

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

Department of Management



BACHELOR THESIS

**Change Management: Case study of The Coca-Cola
Company**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Department of Management
Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

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Economics and Management

Thesis title

Change Management: Case study of the Coca Cola company

Objectives of thesis

To define the meaning of Change Management, and identify the main reasons for undertaking a change management programme, through a case study of the Coca Cola company

Methodology

The first part of this thesis will contain a review of the current philosophies of Change Management, using literature and other suitable resources. The main factors which companies face before, during and after undertaking a change programme will also be identified.

The second part of the thesis will be based on a case study of the Coca Cola company, which has undertaken change management programmes on several occasions. This investigation will be supported by an analysis of the company.

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Keywords: Change management; Market analysis; Coca-Cola; Change; Strategy; Company

Anderson, D., Anderson L.A., *Beyond Change Management*, Jossey-Bass, San Francisco 2001; ISBN: 0-7879-5645-7

Paton R.A., McCalman, J., *Change Management A Guide To Effective Implementation*, 3rd edition, SAGE Publications 2008, ISBN: 978-1-4129-1220-4

Sharma R.R., Change Management Concepts and Applications, Tata/McGraw-Hill Publishing Limited, New Delhi 2007, ISBN-13: 978-0-07-063586-9, ISBN-10: 0-07-063586-2

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Declaration

I declare that I have worked on my bachelor thesis titled – Change Management: Case study of The Coca-Cola Company by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on 17.03.2014

Daiana Turginbekova

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Change Management: Case study of The Coca-Cola Company

Summary

The topic of this Bachelor Thesis is Change Management. It studies Organisational Change Management by focusing work on The Coca-Cola Company, which operates in the field of soft beverages. The thesis involves both theoretical and practical parts.

The literature review explains the notion of Change Management, as well as the importance of implementing it in organisations. It also contains the basic concepts and techniques for implementing the process by different authors and makes summarizes the ideas. The thesis further deals with the fundamental issues in managing organizational change, including factors that cause failures.

The case study examines the various changes that have occurred at the Coca-Cola Company, which possesses one of the most known brands in the world. It studies the factors which organisations face before, during and after Change Management, and more precisely the effect of it. The practical part also analyses the factors that drive The Coca-Cola Company to undertake a Change Management programme.

The findings of the investigation are used for the comprehensive evaluation of Change Management. The main conclusion drawn from this research is focused on the importance of Change Management in organisations.

Key words:

Change Management; Market analysis; Coca-Cola; Change; Strategy; Company

Řízení změn: Případová studie společnosti Coca-Cola

Souhrn

Tématem této bakalářské práce je řízení změn. Je zaměřena na organizační řízení změn společnosti Coca-Cola, která působí v oblasti nealkoholických nápojů. Tato práce je rozdělena do dvou částí a to na teoretickou a praktickou.

Teoretická část se zabývá řízením změn a významem jeho implementace v organizacích. Vysvětluje základní pojmy a techniky pro provádění tohoto procesu podle různých autorů a shrnuje jejich myšlenky. Dále se tato práce zabývá fundamentálními problémy v řízení procesu organizačních změn, včetně faktorů způsobujících selhání.

Praktická část této práce zkoumá různé změny, které nastaly ve společnosti Coca-Cola, která vlastní jedny z nejznámějších značek na světě. Tato část sleduje jevy, kterým organizace čelí před a po zavedení procesu řízení změn, a účinek tohoto procesu.

Praktická část také analyzuje aspekty, které vedou společnost Coca-Cola k zavedení procesu řízení změn. Závěr této bakalářské práce se zaměřuje na význam řízení změn v organizacích.

Klíčová slova:

Řízení změn, Analýza Trhu, Coca-Cola, Změna, Strategie, Společnost

Table of Contents

List of Table and Figures	9
List of Graphs.....	9
1. Introduction	10
2. Thesis Objectives and Hypothesis	11
2.1 Objectives	11
2.2 Hypothesis.....	11
3. Methodology.....	12
4. Literature Review	13
4.1 The notion of Change Management.....	13
4.2 Forces to Change Management in organisations	14
4.3 Risk of failure.....	15
4.4 Monitoring and control of the change process	17
4.5 Concepts for change management	19
4.5.1 Force Field Analysis	19
4.5.2 Kurt Lewin's Three-Stage Process of change.....	21
4.5.3 John Kotter's eight step model.....	23
4.6 Sponsoring change and roles in Change Management	26
4.7 Internal and External Environment	28
5. Case Study of The Coca-Cola Company.....	29
5.1 The Coca-Cola Company.....	29
5.2 Change Management: The Coca-Cola Company.....	30
5.3 The role of a CEO in Change Management	31
5.4 Change Management: the New Coke	34
5.4.1 The company before Change Management.....	34
5.3.2 Implementing change by introducing the New Coke.....	35
5.3.3 Force Field Analysis	36
5.3.4 The effect of Change Management	38
5.3.5 Reaction of The Coca-Cola Company to the failure	38
5.3.7 Evaluation of results.....	40
5.4 SWOT analysis for The Coca-Cola Company	41
5.4.1 Results of the analysis.....	43

6. Discussion of the hypothesis	44
7. Conclusion.....	44
8. Bibliography	46

List of Table and Figures

Figure 1: Lewin's Three-Stage Process of Change	21
Figure 2: John Kotter's eight step model	24
Figure 3: The Force Field Analysis	36
Figure 4: The concept of Change Management in The Coca-Cola Company.....	39
Table 1: Chief Executive Officers in The Coca-Cola Company	32
Table 2: SWOT analysis for The Coca-Cola Company	41

List of Graphs

Graph 1: The Coca-Cola Company's net operating revenues worldwide	33
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1. Introduction

Almost all organisations around the world continuously implement changes in order to survive in the market and stay competitive. Moreover, the need for change emerged so often that its impact on the enterprise life cycle was no longer regarded as an exceptional phenomenon. Increasingly, this growth has meant that researchers have had to look at the field of organisational changes and development. Most researchers have focused on methods of analysis in relation to organisational management capabilities.

Currently, many industrial enterprises are carrying out a transformation in the forms and methods of management, aimed at encouraging entrepreneurship and the development of new economic relationships.

