is directly responsible for results to the stakeholders. Stakeholder has to support the changes on a technical, moral, etc. level and is also the key factor for a success. In some cases the whole team of internal and or external experts may be agents of change. Change always influence the whole teams of people, these people should be motivated, convinced about the benefits of change and correctness of the whole change process. Between the factors having direct impact on change management belongs the procedures to reduce time for optimal solution search, increasing imbalance of surrounding environment, lack of information, etc. therefore the agent

³³ SMEJKAL, V. Řízení rizik ve firmách a jiných organizacích: poučení z nejlépe vedených amerických společností. 3, 2010.

of change has to be responsible, authoritative and have enough competences to make this change happen.³⁴

3.2.6 Identification of the change field

To make a proper change we have to search for a fields where the change should be done, we can call this action as an intervention to the current state. Kubickova and Rais³⁵ states the intervention are influenced by company subsystems. Intervention might be done in organizational structure, Human resources management or informational systems.

Organizational structure

In every change in the company some of organizational units may appear or disappear, even the whole departments might, certain jobs or the whole organizational structure of company might be changed. The necessity of correct estimation of workers on a certain level is key factor. For a higher level of management 4 – 8 people are optimal, these people should be directly responsible for 8 – 15 underlings. The more skillful manager is the more people he can lead and have under his command.

With the new organizational unit or department also the negatives comes out. The raise of cost mainly the operative cost is obvious, the more communication, cost for a training of newbies, new processes has to be maintained etc.

According to the theory there exists three main organizational structures:

1. Linear organizational structure.
2. Staff & line organizational structure.
3. Matrix organizational structure.

On the analytical basis company should be able to choose the fitting structure according to the nature of its industry, hierarchy, distribution of employee etc. It is possible the original or current structure is already the optimal one, sometimes only a small changes are required to achieve the state, such as creation on a new job position.

Human resources

Human resources are connected tide to an organizational structure. If we change the organizational structure or its part, often these changes touch the human resources. The most often struggle for a human resources management is optimal amount of employees, but the change might require changes in knowledge, skills, competences, flexibility or participation in a process. Thus the human resources is a big issue in a change management.

³⁴ KUBÍČKOVÁ L., RAIS, K. Řízení změn ve firmách a jiných organizacích. 1. vyd. Praha: Grada, 2012.

Information systems

Today Information systems are used via information technologies, this way is used because of huge amount of data can be processed in a short period of time. Information technologies takes care about accountancy, process management and other activities linked to the company management. Appropriate usage of IT in company may lead to reduce of cost, the change might thus impact on the information flow inside and outside of the company.

Company technology

According to Kubickova and Rais the technology includes creation, implementation and development of production.³⁵ This might be:

- Company know how.
- Instruments used in a process of production, reparation or service.
- Production and service tools.

3.2.7 Evaluation of change management

At the end of change the summary has to be done. Evaluation of achieved goals, description of procedures done to achieve these goals and the structure of change in comparison of the previous goals and objectives which were determined before the change itself. The fail of this part are badly or not fixed objectives indexes, which can be measured.

3.3 Risk management

We are facing a risks in everyday activities, the point is to define what the risk actually and exactly means. Risk can be defined by two main approaches.

First approach states the risk is the combination of activity odd and negative consequences. Risk is perceived as a negative phenomenon and violation from an expected result. Second approach emphasize the risk is the combination of odds of threat occurrence (negative) and opportunity (positive) consequence of the phenomenon on target. We can predict a risk with a certainty in advance. It means we are able to manage a risk level in advance, but the in the limited scale.³⁶

If we take a risk from a financial point of view, which is the definition of Cameron and Raman, the risk can be perceived either as scale of severity of other event or probability of its occurrence.³⁷ We recognize three types of approach to a risk in management:

³⁵ KUBÍČKOVÁ L., RAIS, K. Řízení změn ve firmách a jiných organizacích. 1. vyd. Praha: Grada, 2012.

³⁶ KORECKÝ, M. TRKOVSÝ, V. Management rizik projektů: se zaměřením na projekty v průmyslových podnicích. 1., 2011

³⁷ CAMERON, I., RAMAN, R. Process systems risk management. 1st ed, 2005

- **Risk Lover** – seeking for risky projects with higher profit.
- **Risk averse** – avoiding a risky projects.
- **Neutral attitude to risk** – neither seeking for a risky project nor the less risky projects.³⁸

3.3.1 Risk Management approaches

To appropriately choose a correct method how to avoid risk we have to analyze current situation and identify the risk. The analyses and risk identification are the common for each approach mentioned in this chapter.

Risk management according to Smejkal and Raise

This approaches contains following steps to analyze and identify risk.

- **Delimitation of risk analysis.** Company should be able to recognize which assets will be included in a risk analysis. To establish this limitations management can use previous planning. This allows to analyze only the assets which are relevant to certain strategy. This phase is used mostly where the risk is not general and do not cover the whole company.
- **Asset identification.** Management collect a list of assets which are included inside the Analysis.
- **Determining the value and asset inclusion.** In value determination we define how big damage can the asset do by influence of a risk. To this damage belongs reproductive buying asset price, profits of asset, threat of bad market position. It is necessary to distinguish whether the asset is unique or easily replaceable.
If the number of assets is too big, company can cluster the assets with the same attributes together. The more homogenous assets are, the better for following processes.
- **Identification of threats.** For an identification of threats the threats which can endanger at least one of assets from the list of assets are chosen. For choosing a threat it is possible to use Brainstorming or other managerial method.
- **Threat analysis and vulnerability.** This phase contains the identification of asset (or group of assets) vulnerability to certain threat. Company should be able to recognize what threat endangers which asset, how and how much the thread can impact on an asset.
- **Probability of event.** If we do not know when the event, the company investigate, would happen it is convenient to state what is the odd of the certain

³⁸ FOTR, J., ŠVECOVÁ L., DĚDINA J., HRŮZOVÁ H., RICHTER J. Manažerské rozhodování: postupy, metody a nástroje. 1st ed., 2006

event to happen. Probability of event realization is often not easy to measure exactly, therefore companies are using outsourced expert estimations.³⁹

Tichy's risk management

Tichy's approach is based on risk management in a project management framework specified by Project Management Institute (PMI). Risk Management is according to this organization the part of project management and is defined in six steps.

Risk planning in project

The first phase states an objectives which should be achieved by analysis. The process used to achieve stated goals should be structured and planned to be used for project risks and threats investigation.

Threat identification

Threat identification phase makes a segments which can be endangered by threat and estimates how much the threat can impact on a segment.

Threat qualification

Classification of threat to groups of usually manageable risks and rare risk.

Quantification of threats

In this phase the company tries to quantify the risk odds of realization. Again it is harsh to quantify risk properly, therefore they companies often use external resources.

Risk management decision

This phase is following to all other previous phases. Now company know the odd of the threat, its impact and we have a strategy how to deal with certain threats. The task of this phase is to optimize cost of strategy realization

Plan risk realization monitoring and evaluation

Management efficiency evaluation, company analyze the risks and the negative events which were prevented. This phase is also useful for a future realization and identification of risks.⁴⁰

Risk management according to Korecky and Trkovsky

Korecky and Trkovsky have a different point of view to the risk management. Pursue the idea the risk management do contains of phases, but it is a continuous process. For the purpose of their thought they used methods such as ISO 31000 or PMI. It is necessary to follow these rules:

³⁹ SMEJKAL, V. Řízení rizik ve firmách a jiných organizacích: poučení z nejlépe vedených amerických společností. 3., 2010

⁴⁰ TICHÝ, M. Ovládání rizika: analýza a management. 1st ed., 2006

Context determination

This phase coordinates three underlying points, those are process strategy management of risk, documents and materials for project, internal and external connections to a scale of a risk management.

Risk Identification

Risk identification contain two subphase. First is preparation of data and identification method choice. The second subphase the actual execution of risk identification.

Risk Analysis

Three phases are subordinated to this point.

- Qualitative Risk analysis.
- Quantitative risk analysis.
- Risk Evaluation.

Risk Remedies

Risk remedies includes seven partial phases:

- Proposal of risk remedies.
- Risk analysis after application of remedy.
- Preparation of plan for remedies.
- Correction of remedy plan.
- Reserve determination.
- Budget for risk remedies.
- Project continuation.

Risk management

This phase includes a continuous monitoring and re-analyzing of risk.

End evaluation

This phase is documents an experiences from a risk management for a future use. Company evaluate efficiency and success rate of chosen risk management strategy. End evaluation enrich a knowledge base.

3.3.2 Risk identification

In this phase company is searching for all possible threats which can have an impact on the company's being. The key factor is to correctly recognize these threats and properly document them it is convenient to concentrate not only on the threats, but also the opportunities, which we can develop. The more people are involved in this process phase the better odd in risk identification company have.

Within the risk identification we can use methods as SWOT matrix, Delphi, surveys, structured dialogs, brainstorming, Force field diagram etc.⁴¹

3.3.3 Risk Sources

There are various sources of risk, starting with individuals to groups or unorganized groups. Persons causing danger with the core in human behavior or others. Between risk sources we can also classify employees, suppliers, investors, project managers, public, competition etc.

The second source of risk is nature. Between risk sources belongs the impact of natural processes on a human activity, technological processes etc. These risks might be divided into processes atmospheric, tectonic and seismic.

Third source is the combination of two previous risks the personnel and natural. For instance we can mention the avalanche caused by the skiers.