The need for change is caused by the current socioeconomic situation that places high demands on the adaptation of modern industrial enterprises to life's rapidly changing conditions and to improve the competitiveness of their products compared to the competition. . The main aim of modern enterprises is to transform the business into effective actors in the market economy, capable of self-preservation and self-development. To achieve these goals, they need to change their approach to organisational change, making them manageable.

2. Thesis Objectives and Hypothesis

2.1 Objectives

The objective of the thesis is to describe the planning for necessary changes, and how these changes are implemented in organizations, in particular, in their structure. More precisely, to identify the main reasons for undertaking a change management programme, and to analyse how organizations carry out changes, through a case study of the Coca-Cola Company. The importance of changes and the causes of them will be described in the thesis.

2.2 Hypothesis

The thesis aims to test the hypothesis statement by analysing the real-life example of The Coca-Cola Company.

To meet the aims of the thesis the hypothesis has been formulated and will be verified during the research. The statement is:

“Change management in The Coca-Cola Company has resulted in a more profitable company”

Furthermore, the research questions such as:

What factors force an organization to implement Change Management?

What effect it brings to the organization?

Answering those questions will help to verify the stated hypothesis.

3. Methodology

The work is thematically divided into two main parts, theoretical and practical. In the first part, which is composed mainly on literature review defines the basic concepts related to the issue of Change Management. The literature was studied and a comprehensive picture of existing theories of changing organisations was offered. The theoretical part contains a presentation of the general theory of Change Management as well as its application in business practice. The second part based on a case study of The Coca-Cola Company, which has undertaken a Change Management programme on several occasions. This investigation is supported by an analysis of the company

The thesis contains the analysis of the Change Management programme, where factors that drive organisations to change are examined.

The research includes comparison analysis. This analysis is used in order to see the difference between periods: before, during, and after the implementation of Change Management in an organisation. It also compares The Coca-Cola Company's market situation, as well as competitiveness of it during these periods. Comparative analysis is used in order to evaluate the efficiency of the programme. In addition to identify key elements of Change Management, the concept of change stages is provided.

The SWOT analysis was made in order to identify main factors that force The Coca-Cola Company to implement Change Management. The Force Field analysis in this thesis uses a mind map to identify factors that drive and restrain the changes that have to be made.

The conclusion is based on the results of the practical part, where the hypothesis statement is supported.

4. Literature Review

4.1 The notion of Change Management

Daryl Conner¹, the author of change management books defines Change Management as a set of principles, techniques, and prescriptions that are applied to the human aspects of executing major change initiatives in organisational settings.

According to The Change Management Handbook² managing change is a continuous process of aligning an organisation with its marketplace, by being more efficient and effective than competitors, and continuously collecting feedback from within the organisation.

Change Management is also described as a structured approach to the transition of individuals, teams, and organisations from the current state to a desired future state. Changes in organisations are caused by the reaction of organisation to the developing environment (connection, capabilities, and requirements), or when the economy changes then business priorities and perspectives can't remain the same. Organisations must constantly adapt to the environment in which they are in.

Thus, Change Management is a broad sphere, which has been described and analysed by many authors; lots of them have described tactics and techniques that can be employed so the enterprise will become more efficient. The problem of managing organisational change more deeply has been studied by specialists who are recognized as authorities in this field such as Ansoff L., Newstrom J., Davis K., Blake R. Mutton D., and many others. A significant place in the research of these scientists is to give the essence of organisational changes as well as developing strategies, methods and models to manage these changes. American researchers Kanter R., Stein B. and Jick T. offer their version of the programme of organisational change. The great contribution to the development of the theory of change management by Lewin K. and Kotter J. should be mentioned as well. It includes transformations such as individual change, team or group change as well as organisational change.

A change Management programme should be designed to help an organisation to plan and more precisely to implement changes.

Change itself is a process in which an organisation or an individual moves from one state or condition to another. Organisations that spend the bulk of their time and resources on maintaining the status quo are unlikely to thrive in the current volatile environment. When considering Change Management in organisations it cannot be ignored that unlike personal changes, organisational changes require more preparation, finances, and in many cases, the process may not be satisfactory.

¹ Conner, D., Managing at the Speed of Change, how Resilient Managers Succeed and Prosper where others Fail, 2006

² Berger, L.A., Sikora, M.J., Berger, D.R., The Change Management Handbook: A Road Map to Corporate Transformation, 1994

Bridges W.³ states: "...change happens when something starts or stops, or when something that used to happen in one way starts happening in another. It happens at a particular time or in several stages at different times".

Change may also be deliberate, i.e., planned or accidental, in other words unplanned. It can be fast or slow, it may affect many elements of the organisation or only a few.⁴

Each organisation faces a large number of evolutionary or natural changes. A typical example is the aging of equipment and people, having both negative problematic consequences (e.g., the need to repair, upgrade or replace equipment or to change leaders who have lost their dynamism and assertiveness) and positive aspects (technical and management skills acquired over years of practice). These changes occur regardless of the wishes of the leadership. They cannot be planned, but can and should be taken into account by defining the organisation's future. However, organisations can plan activities to prevent and eliminate the negative consequences of evolutionary change.

4.2 Forces to Change Management in organisations

The amount of new organisations, whether big or small growing rapidly, this means that more and more goods and services are provided to customers. In a business sphere these implementations play a huge role. In other words, the emergence of new competitors in the market is one of the main factors by which organisations apply changes. Despite the competition, factors such as new technologies or in some cases even governmental restrictions as well as company merger or an acquisition can make organisation implement changes and innovations in business.

Talking about organisations, whether big corporations or small companies it is necessary to add that they all are different and that is why change management implements differently in each case, and this is not only because of the size of the companies, but also considering the fact that people working in a company, teams and groups- they crucial element of the organisation. The reaction to the changes is different, and mostly people are not willing to change which leads to some difficulties. On the other hand, it is also important to stress that different changes require different time periods, and money expenditures.

Goodstein, L.D.⁵ stated that, Organisations change primarily because of external pressure rather than an internal desire to change. The external environment changes such as developing and launching new products and technologies, which become dominant and are widely disseminated.