All sources described might be controllable or uncontrollable by company.⁴²

3.3.4 Risk Qualification

Risk can be sorted by Fotr's approach on a factual fundamentals of its being:

- Technical risk (e.g. Equipment failure).
- Manufacturing risk (e.g. Not enough material).
- Economical risk (e.g. Increase in costs).
- Market risk (e.g. Fail of products on market).
- Financial risk (e.g. increase in interest rate).
- Social-Politic risk (e.g. increase in taxes, customer protection)⁴³

To compare authors Smejkal and Rais are using this distribution:

- **Financial and nonfinancial risk** – distribution comes from the point that every threat makes a financial loss, but often we can express the loss in a non-financial units,
- **static and Dynamic risk** – dynamic risks are externally made risks (politics, economics, competition, customer, etc.) and usually company has no chance how to influence them. On the opposite side static risks are created out of external environment. Static risks means the destruction of property or change in ownership. They might be cause by either by human factor either by nature. Static risks, unlike dynamic risks, never brings a profit to company,
- **pure and speculative risk** – speculative risks describes situation, when we can according to risks impact, make a loss or profit (typically entrepreneur-

⁴¹ KORECKÝ, M., TRKOVSÝ, V. Management rizik projektů: se zaměřením na projekty v průmyslových podnicích. 1.ed, 2011

⁴² TICHÝ, M. Ovládání rizika: analýza a management, 2006

⁴³ FOTR, J. Jak hodnotit a snižovat podnikatelské riziko, 1992

ship). Pure risk label a situation where we can make only a loss or non-loss situation.

The third and last approach to risk is detail classification of Tichy. Generally he distinguish internal and external risks. Criterion of distribution is source from where the risk is based:

- Technological threat (industrial, energetic, SW, communicational, electronic, etc.).
- Economical threat (credibility, volatility of financial markets, exchange rates, etc.).
- Political threat (Public violence, change of political environment, etc.).
- Social threat (criminality, frauds, unemployment, etc.).
- Legal and regulation threat (laws, norms, directives, etc.).
- Physiological threat (epidemics, pandemics, etc.).
- Psychological threat (nonscientific theories, fear, etc.).

3.3.5 Risk analysis

Risk analysis is done due to the continuous influence of risk on the company, usually not only one risk influence the internal or external environment, but the combination of risks. To discover which risks may affect the company the risk analysis has to be performed. Three widely spreads methods for a risk qualifications are used – quantitative, qualitative and combined.

Quantitative methods are precise, based on a mathematical calculations. The probability the event appears are in an exact mathematical expression. These methods obviously require more financial and time efforts in combination with a strict procedure. Methods such as COBRA or CRAMM are used.

Qualitative methods are based on probability description and scale of its impact. They are expressed verbally (small, medium, big) or in certain scale (point or probability method). This type of methods is easier, simpler and faster, on the other hand are more subjective. We can mark DELPHI, brainstorming or diagram of causes and consequences as qualitative methods.

Combined methods are apparently based on a mathematical material coming from a quantitative methods, but then are evaluated from a qualitative point of view. This allows the combined method to be more realistic with acceptable costs, also these methods are closer to the real state.

In reality companies are more using qualitative methods. Following tables are based on a qualitative methods, they express scale of damage and probability of threat realization.

Tab. 2 Risk analysis impact and probability table

Impact Scale		Probability Scale	
Consequence	Health and Safety	Likelihood Class	Likelihood of Occurrence (events/year)
Extreme	Fatality or multiple fatalities expected	Not Likely (NL)	<0.01% chance of occurrence
High	Severe injury or disability likely; or some potential for fatality	Low (L)	0.01 - 0.1% chance of occurrence
Moderate	Lost time or injury likely; or some potential for serious injuries; or small risk of fatality	Moderate (M)	0.1 - 1% chance of occurrence
Low	First aid required; or small risk of serious injury	High (H)	1 - 10% chance of occurrence
Limited	No concern	Expected (E)	>10% chance of occurrence

It is necessary to define what the probability of risk occurrence is and what scale this risk might impact. After we define this indexes we can follow with „The Aggregate matrix“. The aggregate matrix evaluate the rate of every single threat or risk. The impact and occurrence are in range 1 – 5. Rate of risk is a sum of probability of occurrence and the impact scale.

Risk rate 2 – 4 is acceptable risk, which subject should undertake. It means no precautions to risk elimination are required. This risk is unlikely to happen with a small impact on a subject.

Risk rate 5 – 7 is more important and company should take to an account this risk might appear and prepared corresponding precautions.

Risk rate 8 – 10 is a critical field requesting an immediate remedy. Risk in this part of a table should be marked as a high priority, because impact of these risk may cause an existence issues for a company. This risk should be eliminated as soon as possible.

Risk matrix should be steadily updated and kept up to date.⁴⁴

⁴⁴ SMEJKAL, V. Řízení rizik ve firmách a jiných organizacích: poučení z nejlépe vedených amerických společností. 3., 2010.

Scope	5	6	7	8	9	10
	4	5	6	7	8	9
	3	4	5	6	7	8
	2	3	4	5	6	7
	1	2	3	4	5	6
		1	2	3	4	5
		Probability				

Fig. 11 The Aggregate risk matrix

Tichy came out with a different approach of risk analysis so called Tree Diagram. It is a cyclic and oriented graph describing an evolution of process. It is simple graphical process expression ongoing in tree systems. Tree diagrams might be order by:

- Objective – physical or common essence.
- Subjective – result of theoretical or empirical findings.
- Mixed – both, the objectives matter of fact and subjective thinking are used.

Tree diagram usage is simple, on the other side it requires a imagination skills. We distinguish between two basic groups of tree diagrams:⁴⁵

- Analytical diagrams.
- Synthetic diagrams.

Doležal and coll.⁴⁶ introduce a broad range of methods for risk analysis. For purpose of this thesis Risk Project analysis (RIPRAN) will be used. RIPRAN method contains 4 phases:

- Project risk identification.
- Project risk quantification.
- Project risk reactions.

⁴⁵ TICHÝ, M. Ovládání rizika: analýza a management, 2006.

⁴⁶ DOLEŽAL, J., MÁCHAL P., LACKO B. Projektový management podle IPMA. 1.st, 2009

- Project Risk Overall Assessment

The first phase is the managerial task or project team. The goal is to identify threats of project and make a list of these threats in table form. The threat is always a source for a scenario.

Tab. 3 Risk identification

Number of threat	Threat	Scenario	Note
Number.	Specific threat.	What would happen in case threat appears?	Explanations.

Source: DOLEŽAL, J., MÁCHAL P., LACKO B. Projektový management podle IPMA, 2009.

Second phase quantifies risk. There are two ways how to quantify risk, the first use a numeral quantification, the second use the verbal qualitative quantification. When company decides to use the first quantification method it might be expressed as in table 5. This table is extension of table 4 enlarged by scenario occurrence probability, the scale of impact on a project in currency and final risk value. Final value is simply scenario occurrence probability times scale of impact.

Tab. 4 Probability of risk occurrence

High probability – HP	Above 66 %
Medium probability – MP	33 % – 66 %
Low Probability – LP	Below 33 %

Source: DOLEŽAL, J., MÁCHAL P., LACKO B. Projektový management podle IPMA, 2009.

For a verbal quantification we establish a table of probability verbal value and negative impact verbal table.

Tab. 5 Probability of risk impact

High negative impact – HNI	Target is in high danger, final deadline threat, budget limit is not violated, damage higher than 20 % of project value
Medium negative impact – MNI	Damage 0,65 – 19 % of the project value, some processes endangered
Low negative impact - LNI	Damage below 0,64 of project value, consequences requires a remedy

Source DOLEŽAL, J., MÁCHAL P., LACKO B. Projektový management podle IPMA, 2009.

The final link table is made by mixture of these two previous methods. The Risk verbal values are assigned.

Tab. 6 Company risk value

	HP	MP	LP
HNI	High risk value - HRV	High risk value - HRV	Medium risk value - MRV
MNI	High risk value - HRV	Medium risk value - MRV	Low risk value - LRV
LNI	Medium risk value - MRV	Low risk value - LRV	Low risk value - LRV

Source: DOLEŽAL, J., MÁCHAL P., LACKO B. Projektový management podle IPMA, 2009.

The third part is collection of precautions to decrease value of risk to acceptable level.

Tab. 7 Risk value assignment

Number	Precaution proposal	Costs, deadline. responsibility	New risk value
...

Source: DOLEŽAL, J., MÁČHAL P., LACKO B. Projektový management podle IPMA, 2009.

Fourth phase evaluates again the final value of risk and the whole riskiness of project assessed. Results of this analysis are material for further project realization or reveals part of the project where necessary steps to avoid unacceptable level of risk has to be done. It is up to management or project team to deal with this risks.

3.3.6 Risk Decision Strategy

For a decision making in a field of Risk we identify two possibilities. First totally avoid possibility of risk realization so called "antihazarding" or we can develop precautions which reduce a likelihood of risk execution so called "dehazarding". Dehazarding allows to totally avoid a risk, move it to another subject (person) or decrease the negative consequences of risk.

For a decision about convenient strategy company has to take to an account that every strategy requires a financial background in other words makes costs. All procedures mentioned before leads inevitably to one of 4T strategies.

- **Take** – Company decides to undertake risk, the impact of a risk is not fatal and company's optimal way is to leave this risk untouched. Company knows about this kind of risk, but the costs are higher than benefit from avoiding.
- **Treat** – remedy of risk can be done by these three forms:
 - *Prevention* – Prevention can be proactive or reactive. Proactive prevention eliminates risk before it appears. Reactive prevention reacts on already formatted risk.
 - *Diversification* – diversification is based on redistribution of risk portfolio. Not all kind of risks are divertible, for instance only non-systematic risks are divertible.

- *Allocation* – redistribution to responsible persons who participate on risk a may control them. Two ways of allocation are known:
 - Risk centralization – all risks are centralized at one person.
 - Risk decentralization – the responsible person is the person who can control the risk with highest efficiency.
- **Transfer** – transfer risk on the third side for a payment. Sharing risk with partners, insurance, liability, etc.
- **Terminate** – the risk is too high that company would rather cancel the whole project instead deal with the risk. This strategy might be loss for a company depending on a stage when the project is canceled and which steps have been already made. Cancellation may cause not even loss of financial assets, but also a good will and or image.⁴⁷

Different approach to risk decision making is offered by Korecky and Trkovsky. In this case the model is based from the traditional point of view, which is combined with reaction on risk. Again this model contains for possible way-outs.