³ Bridges, W., Managing Transitions: Making Most of Change, 1986

⁴ W.L. French, C. Bell., Organization Development: Behavioral Science Interventions for Organization Improvement, 1998

⁵ Goodstein, L. A., Creating Successful Organization Change, Organisational Dynamics, 1997

However, change management is a process that could be caused because of internal factors, for instance changes in positions, such as new staff or a whole team. It is also important so mention the third cause of the changes which is a proactive reaction to possible threats and difficulties.

Changes can be single or multi-stage which is usually determined by how big the project is, how much time organisation has, flexibility of organisation's internal side and many other factors.

Organisational changes, depending on its level, vary from immutable operation to a complete restructuring of the organisation.

Goodstein, L.D.⁶, discussed the separation of different kinds of changes by saying that organisations can change on three different levels: the individuals (their skills, values, attitudes and behaviour), structures and systems (that is reward systems, reporting relationships and work design) and climate or interpersonal style.

If considering organisations in terms of their orientation, then we should talk about organisational development and degradation of economic systems.

An organisational development is a management activity, which is aimed at changing basic aspects of the organisation, aimed at increasing its efficiency, Berk describes it as:

organisational development - a process and method of targeted, a fundamental change in the corporate culture to its mission, and organisational adaptation to the changing external environment.

4.3 Risk of failure

John Kotter in his book "Leading Change" highlighted⁷, that most of the large-scale changes efforts undertaken in firm fails to meet their expectations, i.e., producing only disappointment, frustration, and waste of resources. However, the author was focusing on how to avoid those failures and if it is possible, he claimed that a significant amount of failures can be avoided by paying more attention and putting more energy to the biggest problems transformations are typically facing.

Besides, the fact that Change Management pursues to help organisations to remake them into significantly better competitors, it could also be risky for organisations not to succeed in undertaking change management programme. Furthermore, in most cases the risk of failure is much greater than the efficiency of the project. According to Ashkenas R.⁸, the rate of Change Management failure is around 60-70%.

⁶ Goodstein, L. D., Creating Successful Organization Change, Organisational Dynamics, 1997

⁷ Kotter, J., Leading Change. Harvard Business Press, 1996

⁸ Ashkenas, R. (2013). Change Management Needs to Change. Harvard Business Review, April 16, 2013

Then, what are the reasons of collapse and why the number of organisations that implementing Change Management is highly increasing? These questions will be discussed in this chapter.

One of the well known factors are employees. For people working in a company it is very hard to accept changes, they got used to work in the exact way and changing makes them learning, trying, and using something different. They are just not willing to change, and the organisational change usually requires everyone to be involved in a process. In this case, when the internal environment refuses to accept external factors change management face waste. That is why it plays such a big role in a change process. Managers responsible for the project spend time to prepare employees, so it won't be a shock for them to face new implementations. Proper Change Management includes personnel trainings, lectures and activities.

Conner notes⁹, "Change will not occur unless the need for change is critical. Because individuals and organisations usually resist change, they typically do not embrace change unless they must"

According to Conner, Change Management cannot just be undertaken without any reason, change will only occur when it is a high need for it. And when there is a need for the change, organisations ready to face the risk of failure.

Organisational change affects the following organisational elements: goals, technology, business processes, people, culture, structure, power.

Hersey P. and Blanchard K.¹⁰ offer and consider changes to the employee on several levels:

- Knowledge- receiving information about changes, understanding its nature, benefits and threats.
- Level of relations to change- is intellect acceptance or rejection of the need for change and action.
- Levels of individual behaviour- are acts committed by employee to support changes.
- Level of organisational behaviour-is an interaction with other personnel in accordance with the new requirements.

⁹ Conner, D., Managing at the Speed of Change, how Resilient Managers Succeed and Prosper where others Fail, 2006

¹⁰ Hersey, P., & Blanchard, K. 2.-3. (1969). Life cycle theory of leadership. Training & Development Journal, volume 23, 5th edition, p. 26-34

4.4 Monitoring and control of the change process

Managers at their disposal, have variety of intervention methods by which they are able to facilitate the development and changes in individual people, groups, and organisations. That knowledge and practical experience in the choice of the appropriate method and its use in situations is a big power in the hands of executives and managers in implementing change.

There are many different techniques to monitor and control the process of change. Among them there are those that are most popular and commonly used. All techniques can be used for different purposes and at different stages of the transformation process: to demonstrate the need for change, developing a programme of action, reducing drag, helping people to face new challenges in the new environment, develop a sense of duty, accelerate deployment, incentive initiatives and creative approach to achieving its primary objectives, etc. Knowledge of these techniques can partially be obtained by studying the research data and scientific publications, but more often it produced in practice. Monitoring and control is an important part of change management process, moreover, any member of the organisation need to be monitored continuously. Management must not only directly lead and conduct changes, but also help the organisation to overcome difficulties that may arise in a process of change.

So, how to choose the right way to monitor and control the process of change?

In all sources of information, ways to help in the implementation of the changes described independently. However, very rarely one particular method or approach can successfully implement the restructuring of the organisation. In many cases, leaders and managers have to use several methods of intervention. Experienced managers use methods of intervention to support the changes and apply multiple methods, if appropriate. Typically, the selection is more efficient, if the final decision is not made at an initial stage, but later.

Possible error¹¹ – choice of the wrong procedure at the beginning of the process of change, that quickly cause a lot of frustration, but stubbornly continuing it even if it does not lead anywhere. When choosing an approach that solve problems and implementing organisational changes, tend to emphasize the difference between "closed" and "open" the problems faced by the organisation. Depending on the classification, directors and managers choose the most appropriate set of methods.

¹¹ Dominic D.P. Johnson, Daniel T. Blumstein, James H. Fowler, and Martie G. Haselton, The evolution of error: error management, cognitive constraints, and adaptive decision-making biases

Closed and open problems¹²

"Closed" problem has a unique solution that can be found using the logical problem analysis and problem-solving techniques such as cost-benefit analysis and the calculation of the break-even point. Such problem does not affect those who work in this organisational unit, and all that is needed to solve it, is under the direct control of who engaged in it. For example, a manager or consultant can set with considerable accuracy; the machine should be replaced by another, more productive, but more complex and expensive. Once a solution is found and implemented, the problem is usually "closed"

"Open" is the problem that has several possible solutions to questions with is no clear answer. The reasons are unclear, and the problem affects both worker units having problems with the quality, and the one who decides. Problem broad and multifaceted, it depends on how it is treated.

John Kotter argues that when about 75% of company executives recognize that, then change is needed.¹³

According to Kabushkin N.I.¹⁴, organisational changes include:

In the basic structure - the nature and level of business activity, legal structure, ownership, financing, international operations and their impact, diversification, mergers, and joint ventures;

Objectives and activities - range of products and a set of services, new markets, customers and suppliers;

In applying technology - equipment, tools, materials and energy processes, clerical equipment;

In management structures and processes - internal organisation, labour processes, decision-making processes and management information systems;

In the organisational culture - values, traditions, informal relationships, motives and processes, leadership style;

In people - management and staff, their competence, motivation, behaviour and work efficiency;

In organisational performance - financial, economic, social and other indicators to assess the organisational relationship with the environment, their tasks and new opportunities;

¹² Ray, P. K., Cooperative Management of Enterprises network, 2002

¹³ Kotter, J., Leading Change. Harvard Business Press, 1996

¹⁴ Kabushkin, N. (2009). Fundamentals of Management: Teaching aid (11th edition). Novoe Izdanie

Thus, it should be noted that there are various forms of organisational change. And for the prosperity and the positive development of the organisation requires an effective change management.

Modern business operates in an increasingly uncertain environment. Unexpected events occur very rapidly, and organisations need to respond to them promptly. The main precursor of change management in organisation is some form of exogenous forces, such as an event in the external environment of the organisation. Reduced funding, modernization of companies due to the merger are typical examples of cases that create the conditions for organisational change and development.

Organisational change - a term describing the process of transformation, renovation, which the company is held in response to the strategic reorientation, restructuring, changes in management, with mergers and acquisitions, or in the formulation and development of new goals and objectives.

4.5 Concepts for change management

Issues relating to the company's restructuring, changes in the organisational structure and business - processes are relevant for all over the world. To carry out these changes, companies often initiate projects, which aim to improve business efficiency. In this case, after the necessary changes identified, the key issue is to choose the approach to change management. The chapter discusses the general concepts of change management and application of these approaches to companies depending on the type of organisation. The article also presents methods of making changes and standard errors, which companies do.

4.5.1 Force Field Analysis

A famous sociologist Kurt Lewin, who was also a founder of change management in the area of management science, created Force Field Analysis, which is very useful nowadays in a field of change management and organisational development.

It is an analysis of the factors or forces that push and promote change, or conversely, suppress them. These forces can originate both inside and outside the organisation, from the behaviour of people, based on their estimates, the mindset, values, or in systems and processes, resources that exist and the organisation's ability to stimulate productive change. The analysis describes factors in which any activity or the current state of being regarded as a kind of balance between driving forces stimulating the development and contracting forces, hindering development. The driving forces are usually positive, reasonable, logical,

conscious, and economic. In contrast, the restraining forces are often negative, emotional, illogical, unconscious and social- psychological.¹⁵

The forces can originate both inside and outside the organisation: the peculiarities of peoples' behaviour, their way of thinking, the basic values, or in systems, processes and resources that exist and promote the organisation's ability to change effectively.

The Force Field Analysis is the current situation as a dynamic equilibrium, controlled by many factors. However, in order to progress toward the goal, it is necessary to evaluate the resistance and try to change the balance in favour of the forces.

The analysis is usually made as a mind map tool, where charts are created in order to write forces for and against a change. There are four general steps identified in order to make analysis more efficient:¹⁶

1. Analysing the present situation
2. Determining the changes which are required
3. Making the changes indicated by the analysis of the situation, and
4. Stabilizing the new situation so that it will be maintained

It should be emphasized that these charts reflect the perception of forces people affected by the changes. If the driving forces exceed the restraining forces, progress can be made. Thus, the change management process is in the early diagnosis of the force field and planning actions to manage the balance of power.

¹⁵ Force Field Analysis,. Retrieved from Mind Tools November 2013, available at:
<http://www.mindtools.com>

¹⁶ Lewin K. (1947). group decision and social change, In T.M. Newcomb, E.L. Hartley, et. al. (eds.),
Readings in social psychology

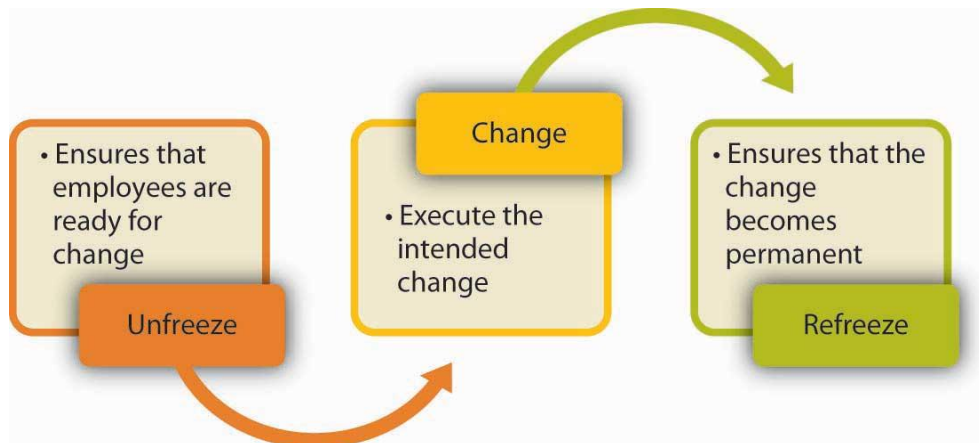
4.5.2 Kurt Lewin's Three-Stage Process of change

Among the first ones published as well as the most renowned concept of planned change is Kurt Lewin's Three-Stage process. It can also be said that Force Field Analysis integrated into a three-stage theory of change.

The steps are:

1. **Unfreeze**
2. **Change**
3. **Refreeze**

Figure 1: Lewin's Three-Stage Process of Change



Source: Carpenter M., Bauer T. and Erdogan B., Principles of Management, volume 1.0, 2009
17

Many believe that, with further development of the concept, authors of new concepts just deepen and reveal these stages, bringing them in line with the requirements and standards of today's environment.