1. Avoid a risk:
 - a. Different strategy to achieve a same project objectives as previous strategy (using different resources, procedures, etc.).
 - b. Change of project objectives.
2. Transfer a risk – described as a transfer of risk to the third subject, whom have a better conditions to face this risk. Typically we can mention insurance institutions.
3. Reduce risk impact – company can lower either the probability of risk execution, either reduce the scale of impact.
4. Accept a risk – this strategy is pursued when the risk is below the level which is stated as minimum interest level. Or when the costs to avoid this risk are higher than benefits from this action.

The last strategy is reactive strategy, all the remaining are considered as preventive. When company accepts a risk, it has to react on it in every case. The risk will influence internal, sometimes even external environment. For this purposes it is recommended to make financial reserve or reserve plan how to deal with these changes.

⁴⁷ TICHÝ, M. Ovládání rizika: analýza a management, 2006.

3.4 Project Management

Project management is a young discipline the roots are dated after World War II. The change management in this thesis will be perceived as a project. Thus a brief introduction to the project management is required.

Project management started to be used mainly in IT industry and spread to other fields. Also the big institutions as EU turned to the way of projects.

3.4.1 Project Logical Framework

Logical framework of project is according to Dolezal and coll. convenient instrument to clear formulation of tasks and support in process of achieving these tasks. This method is outcome of project management principles, but might be used in the processes where the project management have not been implemented yet. The advantage of logical framework is ability to take in mutual connections and result measurability.

Method of logic framework is stressed in a 4 column table. First column express a tree of goals:

- Intention – answers a question, why we want to make a change. Intention describe benefits, which project brings. (raise in competitiveness).
- Goal – decelerates the focus of the project. It is necessary to answer the question what is the objective of the project, what the project should bring to the company and what change would be done. For every single project there is only one goal. The goal might be achieved only if some inputs are sacrificed.
- Specific outputs – is the process how the company would reach the goal. It means what will be “physically” realized.
- Key activities – are activities which has major influence on output realization.

Other column is called objectively verifiable indicators. These indicators we can prove the specific intention, output or goal was achieved. It is convenient to make at least two verifiable indicators. In third column we decelerate how we find out the objectively verifiable indicators. In a last column the requirements which are essential for a project with the risks which can impact on project. Out of the main table the pre-project requirements are mentioned. These requirements has to be met before the company can follow with the composition of logical framework.⁴⁸

Logical framework of project has its logical links:

- Vertical link.
- Horizontal link.

⁴⁸ DOLEŽAL, J., MÁCHAL P., LACKO B. Projektový management podle IPMA, 2009.

4 Business strategy change management framework

The main task of the thesis is to propose a general methodology for a change of business strategy in IT industry, which is fitted to a framework of project management. This part detail describes the process of the change management which should be used in any IT company and should be followed for a successful results of the project. The part of the methodology is also the risk management.

Change of business strategy would be considered as entire company process, thus the all the strategy levels are taken to an account and the change is not considered as activity related only to business strategy but the process influencing the whole company. Therefore the impact on corporate strategy, functional strategy level is evaluated as well as the company's mission and vision.

For the business strategy change management the base is the literature research done in a previous chapter. The literature overview is the fundamental source of the knowledge for the methodology.

Used methodology will be applied to the real environment on a real company to demonstrate the concrete process and progress of change, thus its functionality and efficiency is proved.

IT industry is different from various other industries, mainly the barriers are destroyed according to many issues. The trend of globalization and internet make a broad range of services more easily accessible. The change in business strategy in IT should consider this fact.

Change is compiled by the two phases which consist more steps, together steps make a detail procedure and framework for a business strategy change management.

Phase 1: Situation analysis

Step 1: External Analysis general.

Step 2: Internal Analysis.

Step 3: Industrial Environment.

Step 4: SWOT Analysis.

Step 5: Force field Analysis.

Step 6: Risk Identification and Analysis.

Situation Analysis part defines a position and current state of the company. It is necessary to realize where company is, what is the situation, market and resources which can be later used for a change. The last but not least the company has to find whether the change is really desired and analyze which risks can later face in the process of change. The second phase deals with the change management itself, how the process should be maintain, the logical framework based on a project management and how to make precautions for a risk to minimize them or better avoid them.

Phase 2: The Change Management

Step 7: Agent of change identification.

Step 8: Intervention areas identification.

Step 9: Logical Framework of the change.

Step 10: Risk precaution strategies.

Step 11: Unfreezement.

Step 12: The change.

Step 13: Refreezement and Evaluation.

Each single phase and step will be describe in detail in a following chapters. In the end the comprehensive method for a change in business strategy for an IT industry is completed.

4.1 Phase 1: Situation analysis

Situation analysis is the first step, which has to be done before the change management itself. Situation analysis systematically evaluate and map everything influencing company's business strategy. For the purpose of the situation analysis more analysis are done. The main task is to evaluate current company position the deeper analysis is, the better for the company and future development of the change, because the company can avoid more risks and raise efficiency. Key factors influencing the company from the outside, even the internal environment are the essential for position determination. Those factors will be later evaluated as a company strengths or weaknesses and opportunities or threats coming from surrounding environment.

Situation analysis is the independent part, it is a fundamental stone for a following risk management as well as in change management.

4.1.1 Step 1: External environment situation analysis

In chapter Externa environment situation analysis the most frequently used analysis is PESTE analysis. PESTE analysis focus on the current state and position of the company, but also on the prediction of possible development of external forces influencing its being. The external environment is considered as a general not focused only on a business strategy, thus the compact situation and position might be defined. In PESTE analysis five fields are evaluated:

- Political and legal environment,
- Economic environment,
- Social environment,
- Technological environment,
- Ecological environment.

In case of political and legal field the emphasis is put on a legal framework influencing the company completed by a list of directives or laws connected directly or

indirectly to the economic activity of researched subject. For Czech based company it means the Czech legal framework, but in the field of information technologies often the international legal framework is crucial, therefore it is involved in this part of analysis.

IT companies should also make a research on a field of cybercrime, license agreements and EU legal framework.

To complete a political background it is necessary to analyze also the stability of government, its state to the IT and possible future steps to supportive policy or on the other side restrictive policy according to virtual environment. From the entrepreneurs point of view Value added tax rates and the taxes overall has to be one point included. Companies should also take to an account the EU export policy when the market is international, for some purposes it is abandoned to provide software cause possibility of its abuse and thus disadvantage a position of EU's next activities.

In economic environment analysis the stability of national economics has to be identified. The main macroeconomic indexes has to be analyzed, such as gross domestic product, inflation, interest rates or availability of capital. Since the company is operating on the international field the statistics about trade balance should take a place also. Trade balance also reveals to which countries the export and import are connected the most, this might be a clue for the future decision making to which countries the company might export and which are the most profitable.

There is variety of social factors influencing the company. The demographical situation as a population, density, age structure etc. should be described. The national culture and habits having direct impact on company has to be mentioned. For IT important indexes are also the amount of absolvents in last years, which can be used to complete the basic levels of development and are able to develop their knowledge later transformed to a profit for the company. IT industry is hardly human resources oriented.

Last but not least the level of skills with computer usage is important factor, technologies being a wide spread and thus the more and more available across the all civilization. Thus the analysis of input (absolvents, students) and users is done.

Technological background of industry is probably the most important field of PESTE analysis for IT related companies. The technology development is so fast in last decades that it changes from day to day, therefor be up to date in this field and known concrete position is highly recommended or even required. Technological environment should inter alia involve the last trends, devices used for processing, last solutions used and overall overview of the technological factors.

Last but not least the ecological environment which might be omitted for companies which impact is not influencing the ecology. Especially for software companies, which have no impact the last letter is useless to analyze, but for some companies making hardware the impact can be on the other hand significant therefore company itself should be able to distinguish whether this part should be done or not.

4.1.2 Step 2: Internal factor analysis

For internal Analysis the convenient method is 7s McKinsey's company especial for IT industry where is a high ratio of human resources. To properly done this analysis 7 key factors has to be identified and described:

- Strategy.
- Structure.
- Style.
- Staff.
- Skills.
- System.
- Shared Values.

Internal factor analysis should reveal the strength and weaknesses of the company, therefore it points out in which field company is strong and in which is lacking of knowledge, resources etc. To evaluate all the areas, the emphasis of 7s analysis is not only on human resources, but also a technological property or real assets company dispose.

Last but not least the company has to analyze its financial situation, the more proper analysis is the better company identifies its financial position and efforts which can be used for a change management.

4.1.3 Step 3: Industry environment analysis

In this step the position of the company according to its market should be identified in compare to its competitors. For the purpose if identification recommended model is the model made by Porter – Five forces analysis of competition environment which consist of five areas:

- Bargaining power of suppliers.
- Threat of New industry.
- Threat of Substitution.
- Bargaining power of buyers.
- Competitive Rivalry.

Porter's five forces analysis as well as PESTE analysis has to consider company as a complex and not analyze just a part, only then results of analysis are done properly.

4.1.4 Step 4: Summary SWOT analysis

To summarize all partial analysis and define overall output for both external and internal analysis the SWOT analysis is convenient tool. SWOT analysis consist of four quadrants:

- Strengths,
- weaknesses,
- opportunities,
- threats.

To each item on a list appropriate factors are enumerated and company now have the general overview of advantages, weak points from company point of view combined with possible benefits or losses from external surroundings.

4.1.5 Step 5: Force Field analysis

In Force field analysis company identifies directly the factors which influence business strategy change management. The forces are divided into two parts, those which supports the change also called forces for change and opposite factors which are against the change. For the purpose of analysis it is convenient to use a force field diagram which simply typifies and identifies factors driving or restraining the change and its size. In the end the summary of both forces is made and compared the result is whether the driving or restraining forces are in superiority.

Now company know which factors drive the change and which slows it, therefore the appropriate strategy to weaken the slowing factors and on the other hand empower the forces supporting the change is simply to piece together.

4.1.6 Step 6: Risk Management

Risk management is included in the process of the change because nowadays companies are motivated to continuous innovations and development of products through customers or benchmarking. Dynamic environment gives no space for any mistakes. Thus risk management become an indispensable and standard tool which allows the risk identification in the phase of project preparation. Identification risk allows us to react fast and flexible and press down the risk scale or the odd of risk realization. Each company have a different procedure for identification of risks therefore the following methodology is recommended, but not the only one which is applicable in a risk management

The risk is not even the negative event, but may give us the competitive advantage in case when company reacts on time with a proper solution. To identification of possible risks and following strategy making it is convenient to create a team with various members to identify as much risks as possible.

Risk management should be considered as a complete process involving identification of risk, risk analysis and final precaution strategies to avoid a risk.

Risk Identification

In the phase of identification company's team or person dedicated has to choose which risks will be involved in analysis and which do not. Into analysis should be involved only the risks which are related to business strategy change management, either when it only touch this issue. In IT industry this would be mainly human activity, but also macro environment.

The responsible worker or a team will based subjectively decide about the choice of risks. The risks should be done according to SWOT analysis and identify Macro environment, industry environment and internal environment. To not omit any of the risk identified risks might be divided into groups according to its origins.

Methods of identification is convenient to support by different methods such as brainstorming. On brainstorming all participants of change should participate to create a list of risks. For risk identification the risk list (registry of risks) which be a base for the risk analysis. Risk table may look as a following table.

Tab. 8 Example of risk identification table

Number	Risk group	Risk	Description

In the description part in is welcomed to also mention a cause of the risk, this might be used in a future development of strategies to avoid risks. Company may use a different risk identification methods if they are more convenient to its conditions.

Risk analysis

The risk analysis is the following step after an identification. Risk analysis allow company to determine which factors are threatening company on a level of serious trouble and scale of which factors is not threatening the project overall, but might be an extra cost. The factors with highest rating should be considered as a priority solved, the impact is the most dangerous.

In phase of risk analysis for each risk the probability of occurrence is assigned. Team or a person dedicated is an expert in the field, experienced therefore the borders of each risk can be assigned. For every level the written description is made, so it is easy to define whether the risk probability is low or high. The amount of stages is not restricted, every company can distinguish many risks probability occurrence.

Tab. 9 Risk occurrence probability

Risk probability		
Stage	Probability (in %) per project	Comment
1.	<0;20>	Low probability (LP)
2.	(20;60>	Medium probability (MP)
3.	(60;100>	High probability (HP)

Risk impact has to be assigned by the same principle as the probability of risk's occurrence. The amount of stages depends on each risk, the risk can have various impact therefore they have to be judged case by case. Table 10 shows how the risk impact scale table can be compiled.

Tab. 10 Risk impact scale

Risk impact			
Stage	Impact	Scale of impact in CZK	Description
1.	Low negative impact (LNI)	<0; 5>	Project is not threatened.
2.	Medium negative impact (MNI)	(5;10>	Project might be threatened.
3.	High negative impact (HNI)	(10 and more)	Realization of project is significantly threaten.

When occurrence probability and risk stages are defined the table can be filled for every single risk thus the risk probability and risk impact are assigned according to the previous tables. The company should allocate responsible team or person

for a risk management to assign these probabilities based on experience and knowledge. This part is often very subjective the unbiased opinion from the third sides might be also beneficial.

Tab. 11 Risk probability and impact assignment table

Risk identification			
Number	Risk	Risk probability stage	Risk impact stage

Risk Evaluation

When company assign occurrence probability and the scale of impact the summary matrix can be compiled. For every company the matrix can differ. In some companies the emphasis is more put to precaution realization of the risk, but others find an impact as a crucial part which may influence the process of project. The example of risk table is below.

Fig. 12 Company risk value table

	HP	MP	LP
HNI	High risk value HRV	High risk value HRV	Medium risk value MRV
MNI	High risk value HRV	Medium risk Value MRV	Low risk value LRV
LNI	Medium risk Value MRV	Low risk value LRV	Low risk value LRV

Risk matrix is an output of analysis, where individual risk is verbally classified. The evaluation might be subjective, it is the reason why team should be allocated on this.

4.2 Phase 2: Change management

For a change management the basics come from a Lewin's model of change. For a change management of business strategy the emphasis is on not only a technical process, but even on aspect of teamwork which is often in IT companies which are human focused, very important part. The dialog between employees is almost on the first place for a change management and its success. The proper timing in combination with a proper choice of the stages and its order are important. In following chapters the steps of change are described in more detail.

4.2.1 Step 7: Agent of change identification

In the step of agent of change identification the person or team responsible for successful and properly done change are searched. The agent is responsible for a process and result and is its head. The agent should have the full support from the company and sufficient competences. He, she or they should be authority, leading and experienced. The function involves leadership and organizational skills completed by the willing for realization, sense of purpose and should carry the whole company through the process. Agent is fully and directly responsible to the sponsor of change (top management, owners, stakeholders, etc.).

4.2.2 Step 8: Intervention area identification

To identify appropriate intervention areas is the most crucial step for a company. In the case of omitting any stage of the change, the whole results might be insufficient. For a business strategy change in IT the company has to change not only the business strategy itself, but also other above and below the business strategy level. Therefore it is convenient to start on the highest point and go down in the strategy level, therefore the neglect of any area is avoided.

The intervention areas are divided into four parts with a specific parameter according to hierarchical strategy stages in the company:

- Mission and vision,
- corporate strategy –strategic tasks, industry competitive strategy and capital allocation,
- business strategy – product, price, promotion and place (4P mix), people, process, physical evidence (extended 4P model) furthermore human resources, processes, planning management and organizational structure, etc.
- functional strategy – business strategy change management should come from the marketing strategy which will be crucial part of its change. To marketing strategy belongs the branding, the strategy of brand, communication mix, logo, PR, human resources in marketing, etc.

Within each sub-area and its specific parameters company has to find whether and if the change is realizable. The attitude have many advantages, as first it contain a

logical order of organizational structure from top to bottom and secondary it involves all the levels of management thus can be applied to any company.

4.2.3 Step 9: Logical framework of the project

The logical framework is used for a simple orientation in a problematics and the whole process of business strategy change management. The key activities, its outputs, goals and tasks and the intent of project are identified. Project's logical framework comes from a project management basic principles and its advantage is primarily the simple presentation in mutual context. Indicators have to be according to the managerial theories SMART. The logical framework matrix help to maintain a good overview about the Objective, purpose, results and activities necessary to reach objective in a project. The logical framework therefore might be compiled as the framework in figure 13.

4.2.4 Step 10: Unfreezement

Part of unfreezement contains mainly the part of provoking the feeling the change is necessary between all possible participants of the change. In IT field again, the main emphasis is focused on a human resources and proper work with it. The Ideal is to provoke the unsatisfied feeling with a current state. It is necessary to have a person or team (agent of change), who is able to inspire for a change from the stakeholders to employees. Agent of change should be able to create a simple vision for a business strategy change. The vision is later spread across the company organizational structure and all the employees or better participants. Agent of change should support and visually award employees which are for the change and punish those who are slowing or against the change.

In the phase is necessary to prepare all important information, which we have about the change, mainly analyze a current state and provide them an agent who use them in communication inside the company. Further all resources useable in a change management should be gathered and later used in a change process. Also the trainings, courses and other activities which can push at least a bit the willingness for change should by applied and realized. Thus the forces restraining the change are minimalized.

In unfreezement part many complication a conflicts may appear. Company should count on this and be able to react immediately, this is avoided by previous analyze of forces done. The preparation of strategies how to react on any risk and how to convert them into advantages is one of the task solved already before.

Besides all the steps done in this phase company should also create plans to realize each single change in strategy levels including how and what is the task.

Project: Business strategy change management			
Overall Objective	Verifiable indicators	Sources of verification	Assumptions
New Business Strategy	Increase in amount of partners by 50, increase in turnover by 20 %	Internal analysis, business plan	
Project purpose	Verifiable indicators	Sources of verification	Assumptions
Market share Increase	Turnover and profit financial ratios increase in the range of 3 to 5 %, market share index increase by 5 %, amount of companies with clue about SDC raise to 200	Financial statements, Cash flow, Market indexes, Website visits, Internal Analysis	Demand for speech technologies
Increase in amount of partners			
Increase in turnover			
Increase in profit			
Results	Verifiable indicators	Sources of verification	Assumptions
Factors influencing general and industrial environment. Audit of resources.	Done/ Not Done The output cannot be quantified. The team of experts or management will evaluate results subjectively.	Written forms of situation analysis, SWOT matrix, force field analysis, risk and change analysis. Internal analysis. Changes in intervention areas (extended 4P marketing mix)	Project realization in required time. Check of doability of project. Qualified employees participation. Free human resources.
SWOT matrix			
Restraining and driving forces, strategy to support driving forces and avoid restraining forces			
List of Risks completed by risk values, precautions against individual risk			
Agent of change, intervention areas, changes in intervention areas			
Activities	Inputs	Risks	Assumptions
Creation of situation analysis	Human capital, financial capital supported by management, team leaders and employees.	Refusal of change by employees, insufficient support by management, lack of partners	Detail prepared business strategy
Risk Management - identification, analysis, precaution strategies			
Change management - agent of change identification			

Fig. 13 Logical framework matrix

4.2.5 Step 11: Risk precautions strategies

Risk precaution strategy is part of the risk management, which was partially described in phase 1 step 6, where the risk were identified and analyzed. In the step of risk precaution is based on each risk's position in the risk matrix. Each risk's value company should have stated a strategy how to avoid the risk or at least minimize it. In some cases the risk can be undertaken. In general risk can be divided into groups of:

- Low risk value – the risk is acceptable, the occurrence and the scale of impact are low or medium, therefore no precautions are needed. In this case the small plan how to react on risk when it occurs. Accept the scenario is at the place when the costs for risk are lower than benefits which risked asset involve.
- Medium risk value – for this case to accept the adequate precaution and frequently watch over the risk and its state. The active prevention to avoid a risk, where company can avoid of risk realization.
- High risk value – the value signed as a high risk means the threat is in the critical area and claims immediate attention and remedy. The risks should be eliminated, they might have a significant impact on a project realization, in some case risk can cause an existence troubles. The risk impact can be also eliminated or lowered by lowering occurrence probability or its impact. In some cases it is convenient to move a risk to third parts or partners.