Levin describes the concept model of individual change operating under the theory of the psychological field, and on the premise that the organisation is a living organism.

It introduces a method for the Force Field Analysis, where driving forces and resistances are taken into consideration. Change is possible at a ratio in favour of the driving force (such analysis an effective tool for the diagnosis of the company in respect of changes)

The concept was developed back in the 1950's, and still relevant. There are lots of examples in the practice.

¹⁷ Carpenter M., Bauer T. and Erdogan B., Principles of Management, volume 1.0, 2009

"Unfreezing"

It is important to defrost, shatter, and stir the current situation, also to help realize the difficulty of it. Unfreezing is a key step in the implementation of changes and if it's neglected, the whole situation is threatened in implementation due to resistance from employees.

Most people tend to seek stability, relative security and control over the surrounding reality. People create a static situation around and identify themselves with it. Therefore, any change, even guaranteeing the future improvement of life, cause discomfort. Therefore the output of the "frozen" state, "unfreezing" employees and systems require enormous effort.

The main objective of this stage is to lead organisation in a state of "readiness for change". Bring employees of the state of resistance to change, to make sure that they want to take the first step to upgrade the organisation.

Unfortunately, it is unlikely that it will be able to "persuade" employees to accept change. More often, it is necessary to use the "push" method, i.e. method of pressure. Method "pull", that is, method of motivation and engagement is better to postpone to the next step.

Stage "Unfreezing" consists of the following phases:

- Diagnosis of the current situation of the organisation;
- Allocation of driving forces and resistances;
- Description of the desired state of the organisation.

"Transition" (also called Change)

"Transition" stage includes immediate measures aimed at achieving the desired state of the organisation. At the same time the implementation of this phase is the integral part of the involvement of employees.

A key component of Lewin's model is the idea that change is not a one-step process, but it is so called journey from point A (current) to point B (desired stage).

A classic mistake in the change process: managers spend months preparing these changes, and then expect their subordinates that they will accept these changes in the blink of an eye. Change takes time, patient explanations, coaching, and perhaps even psychological help.

“Freeze”

The third and the final step in the process of implementing changes is “freezing” stage. The purpose of this stage is to do implemented changes irreversible. In practice, often happens that even after the successful implementation of the transformation in organisations, the situation may gradually be reversed. This may be due to the fact that people still want to return everything the way it was; there is a kind of nostalgia for the past. A huge number of projects for the change management implementation designed well at “startup”, but not at the stage of fixing crudity.

Stage " Freezing " or stabilization and “implementation" desired state carried out by means of the internal regulations of the organisation. This is how new principles, instruments, mechanisms and techniques are being formed. In addition, methodology and the amount of remuneration for effective work in the new environment are defined.

Analysing this model, modern researchers in the Change Management field, Esther Cameron and Mike Green quite credibly claim that "Lewin's ideas help to conceptualize organisational changes " as " force field analysis - a great way to give managers the opportunity to discuss the driving forces and vector resistance in the present situation" and if we add, "the current situation in comparison with the end", the result of the team conducting the changes can quickly move on to the next step change.

4.5.3 John Kotter's eight step model

John Kotter claims that the change process is performed in several successive stages. Violation of this sequence or waiver of any of them leads to the illusion of rapid change, but takes on the desired result.

“Leaders who successfully transform businesses do eight things right (And they do them in the right order)”-John Kotter¹⁸

¹⁸ Kotter J., Leading Change:Why Transformation Efforts Fail, available at: www.hbrreprints.org

Figure 2: John Kotter's eight step model



Source: Kotter, J., Leading Change. Harvard Business Press, 1996¹⁹, own processing

Step 1: Establishing a Sense of Urgency

This step is similar to Lewin's unfreeze step; it says that people need to be convinced that change is necessary and inevitable. It is important to know how to convey a problem to get people interested in the changes. Kotter and Lewin both write that it is important to show people the problem, make sure they personally saw it and understood the need for change. It would seem, nothing fancy, but it is not. John Kotter in his book Leading Change argues that over 50% of businesses, which he researched in the course of their studies, have failed at this stage. This is partly due to the fact that the leaders underestimated the complexity of the task. Without a competent leader to make the first step is almost impossible.

Step 2: Creating the Guiding Coalition

This should be a strong, competent team with leadership skills. Most change programmes begin only with a couple of people, and subsequently, if changes occur successfully, the team grows. In almost all cases observed by Kotter, the team, at least at first, does not include the entire management of the company. Nevertheless, it is always a strong team, which works efficiently and has a large enough power, resources, and information. Sense

¹⁹ Kotter, J., Leading Change. Harvard Business Press, 1996

of urgency changes rallies the team. The main mistake at this stage is that managers do not create a strong enough team, because of the lack of leaders in it.

Step 3: Developing a Change Vision

Many believe that the formation of vision is a form of long-term planning. This view is mistaken. Formation of vision of the future does not happen on schedule. Vision is more emotional than rational. Real vision is clear enough to drive decision making and flexible enough to adapt to changing circumstances and for various individual initiatives. Vision helps determine the direction in which to move the company.

Step 4: Communicating the Vision for Buy-in

Make sure that a lot of people understand and accept the vision and strategy, sufficient, to the process of change was successful. Big help managers in this matter will be advances in modern technology. Various kinds of emails or handouts, newsletters can help you convey information to employees. A mistake often made at this stage - is the lack of an example of a new ideology and leadership in the face of powerful individuals.

Step 5: Empowering Broad-based Action

In this stage Kotter recommends to remove all possible barriers to implementing change, to those who want and can help the organisation. This may be, for example, the structure of that prevents changes. At this stage the error is that the leaders neglected eliminating barriers that hinder later changes.

Step 6: Generating Short-term Wins

As soon as the opportunity arises, it is necessary to make small, short-term victories and achievements; it will help keep the fighting spirit of employees. After restructuring the company takes quite a long time, and celebrating small achievements helps people not to give up and see that they are moving in the right direction. Small victories help to maintain a sense of urgency that drives change. The fundamental error here - it's the absence of such small victories, which entails the fall of enthusiasm of employees.