After risk identification and completing strategy it is convenient to archive documentation and the whole analysis for a future usage, this might help in similar cases or company can in the future solve the same problem in the change management.

4.2.6 Step 12: The change

Change phase is realized in all of identified intervention areas in the company. The change is realized by an agent of change supported by a sponsor of change.

In the management of change itself the crucial part is the participation of all involved participants. The scale of participation is dependent on other participant participation which comes out of the agent's of change style. For the business change management the democratic style of leadership is the most convenient because of the higher scale of participation of all involved to which the responsibility is transformed and they are more involved in a decision making process or they feel like they are, the emphasis is also on the group decision making. The advantage is also the agent of change is more informed about all processes and actions in the company and can later decide based on a higher range of knowledge, thus increase the quality of decision making. Last, but not least it empowers relations inside the company between departments and inside departments which are more connected to the company. The satisfaction, loyalty and moral rate is thus strengthen."

4.2.7 Step 13: Refreezement and evaluation

This phase follows the change phase of business strategy. If the company wants to done change on for a long term interval it has to be anchored into company culture. It is necessary to support results of change even after the refreezement part and point out the areas where the change was successful to empower willingness for upcoming changes, which might be required in a future.

The evaluation is the last part of the business strategy change management and change management overall. Company should evaluate newly reached state and its results, Company should answer the basic questions such as the all tasks were done. Based on a comparison of the previous plan and realized plan the violations should be considered and evaluated.

5 Business strategy change management application

5.1 Company introduction

Company's wish is to not mention its real name, therefore for the purpose of the diploma thesis the company is renamed to Software Development Company hereinafter SDC. SDC is technological company focusing on software development in the field of Speech Technologies. It was founded in 2006 as a spinoff of BUT university in Brno, by four co-owners. The headquarters is settled in Brno since the company have still a strong relationship and cooperation with their alma mater.

The first steps were done supported by South Moravian Innovation Center as a startup. For a long time company focused on commercializing of the BUT research activities and slowly grew up to current 33 employees. Company nowadays renting offices near university area and reconstructing a building where the whole company should move in 2016.

SDC is providing speech technologies, solution and services to the call centers, security and defense agencies and multimedia archives. Its portfolio includes various technologies which makes a complex tools for mining as much information from speech as possible. The information from the speaker, through content or environment ending with a quality analysis are the main fields of interest.

Company decided to change a business strategy according to the fast moving environment, which allows it to reach new markets and unify the whole company is the sense of the direction where it should go in next few years. The business strategy change should touch all the strategy levels, empower position on the market and build a strong brand, which have echo worldwide. Last but not least is the good relationship with partners, current and new, and the system how to maintain the partnership. The whole strategy change starts in 2016 and end up date is settled in 2017

5.2 Phase 1: Situation analysis

In the first phase the situation analysis the first six steps of the business strategy change management according to the general framework stated in previous chapter are applied.

5.2.1 Step 1: External analysis - PEST analysis

The detail PEST analysis is described in ANNEX I.

5.2.2 Step 2: Internal analysis – 7S model and financial analysis

Second step consist of two partial steps the 7s analysis and the financial analysis completed by cash flow. 7S Analysis is further described in ANNEX II and financial analysis is completed in an ANNEX III.

5.2.3 Step 3: Industrial analysis - Porter's five force analysis

The industrial analysis of company SDC is attached in ANNEX IV.

5.2.4 Step 4: Summary SWOT analysis

To sum up results from a partial analysis the SWOT analysis is done. The SWOT analysis identifies factors impacting on company from the inside (Internal factors) and outside (external environment).

Strengths

For the strong sides of SDC, in comparison with competition, company identified these strengths:

- University interconnection.
- Full portfolio (technologies).
- Neutral geographical location.
- Flexibility on customer requests.
- Low price level.
- Stable finance flow.
- High knowledge of speech technologies.
- Strong relationships in company
- Strong partnerships
- Low dependency on suppliers
- Low substitutional and new entry threats

Weaknesses

According to company's wish, weaknesses are listed in ANNEX V.

Opportunities

As the company know what are its advantages and strong tools, even what are the points which should improve, the analysis of external environment and its impact has to be done. Company found these opportunities which can be used for a future company development.

- Speech technologies awareness spread.
- Word of mouth (deployments awareness).
- Growing market.

- Emerging markets.
- Competitor's rigidity.
- Grants and project on EU or national level.
- Growing awareness of IT.
- Increasing PC skills in society.
- Positive trade balance.
- Growing export of IT services.
- Increasing amount of people employed in Contact centers.

Threats (internal opinion)

Not only the opportunities appears in a real life-cycle of the company, there are threats to be faced and which might have a major impact:

- Exchange rate EUR/CZ, USD/CZ.
- Export restrictions.
- Law, patents, IP rights, trials.
- Speech technology becomes public commodity.
- Employee turnover.
- Rigid legal framework for Voice Biometry.
- New competitors.
- High demand on IT graduates.

5.2.5 Step 5: Force field analysis

SDC is willing to change a business strategy, focus more on building a strong partnership based on sharing the knowledge and educate partners, whom generates a more profit introducing and finalizing more projects than company could handle by itself.

Now the analysis based on a method of force field diagram. Diagram reveals a restraining and driving forces and the importance of every single item, which can impact on business strategy change. The result is superiority of recommendation or rejection of change.

Table 12 reveals the driving forces supporting a change are way higher than the restraining forces which are negative. The following step according to the force field diagram is therefore to recommend a change of business strategy.

Few of the restraining forces can be influenced by a company strategy to support more the positive forces, such as a Marketing or insufficient capacities. Company should focus on the factors which may struggle in a change management of business strategy. For the purposes of avoiding these strategies the outsourcing from agencies focusing on human resources and hiring as well as the companies focusing on marketing might be the missing item on the company change list. On the other hand most of the negative forces are from the external environment and company may hardly change its being.

Tab. 12 Force field analysis

Force field analysis										
Restraining forces					Driving forces					
-5	-4	-3	-2	-1	1	2	3	4	5	
Insufficient capacities					Building a close cooperation with partners					
Low experience with change management					Lower costs per project					
Low marketing					Transferring of responsibility to partners					
Experts in the field - new employees					Reaching new markets					
Legal Framework for Voice Biometry					Availability of grants and projects					
Insufficient usage of financial management					Willingness of become a major player					
Small amount of skilled partners					New organizational structure					
High demand for IT absolvents					Low competition on the same tech. Level					
One office only in Czech Republic					Enough of financial resources					
Limited amount of languages					Good results of technologies					
Cost for partner education					Increasing demand for speech technologies					
					Growing market					
					Experts in the fields					
					Already working partnerships					
					Focus on technology development					
TOTAL					TOTAL					
				-28					47	

Company has to fully use a potential of driving forces, mainly the growing market and increasing demand for its technologies in combination with knowledge background, which results to the possibility of get the hire market share and profit.

5.2.6 Step 6: Risk management

The risk management is a broad discipline for a purpose of this phase the risk identification and risk analysis will be executed.

Risk identification

For risk identification the responsible person is the chief operating officer (COO), whom will make decision and list all the risk using a consultation meetings with head of business development, project manager and chief executive officer (CEO). For risk identification previous external, internal environment and force field analysis are used. The risk are identified by a team dedicated for this purpose.

Tab. 13 Risk identification in SDC company

Risk identification		
Number	Risk	Description
1	Exchange rate CZK/EUR decrease	Change on international currency market, macroeconomics indexes, behavior if central banks
2	New competitors	Profitable market, market gap, growing use ability of speech technologies.
3	Low new partner acquisition rate	Insufficient communication, rigidity on a requests, customer is looking for solution.
5	Legal framework restrictions	Legal framework for personal data, export restrictions and dual usage technologies.
4	Partners/ customers refuse a new business strategy	Pricing model, cooperation model, partner is not willing to educate in speech technologies.
6	Loss of important partners	Quality of technologies, wrong partnership model, low communication.
7	Inappropriate change management experience	Low experience in making business models, lack of project management skills,
8	Lack of HR	Departure of key employees, better working conditions or salary offered by competitions, overload of employees.
9	Slow procedure	Prolongation of internal processes, administration, complications, lack of resources.
10	Refusal of strategy by employees	Inappropriate communication with employees, wrong preparation of materials, "old-fashioned" employees.

Risk analysis

Risk analysis is the second step after risk identification. Company sets the limits for each stage of risk for two main indexes the risk probability which is probability of risk occurrence and the scale of risk's impact. Company may choose the borders for each probability by its experience. For a risk impact scale company decides, upon the budget, resources used etc. which risk can threaten the project and which would not cause a serious struggle for a project realization. The company based on a previous experience decides through the dedicated team or person the limits for each stage of risk probability.

Tab. 14 Risk occurrence probability in SDC company

Risk probability		
Stage	Probability (in %) per project	Comment
1.	<0;30>	Low probability (LP)
2.	(30;70>	Medium probability (MP)
3.	(70;100>	High probability (HP)

The dedicated team also divide risks into groups according to the impact of certain risk, for SDC. The lowest impact stage is limited by 1 million of Czech crown and the risk with this limit will not influence the project process. The risk impact influencing the project more and more is threatening for its success. The limits are visible in table 15.

When company know exact range of the low, medium and high probability of risk occurrence and which scale of impact these risk may cause company assign the probability and scale to each single risk identified in step one – Risk identification. Table 16 Risk probability and impact assignment table summarize the results from previous tables and can now decide how dangerous each individual risk is and how the company show approach this risk according to the probability of realization and the scale of impact.

Tab. 15 Risk impact scale in SDC company

Risk impact			
Stage	Comment	Scale of impact in Mil. CZK	Description
1.	Low negative impact (LNI)	<0; 1>	Project is not threatened. Costs are quantified above 1 mil. CZK
2.	Medium negative impact (MNI)	(1; 5>	Project might be threatened. Costs are quantified between 1 mil. and 5 mil. CZK
3.	High negative impact (HNI)	(5 and more)	Realization of project is significantly threaten. Costs are quantified above 5 mil. CZK

Tab. 16 Risk probability and impact assignment in SDC company

Risk Identification			
Number	Risk name	Risk probability stage	Risk impact stage
1	Exchange rate CZK/EUR decrease	MP	LNI
2	New competitors	HP	LNI
3	Low new partner acquisition rate	LP	LNI
5	Legal framework restrictions	MP	MNI
4	Partners/ Customers refuse a new business strategy	MP	LNI
6	Loss of important partners	LP	MNI
7	Inappropriate change management experience	HP	LNI
8	Lack of HR	MP	MNI
9	Slow procedure	HP	LNI
10	Refusal of strategy by employees	LP	LNI

Risk evaluation

Following step is to make a matrix of risk based on a risk occurrence probability and risk impact. Company has to define which combination of the two mentioned indexes brings it the low, medium or high risk value. SDC use matrix pointed out in table 18. Company decided the more influential for the project is its impact than its occurrence, therefore the team dedicated adjusted a table to its conditions, the final risk matrix is visible in following table.

Tab. 17 Risk value in SDC company

	HP	MP	LP
HNI	High risk value HRV	High risk value HRV	High risk value HRV
MNI	High risk value HRV	Medium risk value MRV	Medium risk value MRV
LNI	Medium risk value MRV	Low risk value LRV	Low risk value LRV

According to the Risk matrix we can easily derive a final risk table, where the values for each identified risk are assigned.

The overall value show how much threatening the risk really is for the project, the risk with high value which are not the case of SDC has to be solved as first, in this case company solve the medium risk value items preferred before the risks with low value. Once the risk overall value is identified it is used in the following step of risk precaution strategies in step 11.

Tab. 18 Final risk evaluation in SDC company

Risk identification		
Number	Risk	Overall Value
1	Exchange rate CZK/EUR decrease	LRV
2	New competitors	MRV
3	Low new partner acquisition rate	LRV
5	Legal framework restrictions	MRV
4	Partners/ customers refuse a new business strategy	LRV
6	Loss of important partners	MRV
7	Inappropriate change management experience	MRV
8	Lack of HR	MRV
9	Slow procedure	MRV
10	Refusal of strategy by employees	LRV

5.3 Phase 2: Change management

In phase two the change management methods are applied for a proper and successful procedure. The application of a framework stated in a general section is used.

5.3.1 Step 7: Agent of change identification

As an agent of change the COO is selected. His previous experiences with project management and good knowledge of process management are only additional of his managerial skills. As a support of the decision making the regular meeting of team leaders, mainly the head of business development and SDC's CEO will take place every month. The sponsors of a change are the founders of the company in other words the company finances the change from its own resources supported by external capital to raise effectivity of capital used.

5.3.2 Step 8: Intervention areas identification

The actual change is done in four following areas, which were identified in previous chapter. The change of business strategy requires change not only on the level of itself, but even on the other strategy levels. The company therefore has to be unified in across the all strategy levels.

1. Mission and vision.
2. Corporate strategy (strategic goals, field of industry, competition strategy and capital allocation, etc.).
3. Business strategy (Product, pricing model, partnership model, market segmentation, tier countries, targeting, human resources, organizational structure, etc.)
4. Functional strategy (processes in the company, branding, marketing strategy, communication inside the company, trainings for partners, communication mix overall, corporate design, human resources, etc.).

For each level company has to find out whether the change is desirable and thus whether it will be changed or nor.

5.3.3 Step 9: Logical framework of the project

When the company absolve a situation analysis phase, identified agent of change, sponsor and the intervention areas it is time to compile a logical framework of the project. The objective of the project is new business strategy this objectives comes from the requirement company already had a business strategy and it is willing to done a change. Company than compile following figure.

Fig. 14 SDC's logical framework matrix

Overall objective	Verifiable indicators	Sources of verification	Assumptions
New business strategy	Increase in amount of partners to two at each region, increase in turnover by 20 % bot by the end of 2017.	Internal analysis, financial statements, contracts, academy.	Willingness for change, previous business strategy.
Project purpose	Verifiable indicators	Sources of verification	Assumptions
Market share increase	Market share increase according to the market growth (e.g. 5% per year). profit increase by 20 % and working Academy till the end of 2017.	Academy, internal reports, financial reports, contracts with partners.	Demand for speech technologies.
Build of partner network			
Increase in profit			
Results	Verifiable indicators	Sources of verification	Assumptions
Higher brand awarness	Done SWOT analysis till end of June, Increase in website visitors by 30 %, each serious partner geenrates 30 k EUR turnover, Profit raise by 30 % all by the 2017.	Written forms of situation analysis, SWOT matrix, academy, financial reviews.	Well known internal environment, partners search, external analysis, marketing agency or person, sales team activity.
SWOT matrix			
Increase in partners and relations with partners			
Increase in profit			
Activities	Inputs	Assumption	Risks
FOCUS project	Human capital, financial capital supported by management, team leaders and employees.	Detail prepared business strategy.	Refusal of change by employees, insufficient management, lack of partners, lack of experience
4P marketing mix change			
Academy foundation			
Internal/external analysis			

5.3.4 Step 10: Unfreeze

In phase of unfreeze the main task is to convince all employee is the agent of change in cooperation of CEO who is an authority across the company. Thus all the employees have a significant sign, the company is unified and willing for a change. For a communication with employees regular presentations of the change progress will be done. The project itself is called FOCUS, so the company support the idea of the focusing on a certain processes upon the Business strategy.

The first step is to initiate a feeling of dissatisfaction with a current state. For this purpose the first presentation based on analysis of internal, external and market environment are presented. The conclusion is the change is necessary to be done. The emphasis is put on every single department of the company, so everybody feels involved in the change management and feel a certain responsibility.

The second step is the plan compilation by the agent of change, again in cooperation with the most involved person, who will transfer responsibility to lower levels of company. It is necessary to identify which areas and processes has to be changed and how this change should be done. In every area agent has to identify which resources will be used.

1. Mission and vision analysis

Vision of the company will be reformulated to: *"Our vision is to create a uniform platform for speech analytics"* Mission of the company will be formulated as: *"Make the information from speech easily accessible"*. Both, mission and vision, would induce the possibility to mine data from a spoken word easily with a unified platform. The intervention in this field involves activities for a top management to settle the new vision and mission via meetings with a marketing agency and should bog down into the complex of all strategies. The final version will be available till 31st of July 2016.

2. Corporate strategy intervention area

Corporate strategy will be newly different from the previous one which was fragmented and not united. In a FOCUS project the one part is to define a tier countries or in other words the countries which are preferred. The field of industry remain the same, company identified it is strong in development of speech technologies core and want to remain in top world speech technology and Voice Biometry manufacturers.

From the market point of view the task is to keep pace with a market growth. Significant growth of the whole industry is obvious and the corporate strategy is to keep the same market share in upcoming five years. Differentiation from other players is the key factor of the change.

Corporate strategy is revealed on regular presentation for the whole company presented by the Agent of Change and CEO and its progress with the quartile or more intense frequency.

The intervention strategy for corporate strategy level is a pack of activities provoked by the agent of change, which includes the steps for a sales team and team leaders. Sales team will promote a new strategy across the partners and customers. Team leaders on the other hand will manage their team members to keep up with outlined strategy. The corporate strategy is done till 30st September 2016.

3. Business strategy intervention area

Change of the business strategy will be core change of the SDC business it is not only about change in pricing model or product but the overall change of the company.

The change and the whole change process is covered by a project called FOCUS, which involves all the necessary activities such as analysis, motivation of employees and result presentation. The agent of change will drive the whole project in cooperation with CEO.

Project starts in the early 2016 and is divided into three parts. The first is to reduce a chaos in the company, analyze the current situation and realize the position of the company and search for possibilities. Second part of the project is to define a new strategy and present it to the company, motivate for a change and set corresponding processes in the company. Third and the most important part is implementation of the strategy itself.

The goal of the new business strategy is to have at least one educated partner in speech technologies for each segment on a tier one and tier two regions till the end of year 2017. The goal extension for year 2020 is to reach a certain level of profit, which company do not want to share. Change is made in following areas.

Product

Product changes from a solution which includes a graphical user interface (GUI) to easily implantable platform. The platform advantage of platform is mainly in its easy implementation and thus it should reduce costs on support and allow company more focus on the field it is good at, the development of core technologies on a top level. The product now more focus on a partners which, on the top of it, make their own solution or its own GUI. Product is now the universal platform with different modules, which consist of different modules of Speech Analytics and Voice Biometry.

Speech analytics is focusing on the datamining from speech, to get the most information from a spoken word as possible. This consist preprocessing technologies (Speech Quality Estimator, Voice Activity Detection, Speaker Diarization or Time Analysis Extractor) and speech technologies (Speech Transcription, Keyword spotting, Gender Identification, Language Identification, Age estimation and Speaker Identification). Speech analytics will be divided into modules according partner's/customers' needs and once the one module is implemented additional implementation is simple

Voice Biometry on the other hand is the technology based on Speaker Identification, mainly use to identify the speaker. The principle is the same as any other biometry, as example can be mention a fingerprint, but in voice biometry we use a voiceprint based on a mathematical expression of the target's voice. This product is used in two ways. First speaker verification, therefore the speaker may use its voice as a password and easily access to the bank account or open a doors to its house. The second case is the fraudster detection which compare e. g. a voice of a client in financial institution with a black list of a fraudster already known and thus reduces cost for avoiding scamming. Both Speech analytics and Voice Biometry will be built on the top of the SDC technologies.

Department of professional services is another part of product. This is the department of highly skilled experts which helps clients with the first steps, implementation and in further stage of progress with adjusting SDC technologies to reach a better results on customer's data, extend vocabularies, set the thresholds, calibration and all additional services needed to set speech technologies and how to work with them. Part of the Professional services is also to educate a partners via trainings.