Step 7: Never Letting Up

This stage can also be called as “never give up”. After the first success, organisations should more actively work; to provoke change for change until the vision becomes a reality. The main mistake of leaders is that they are too early to celebrate victory. If the change process is not fully completed, the company will gradually return to its original state, and have to start all over again, and it will be much harder to do it. According to Kotter, it is very important to know when you really need to stop and go to complete the changing process.

In the third stage the most disastrous mistake is to celebrate victory too early. It can destroy everything you have done.

Step 8: Incorporating Changes into the Culture

To keep the new style of behaviour, organisations have to observe the new rules until they become part of the corporate culture. Up to this point degradation of the company is still possible, so it is vital to keep the strengthening of the new culture and behaviours. Make a mistake at this stage - the most dangerous, because otherwise the work was done in vain. In accordance with the programme of change John Kotter identifies three main objectives for a leader who directs the changes: 1) Work simultaneously in various directions, and time dimensions, 2) Create a team 3) Create a vision

Naturally, the process of change is completely impossible to plan, obstacles may occur often and everywhere. Errors mentioned by Dr. Kotter ²⁰ are not the only mistakes made by companies, but just the most common.

4.6 Sponsoring change and roles in Change Management

A sponsor provides resources for change and has the ultimate responsibility for the programme or project, building commitment for the change, particularly at the senior management level across the organisation.

Numerous benchmarking studies show that the active factor and the obvious sponsorship consistently named among the most important factors in ensuring the success of the changes.

Everyone expects justification of the importance and needs for change, as well as reasons of changes. Sponsors should actively participate in the project of changes throughout its life cycle. It is necessary for them to communicate direct with staff and participate in order to reduce change resistance.

²⁰ Kotter J., Leading Change: Why Transformation Efforts Fail, available at: www.hbrreprints.org

The team must constantly be accountable for their actions and should be responsible for the results. The sponsor shall clearly identify the expectations of the project, its goals and objectives. Constant monitoring of the needs and progress of the project is under the sponsor's responsibility as well.

However, in practice, not all sponsors understand their role and its importance in the process of change. This leads to a proliferation of certain common errors, such as:

- The sponsor is not personally involved in the project or not enough. The project exists on autopilot, while the guide is just waiting for the results, declaring that changes are needed and then stepping into the shadows.
- There is no direct communication with the staff. Vision and validity of changes and remain a mystery for employees.
- Sponsor abdicates from the responsibility or completely shifts it to someone else - project team hired consultant.
- Do not provide support or makes it uneven, haphazard. Involved in anything else, but not the actual problems of the project.
- Do not cooperating with key leaders in the organisation - no divisible expectations with his direct subordinates, at the same time expecting them to support.

Normally, the sponsor must also oversee the development of project plans (e.g., a communication plan, a plan to overcome resistance) and run its implementation.

That is why many sponsors use programmes such as ADKAR (awareness, desire, knowledge, ability, reinforcement). However, such programmes need professionals, and it is common that sponsors usually hire someone to make changes more effective.

Besides, sponsors change management process according to many authors identifies such role as governance board, leads, integrators, agents, recipients.

“In the change projects, the normal hierarchy of management control is often broken as the project stretches across many parts of the organisation. This hierarchy is replaced with sponsorship, where individual managers in the organisation take on the temporary role of providing the formal authority by which changes are made”

4.7 Internal and External Environment

As it was mentioned before, organisations operating in modern extremely unpredictable environment are affected by many factors that force them to change, and therefore implement the Change Management programme. The external and internal environment could be one of the most important forces.

The internal environment includes people, leadership style, system, factors, structure and conditions. And it is in most of the cases are under the control of the company. The famous “mission and vision” statements are also referred to the internal environment. It affects on employee’s behaviour and actions, activities and decisions.

The external factors are those that are not under the control of the company, something that happens outside the organisation and cause changes inside the organisation. The external environment’s common factors are customers, competition, the political and social conditions, the economy and technology. Also, suppliers, resellers, investors, as well as the macro factors: socio-demographic, geographic and cultural.

Analysis of the external environment of the company is necessary not only to determine the overall strategy of the enterprise, but also to identify and develop a marketing strategy.

In order to react to the external and internal factors organisation, more precisely its managers rely on environmental evaluating or scanning of forces. In other words, monitoring and analysing those factors in order to change.

PEST (Political, Economic, Social and Technological) analysis and SWOT (strengths, weaknesses, opportunities, and threats) analysis are helpful tools for evaluating the factors affecting organisations both from outside and inside.

5. Case Study of The Coca-Cola Company

5.1 The Coca-Cola Company

It is difficult to find someone who would not be familiar with this logo: round white letters on a red background, folding into words, sacred to most Americans - Coca-Cola.

The Coca-Cola Company - U.S. Company, the world's largest manufacturer and supplier of concentrates, syrups and soft drinks. The most famous product of the company is Coca-Cola drink. Headquarters located in the capital of Georgia - Atlanta.

Over such a long period the company has seen many changes, both in the company and in the world of business in general. The Coca-Cola Company Corporation with an initial capital of \$ 100,000 was established in the state of Georgia (USA) by A.G. Candler, F.M. Robinson and others in 1892.

Development of The Coca-Cola Company has begun many years ago. The history of the most famous soft drink in the world began with a pharmacist John Pemberton, in Atlanta. May 8, 1886 he made three-legged pot syrup, which he put in a jug and gave to sell in "Jacobs" - the largest pharmacy. The same day, the first portions of the syrup, for five cents for a glass, were sold to the pharmacy customers. After "Jacobs" started mixing syrup with carbonated water and that is originated world famous drink "Coca-Cola". The syrup was firstly introduced as a medicine. It was instrumental in relieving headaches, and had a calming effect. In some sources there is also a version that Pemberton created the drink as a painkiller for wounded Confederate soldiers. In 1885, after the adoption of Prohibition in the United States in Atlanta, Pemberton has released a new version of Coca-Cola. The name for the new drink invented Pemberton accountant Frank Robinson, who, having calligraphy and wrote the words Coca-Cola beautiful curly letters, still is the logo of the drink.