The intervention strategy is therefore create a new department, dedicate person to this department and make a proper documentation of the whole now product strategy. The sales department has to be aware what are now products and how to introduce them to partners. Product phase is finished till 31st of July.

Price

Pricing model will be changed as well. The current pricing model was to count the amount of cores or ports on which the technology ran. The new pricing model is focused on the performance, which means the amount of data processed is monitored. The price is than derived from the real amount of module usage.

For the speech technologies the processed minutes are monitored. The final amount of minutes per month is than compared to the table in which the various ranges of the minutes processed are priced.

For Voice Biometry the model is almost the same, but instead of minutes processed the monitored unit is a transaction. Transaction means the request send for a verification of the speaker. In final stage again compared to the pricing list.

For Professional services the pricing list is fixed. Every service from a training, vocabulary extension to calibration have a price, which will be clustered to bundles. Bundle is the set of the services necessary to be done to adjust the technologies to get the best results or to educate a partner in a certain issue.

The pricing model is, according to a pricing strategy matrix, mentioned in the first part of the work, low price but with the high quality product, therefore the

company's strategy is to penetrate the market and take the share as big as possible. Also it should be more convenient to the customer, because it pay the amount he really process and no capacities than remain unused. From the view of professional services team, some of the services provided might be compulsory, especially when the cooperation with partner is the first both side project.

The new pricing list is compiled by a product manager in combination with head of sales, confirmed by CEO till 31st of August.

Promotion

Promotion on the business strategy level includes mainly the segmentation and targeting. The advertisement and marketing are supportive processes which are realized on a functional strategy level and thus will be mentioned later in the work. It is necessary to mention the part of the promotion will be a construction of the strong brand with a supportive marketing activities.

Segmentation will remain the same. Two most important segments are governmental which later splits into a smaller groups according to the technologies used, the second is the commercial sector divided into the financial institutions and call centers. The segmentation in the process of the change management will be done on each segment properly, so the needs of any lower level will be identified properly. It is expected the usage of SDC technologies will raise in commercial segment mainly.

The target groups are according to segmentation partners working with commercial segment or the governmental, it is harsh to search for the partners which are working with both segment, necessary to mention it is not possible, but the occurrence is exceptional. The overall promotion part is ready till 30st of June.

Place

The company will focus on a certain markets, where it will put the most emphasize to develop a business activities, marketing activities and partnerships. The main market is still the Czech market, for which SDC has a best speech technology models due to its origins. Also the US market is one of the important for the business development, the potential is high and the growth in this nation is high forecasted. Last but not least the EU countries are the target market, it is less costly and easier to maintain a good partnerships when the partner is near in meaning of the distance but also from the culture point of view and habits which are more or less the same in the whole European Union.

The channels how to reach these markets are via partners. SDC new business strategy focuses the most on the good partnership cooperation. From a good previous a current partnership developed the company considered a partnership development as a critical factor of its progress. Company has to fix the cooperation framework, how it would approach a new partners, the part-

nership program requirements, from the business point of view as well from the legal perspective.

The idea is to make a strong partners, the few of them, for each country/segment and directly work with them, educate them and train them to be independent less and less on SDC support, but still the updates and upgrades of technologies would be the important part of the success.

Complete intervention strategy for approaching of customers is completed till 30st of June.

People

People are the most important part of the SDC structure. The organizational structure will move from a previous to the matrix organizational structure, therefore the more cooperation is secured. The leader positions are still kept by the senior employees, from whom the transfer of motivation and knowledge to the team is fundamental. The new department of professional services is founded, this part of structure ensures the cooperation of the sales team and development as a middleman.

For every leader at least one responsible person with a proper acknowledgment has to been set. This person is responsible for a team in the absence of the team leader. The structure allows more flexibility to customers, but also for internal processes.

Company plans to grow in upcoming years, therefore the organizational structure is made according to the potential growth and make it simpler to involve a new worker. SDC is also willing to educate its employees and thus the rate of internal and external trainings or presentation will increase. The organizational structure's deadline is 30st of June.

Processes

Company has to simplify and standardize the most often processes. For this purpose the position of chief operating officer has been newly covered. The person on this position should maintain either the good relations on the working place, either take care over the processes.

Since the company is people oriented and human capital is the one of the strongest assets, it is necessary to focus on the information sharing processes to avoid any undesirable noise. For this purpose research, proper analysis has to been done and on the top of the results the most efficient solution should be implemented.

The more the processes are unified and understood across the company the more unified is communication out of the company and this is what SDC want to act as a unified and flexible company. The process deadlines should be stated according to the each process change, some of them might be long term, and some of them take a short time in amount of days. The responsible person for a change in a certain process has to follow SMART method.

Physical Evidence

The good documentation and learning by doing from this documentation has been found as a one of the issues where the business strategy should focus on. The first part belongs to internal documentation, which can be shared via internal Wikipedia. Simple availability of the research papers, results of technologies, meetings notes or contacts is the direction which company should go. This saves times as well as cost and increase efficiency of workers, their knowledge and often keeps them more motivated than when they get stuck in searching for information.

The second issue is the communication outside the company. As it was mentioned in the processes, SDC want to act as a unified company and thus all the messages going out of the company should have a certain format. The outgoing messages includes whitepapers, exhibitions, but also a use cases for partners etc. Physical evidence is done when during the process, but have to be ready when the project ends, again the SMART rules has to be followed.

4. Functional strategy intervention area

To support a change of business strategy company has to begin on a lowest strategic level, the functional level. Change will be mainly supported by marketing empowerment, which will be the main channel how to build a strong company face.

Company has very weak outgoing marketing communication. The current lack of marketing knowledge translates into insufficient quality of communication mix. Thus the best solution would probably be hire a new marketing employee or outsource it by a marketing agency, which are last years a on a growing trend.

Whether the company choose to hire a new marketer or company the new marketing strategy will be focused on a certain areas:

- To build a strong brand.
- Logo.
- Product name.
- Blue ocean strategy/ differentiation.

To build a strong brand on the background of the company comes from the very good results of the technologies, which are on the top world level, but missing an ideal promotion. The customers mainly comes from two channels the exhibitions and company websites. Good and strong brand comes from a quality and healthy company and its culture. Which is already built in SDC, but needs to be well presented out of the company. Company has to invest in a high quality visualization on its expositions at exhibitions. The main emphasis should be driven to commercial sector, where the share of profit is planned to raise. On the other hand company has to renew its websites current one are weak and fits more for the company which is strictly technological, this state was sufficient for the SDC before the change.

A strong brand requires a strong logo as easy memorable sign. From the first view it should be obvious what the company's industry is. The logo is not only the

company's logo, but also a unified product's logo. There are two options the product logo will correspond to the company's logo a thus will be connected or product's logo is totally independent on a company's logo. Competition use both variants, so it is up on a skilled marketers to find suitable solution to SDC. Logo should be distinctive and on a high design level, but still keeping simple and easily recognizable. The product name as well as logo will be easily memorable and connecter to company's business intention, but so far the name will be a standalone, the high focus on an independent product on the site is recommended.

All the point of the marketing and branding carry the same value – the differentiation. Company is seeking for a blue oceans where no shark swim, thus to easy distinguish SDC from other companies is the fundamental requirement for a communication mix makers. Simplicity and effectivity are the key words for a marketing strategy. The whole marketing is completed by a strong documentation.

The good marketing comes from a good identification of company's shortcomings and the position on the market. For the purpose of the marketing also the previous analysis can be used, such as PEST analysis, SWOT analysis or force field analysis. Company is used to perform a pull strategy which will be maintain even after a change.

The intervention strategy is therefore to find an adequate tool how to build up a strong marketing and promotional strategy. Company have two possibilities, to cooperate with marketing agency or hire a marketing employee. The whole marketing is realized till 31st of November, but the logo and product name are used since the 31st of July.

5.3.5 Step 11: Risk precaution strategies

In this step company base on the risks evaluated in the risk matrix makes a precaution strategy to avoid the risk to minimum.

First identified risk is the exchange rate. SDC can hardly influence behavior of institutions which have impact on macroeconomic indexes such as central banks or even European bank. Thus the possible way how to avoid a risk of the decreasing exchange rate might be diversification on other currencies, involve also Czech based companies which pay invoices in the same currency or US market nominated in dollars.

New competitors is as well as the first risk hard to influence, since it is external factor. Requirements for a new competitors are high, but international companies have assets to invest, thus it is harsh to stop egg. Google to participate. Well set business model in combination with high flexibility, which often lacks in corporate companies, are the best way how to avoid a risk of losing market share. Second possible way how to keep market share on the same level is a pricing model.

Through the realization of the change in the business strategy the necessary step is to acquire new partners. The risk lies in the competition, which might offer better products/services or the partner might search for a whole solution. This is mainly the role of a business development department, which has to maintain a good relationship with partner, communicate and mutually search for a convenient

solution. Furthermore the responsible person or a key account person should search for a quality partners, so it avoid probability of time wasting with a wrong partners. The criterions for a convenient partner should be established e.g. Year turnover, credibility, reputation, size, etc.

If the EU reveals export restrictions company can hardly react in a different way than accept these restrictions. The same issue comes up with an insufficient legal framework touching the topic of the Voice Biometry, where the lack of regulations is. To avoid any suffer of these risks company may adjust its business strategy according to the long-term good relationships with the cooperative nations. Thus orientation on US market and EU including Czech Republic reduces the chance of risk occurrence to minimum.

Partners or customers may refuse a business model of the company, mainly this issue touches the pricing and cooperation model. Some of the partners might work on a one project basis and do not will to make a further cooperation. To avoid this kind of risk, company should consult business model and business strategy with verified partners, which knows better the end customers' requirements and needs, thus they should be a bridge between the SDC and satisfied end user. To differ between partners according to their needs, company might have more business model, which would more fit to each project developed and maintained by partner.