The "Coca-Cola" trademark is used since 1886 was registered in the U.S. Patent Office January 31, 1893. The first bottling plants appeared in 1899 in Chattanooga. The number of such plants after 20 years exceeded to one thousand. In 1926 the international branch of the company was created, which gave rise to spill "Coca-Cola" in many countries. In 1928, "Coca-Cola" has become a partner of the Olympic Games. And in 1977, the U.S. Patent Office registered as a trademark is well -known branded bottle of "Coca -Cola".²¹

Today, The Coca-Cola Company has the third largest level of stock market capitalization in the world, which is on the New York Stock Exchange \$ 147billion, and 3.3 times higher than "General Motors".

²¹ The Coca-Cola Company's official web site available at: thecocacolacompany.com retrieved September 2013-January 2014

Moreover, the brand was the most successful for thirteen years, according to Interbrand, until 2013. Today, the company is on the third place with a value of \$79.213 billion²²

In connection with this now very few people come to mind that the first year of the most popular soft drink was unprofitable for its creators.

Currently, The Coca-Cola Company own or license and market more than 500 non-alcoholic beverage brands which are produced and sold in more than 200 countries all over the world. The company owns four of most popular soft drinks brands- Coca-Cola, Diet Coca-Cola, Fanta, and Sprite, which is 80% of global sales. (The Coca-Cola Company) Furthermore, it produces 8 variations of Coca-Cola in different countries. The name for the new drink invented Pemberton accountant Frank Robinson, who, having calligraphy and wrote the words Coca-Cola beautiful curly letters, still is the logo of the drink

Branded beverage products, are existing throughout the world through the company's network, which is owned or controlled bottling and distribution operations as well as independent bottling partners, distributors, wholesalers and retailers. (The Coca-Cola Company)

In order to ensure environmental sustainability in the regions where The Coca-Cola Company operates, it highlights initiatives aimed at protecting the environment, conserving natural resources, and economic development of these regions.

5.2 Change Management: The Coca-Cola Company

The Coca-Cola Company is a type of business that requires changes continuously. Often the changes are required to satisfy consumer expectations. Through its long history The Coca-Cola Company has faced a lot of external and internal changes.

This chapter will examine the various changes happened in the company.

For corporations which operate all over the world like The Coca-Cola Company, it is required to undergo change in order to evolve to a higher level of for instance, stability, management and production. And Change Management process is usually more complicated, takes more time, and expenditures in such companies rather than in a small organisation.

²² Interbrand, Best Global Brands 2013, Coca-Cola, Information available at: <http://www.interbrand.com/it/best-global-brands/2013/Coca-Cola>, retrieved February 2014

Changes related to satisfy consumer expectations were such as new products or flavour creation, low price strategies, etc. One of such example is Coca-Cola Diet which is a sugar-free variation of Coca-Cola soft drink. It first introduced in 1982 and was the first brand under the trademark of Coca-Cola²³. The reason for implementing it to the market was because of the increase in a level of people who suffer from diabetes or obesity. By making this product The Coca-Cola gained more customers, and therefore benefits.

Nowadays, when people are becoming more health conscious, The Coca-Cola Company is developing water products, as well as juices in purpose to satisfy various consumer tastes.

However, many of the changes the company faced were the reaction to the competition, especially with PepsiCo Incorporated.

Change Management in The Coca-Cola Company also involves strategic leadership, which is one of the key factors for an effective change.

5.3 The role of a CEO in Change Management

The role of a CEO in a process of change is one the most important. CEOs are responsible for the changes, they represent leadership by making decisions and always involved in the Change Management programme. The position of the CEO is related to field of employees motivation, leadership, as they are decision makers, moreover it meant to be involved in Change Management.

The most known CEO of The Coca-Cola Company was Robert Goizueta, who worked in the company for sixteen years. From the time Goizueta was a CEO of the company, The Coca-Cola Company sales more than quadrupled, from \$4 billion to \$18 billion. The company's market capitalization increased from \$4.3 billion to \$180 billion. After Robert Goizueta's death in 199, the company faced difficulties, as well as witnessed to disorderly times. His followers have not lasted for even half as long as Goizueta's total revenue.²⁴

²³ The Coca-Cola Company official website, available at: www.thecocacola.com

²⁴ Richard Ivey School Of Business, Strategic Leadership at Coca-Cola: The Real Thing, published by Suhaib Riaz, 2008, available at: <http://www.asiapacific.ca>, retrieved August 2013

Table 1: Chief Executive Officers in The Coca-Cola Company

Chief Executive Officer	Period of tenure
Robert Goizueta	March 1981 to October 1997
Douglas Ivester	October 1997 to February 2000
Douglas Daft	February 2000 to February 2004
E. Neville Isdell	May 2004 to June 2008
Muhtar Kent	July 2008 to Present

Source: ²⁵Richard Ivey School Of Business, Strategic Leadership at Coca-Cola: The Real Thing, published by Suhaib Riaz, 2008

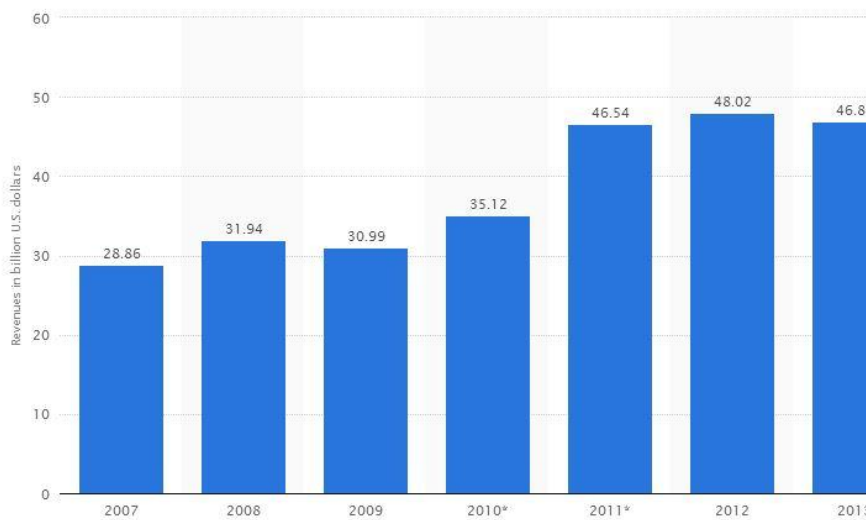
Robert Goizueta changed the company by introducing new products as well as strategies. This is a good example of an excellent leadership performed by Goizueta as a person responsible for changes.