When the company will not compile a proper business strategy and business model of cooperation, it might loss an important partners. Thus the same solution for this risk is at hand. Quality communication and mutual work on a pricing model which zooms into the mediator level of business and its requirements from a partnership point of view. Keep in touch and have a "hand-shake" meetings once in a time helps to maintain a good relations, including updates of technologies and the market development which is beneficial for both sides. The partnership model should include a both side development in the field of the speech technologies. First the SDC is educating its partners so they are more and more independent on a SDC support and secondly partner keep SDC updated about the end-users needs.

The lack of change management experience might cause an additional costs appearing in the process of change, furthermore some processes in project of change might be done inappropriately. Therefore an extension of knowledge in this discipline should be one of the points how company supports the whole procedure. Mainly training of the change leader completed with a literature or outsourced supervision helps to reduce risk value. The more proper background and knowledge of change management the responsible team have the better is decision making done and have less space for a wrong decision, which might be, in extreme cases, threatening for a change management and final result of change.

Eighth point which have a chance to negatively influence the project is lack of human resources. Since the company is strongly oriented on human capital and invested a lot of financial and other assets into the personal development, the departure of a key employees might be harsh to replace. SDC has to monitor the working environment and labor market to offer corresponding salary and working

conditions. To motivate employees which are in a company for a long time, search a positions which will move them forward in their personal vision. Company found an essential factor in a shared values inside, this factor has to be even empowered and maintained on a high level, which helps to carry all employees feeling like a part of a team, which will be weakened by their departure.

Two last risks are part of the procedural session. Lack of experience may cause a slow procedure moves forward. Often the company administration costs raise or the lack of resources appears. All the team leaders has to be involved in a change management meetings, so everybody is aware about the used resources, deadlines and plan. The sharing from the team leaders reduce the costs on administrations and ensure the information are spread across the company. The last but not least company can use external consulting.

If the strategy is not made according to the needs of the lowest level employees it would probably not work. Last point of the risk is the refusal strategy by employees. When the employees would not accept the change which is made by a management level, the cost will rapidly increase as well as time needed to do a change, not to mention it has a significant effect on a results. This issue appears when the agent of change will not convince employees to participate on change. The remedy to the last risk is a proper communication with employees, embed them into a change and make them feel the change is necessary. Regular information and company meetings about the progress also helps to keep workers motivated and involved in change.

5.3.6 Step 12: The Change

In this phase the change on every identified intervention area is happening as it is described in the forgoing. For a successful change it is necessary to keep all data actualized and up to date, because the internal and external environment is changing also, therefore it is necessary to update analysis according to the real and current situation. The change will be realized by an Agent of change.

To the change management and change itself every single employee of SDC will be involved, it touches not only the sales team, but also a strategic management level, so the change can be done properly and without involvement of all employees cannot be complete. The democratic leadership will be used. Employees are more involved in the change in this style of leading, have responsibility and remain more motivated. This style would be used also for negotiation in marketing activities, whether the company choose to hire a marketer or external agency the team of marketing negotiators will be made. The individual points on the list of change are discussed with leaders of the team and later flowing down to a lowest levels of organizational structure, who's requirements and needs goes again up to make a unified and comprehensive business strategy.

To bring more experience to the company new elder employees might be hired. The risk of lack of experience in change management would be then minimized and furthermore the new and fresh forces comes to empower the forces driven for change. For the business strategy the most important position would be

the head of sales. Company should fill this position before the second stage of the change and FOCUS project.

To keep the motivation of the whole company and keep the pace of change, every points of the change are presented in the company's presentation driven by Agent of change completed by CEO. The task of the presentation is to summarize changes happened, the vision and activities which has to be done to make a change successful. Previous state and the goals for each activity which has to be achieved are presented simultaneously with plan how to reach this goals and what resources will be used. Phase of the change will happen till the end of year 2016.

5.3.7 Step 13: Refreezement and evaluation

After finishing all the intervention activities and finalizing change itself the process of refreezing acts. The phase of refreezing is necessary to maintain the desired state. This phase will be realized directly following the previous phase of change, therefore in the beginning of year 2017. Agent's of change task to supervise over the duties of marketing agency, marketer and or the new head of sales, the main task would be to maintain an activities revealed in the process of change, the correct choice of partners and the proper relationship management with them. For acquiring new partners use the appropriate channels with appropriate quality. It is necessary to delegate respective powers through the organizational structure.

After finishing the whole project, which should be till the January 2017, should company evaluate a newly reached state and compare it with the default status. The comparison will be used in a final presentation to strenghten a refreezment and see the progress. Furthermore the whole change process will be monitored and used as a marketing materials to support the business strategy from the functional strategy level. The conclusion of evaluation are deviatiotion is every single area of change.

6 Discussion

Strong support mainly from the written sources and strong knowledge background provided the most important information later combining a various methods and attitudes. It was necessary to properly choose appropriate authors dealing the topics as business strategy, change management, risk management and analysis. The necessity to combine foreign and Czech authors to make an overall overview has satisfied. In the literature part various approaches are defined therefore the methods used are not the dogma, but only a recommendation.

The methodology how to carry company through the process of business strategy lacks in the written sources, especially for IT markets. IT industry is significantly rising in last decades and companies has to react the faster the better. The work is specific for its consecution. Business strategy change is considered as a project, therefore the basics of project management are applied through the whole change in combination with elements of strategic, change and risk management.

The business strategy is not the only level of strategy in the company, the thorough situation analysis is a required starting point. Situation analysis can be done by many methods and models, thus the methods convenient for IT market were chosen. The external and internal environment analysis to identify position of company and its health. For an external environment analysis PESTE analysis was done accompanied by Porter's five force analysis of competitive environment. To analyze internal environment in IT the most convenient are methods focused on human resources, mainly for software the creation is dependent on human capital, thus the methodology of 7S by McKinley Company is the most suitable one. To make a full overview the necessity of the financial analysis is completed.

The factor of risk and the system of strategies how to minimize or better avoid risk in the chosen intervention areas. The whole methodology is described in detail, therefore companies should be able to identify certain risk, probability of realization and what scale the risk have on the project. Each company use a different process for risk identification and evaluations the use of a verified method in a company can increase a chance of a correct identification and later risk precaution.

Three phases of the change are according to the literature applied. Unfreezement, the change and refreezement are three phases used in the change management which are described in a last chapter in practical part. The results has to be verified and evaluated, the final comparison with a previous expectations, goals and task took a place. Lewin's model is not the only model usable for a change management, also other models can be used such as a Kotter's, which might be more convenient for different cases.

The limitation factor in the change might be insufficient information, therefore I recommend to gather the more information the better. In the last part of thesis company is not willing to provide all the detail data from the internal environment, therefore some of analysis can be further developed in more detail and usage of a not aggregated indexes can make the position and current state analysis much more complex and deep.

The framework of the application might be used also in other industries and fields, this one is the most suitable for a software IT industry, but also to the highly human based industries on the other hand the change framework might be with some minor changes for different purposes. The business strategy change management is a process surrounded by environment which is continuously changing, therefore it is necessary to adjust the whole procedure to the current conditions and adapt to them, choose convenient methods and apply convenient analysis, therefore this thesis should provide the guide how to make a change, but the realization team has to judge every single change as a different project and assimilate the methods used to the exact case.

7 Conclusion

Information technologies are in a last decade very progressive and dynamic market, where all the participants have to keep pace with a new trends which were not predicted to happen few years ago. Therefore reaction on a level of business strategy is highly recommended, in some cases required, to survive in the competitive environment such as IT is.

The business strategy cannot be separated from the whole company environment and culture. Business strategy change management as was described in the thesis has to be taken as a part of the whole strategy, when company wants to change business strategy it has to change also mission and vision, corporate strategy from a top, followed by business strategy itself and ended up with a lowest level of functional strategy.

The main task of the diploma thesis was to establish a business strategy change management framework with a complex methodology which is usable in software development company. The first partial goal to analyze change management risks supported by a second partial goal which covers a business model analysis and the third the application of the stated framework into a real conditions.

The first part is a literature review which gathers related literature sources from domestic and foreign literature. This chapter describes a various methodology, theories and attitudes from topics used in a strategic management, change management, risk management and project management, which are later applied in a business strategy change management. In the process of creation of the literature review the emphasis was on complexity and order of information to create a unified information source and fundamental for a next progress.

Following chapter "Business strategy change management framework" fulfills the main task of the thesis, the whole methodology or a guide how to lead a company through the change management of the business strategy is described. The whole change is considered as a project, therefore the basics of project management and logical framework matrix are applied and logically connects a parts of the change together. Chapter is divided into two phases, the situation analysis and change management part.

Situation analysis phase deeply analyze the position of the company, its business position, partner network and thus accomplishes the second partial goal. First phase propose the procedure of the external and internal analysis where company identifies its position and its possibilities, the results are supplemented by industrial analysis by Porter. The summarization of the done analysis are summarized in a SWOT matrix, where the strengths, weaknesses opportunities and threats are listed. Force field analysis than identifies the restrictive and driving forces for a change and based on an evaluation management decides whether the change is welcome or rejected. The last but not least part of the chapter is the risk analysis which identifies each single risk, assign a probability of occurrence and the scale of the risk. Based on the result the overall risk matrix is compiled and later used for risk precaution strategies.

The second phase analyze an agent of change and intervention areas where it is necessary to make a change to be most efficient. The results from a risk matrix are used to create precaution strategies to minimize a risk or avoid it totally, so the project minimize chance to be unsuccessful or threatened. Using a Lewin's model of change the change itself is divided into 3 parts – unfreezement, change and re-freezement in combination with evaluation of the results.

The third chapter apply the whole methodology created in chapter two to the real conditions of the market. The application of the business strategy change management framework on a subject acting on a IT market as a software development company demonstrate the ability of deployment in an environment and conditions which a real company face every day. The application of proposed methods to the selected company fulfills the third partial goal.

The thesis overall prove the fact, that IT companies are highly dependent on a human resources which are the driving forces. It is necessary to properly work with every single employee and involve them into a change to increase a chance of a successful change management. Many companies start up and companies are facing a fast progress of its development and the reaction is often necessary to be able to react on a new demands, therefore the thesis is made to give a general framework applicable to any software IT company dealing with a business strategy change.

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