However, The Coca-Cola Company's current CEO-Muhtar Kent is leading the company, increasing its profitability. Since the year 2008, when Muhtar Kent just became a CEO of the company the revenue increased to around \$1.5 billion, according to the company's statistics (see graph 1).

²⁵ Richard Ivey School Of Business, Strategic Leadership at Coca-Cola: The Real Thing, published by Suhaib Riaz, 2008, available at: <http://www.asiapacific.ca>, retrieved August 2013

Graph 1: The Coca-Cola Company's net operating revenues worldwide

The Coca-Cola Company's net operating revenues worldwide from 2007 to 2013 (in billion U.S. dollars)



Source:²⁶ The Statistics Portal, The Coca-Cola Company's net operating revenues worldwide from 2007 to 2013 (in billion U.S. dollars).

For the companies like The Coca-Cola Company, the CEO is a key component of efficient change. Yet, changes are not the only component of an increase or decrease in sales, production or revenues. Change Management, however, helps businesses like The Coca-Cola Company in implementing new strategies, as well as in creating and introducing new products.

²⁶ The Statistics Portal, The Coca-Cola Company's net operating revenues worldwide from 2007 to 2013 (in billion U.S. dollars), available at: <http://www.statista.com/>, retrieved January 2014

5.4 Change Management: the New Coke²⁷

5.4.1 The company before Change Management

This chapter will analyse the real-life example of Change Management, main factors for undertaking programme will be explained. Stages before, during and after change will be compared in order to analyse Change Management programme.

By the year 1985, when the company was in a market for almost 100 years, The Coca-Cola Company and its CEO Roberto Goizueta witnessed great new achievements of the company: and one of the most significant was the acquisition of the film company Columbia Pictures, in January 1982, as well as the release of today's famous Diet Coke (Coca-Cola Diet) in August of the same year.²⁸

However, in 1985 the company decided that the new product is going to be released instead of its main beverage brand Coke (Coca-Cola). In this situation, the company's decision to change the recipe of its main product, the first created seemed utterly inexplicable and incomprehensible.

Nevertheless, if analysing deeper, it can be seen that despite the worldwide fame, The Coca-Cola Company experienced considerable difficulties in the 1980s. It was a time of self-assertion of a new generation - the baby boom generation. In the early 1980s, the main competitor of The Coca-Cola Company was PepsiCo Inc., which had an advantage of the sentiments by presenting the Pepsi brand as the "choice of a new generation". And this tactic worked. The battle between Coca-Cola and Pepsi-Cola was called Cola Wars. And The Coca-Cola Company's beverage squashed in this war. Another front of the war was the so-called "Pepsi Challenge" included polls to study the tastes of consumers, during which people were offered cola tastes compare within two beverages, and without showing them the brands. PepsiCo Inc. also had a spectacular advertising on television where the taste of the beverage was always better than Coca-Cola.²⁹

²⁷ In this paragraph the beverage "Coca-Cola" is written "Coke", in different countries the "Coca-Cola" has either first or second name.

²⁸ Harvard Business Review, Introducing New Coke, Susan Fournier, December 1999, available at: [www. http://hbr.org/](http://hbr.org/), retrieved February 2014.

²⁹ Harvard Business Review, Introducing New Coke, Susan Fournier, December 1999, available at: [www. http://hbr.org/](http://hbr.org/), retrieved February 2014.

However, unpleasant thing was that, the tests were real. And people, who participated in them, really liked the taste of Pepsi more. In addition to everything, in November 1983 Pepsi spend \$5 million for two commercials. New generation, it seems, and in fact chose Pepsi. These studies have confirmed it. Coke started to lose its position in the market. Almost double advantage in sales of The Coca-Cola Company in 1984 fell to a mere of 4.9%. In supermarkets, sale of Coke were for 1.7 % less than Pepsi.

Moreover, the total share of the Coca-Cola beverage market fell from 24.3% in 1980 to 21.8% in 1984 as president of Pepsi USA boasted Roger Enrico announced: “For 20 years, we have used an advertising campaign under the slogan “Pepsi generation” to refer not only to the young, but also to all those who are looking forward, who is inquisitive, who wants to get more out of life.” As a result, by the mid -1980s The Coca-Cola Company’s main product Coke (Coca-Cola) looked unattractive for customers; it seemed that it represented a longing for the past. Coke's lead had dropped from a better than two to one margin to a mere 4.9 percent lead by 1984. (Bastedo & Davis, 1993)³⁰

The problem was that the image of Coca-Cola wasn’t attractive for young consumers of soft drinks, which have dominated this market. Coke threatened the real prospect of becoming only the second most popular beverage. And it would be surprising, because for many years, it was an indispensable attribute of American life.

5.3.2 Implementing change by introducing the New Coke

In 1997 the PepsiCo Inc. had eventually pulled ahead The Coca-Cola Company in food store market share. (Schindler, 1992). In April 1985, The Coca-Cola Company’s change management team announced the decision of creating a new recipe for the old brand.

Study of demand for the new product and its quality has been one of the most comprehensive market research in the history. After spending more than \$ 4 million, The Coca-Cola Company interviewed nearly 200 thousand consumers. Representatives of the company stated that during the tests to determine whether people choose old or new product survey was done. The blind test showed that of the loyal Coke drinkers the preference to New Coke was 53% to 47%, and 55% to 45% preference of the regular Coke drinkers to the new product. The test identified that consumers prefer New Coke over the Coke. (Schindler, 1992)³¹ Management of the company followed so that the results of these tests have been checked, rechecked and confirmed in all major trading centres of the country.

³⁰ Bastedo M. and Davis A., Cola Fountain, God, What a Blunder: Source: The New Coke Story, 1993, available at: <http://colafountain.topcities.com/newcoke.htm>

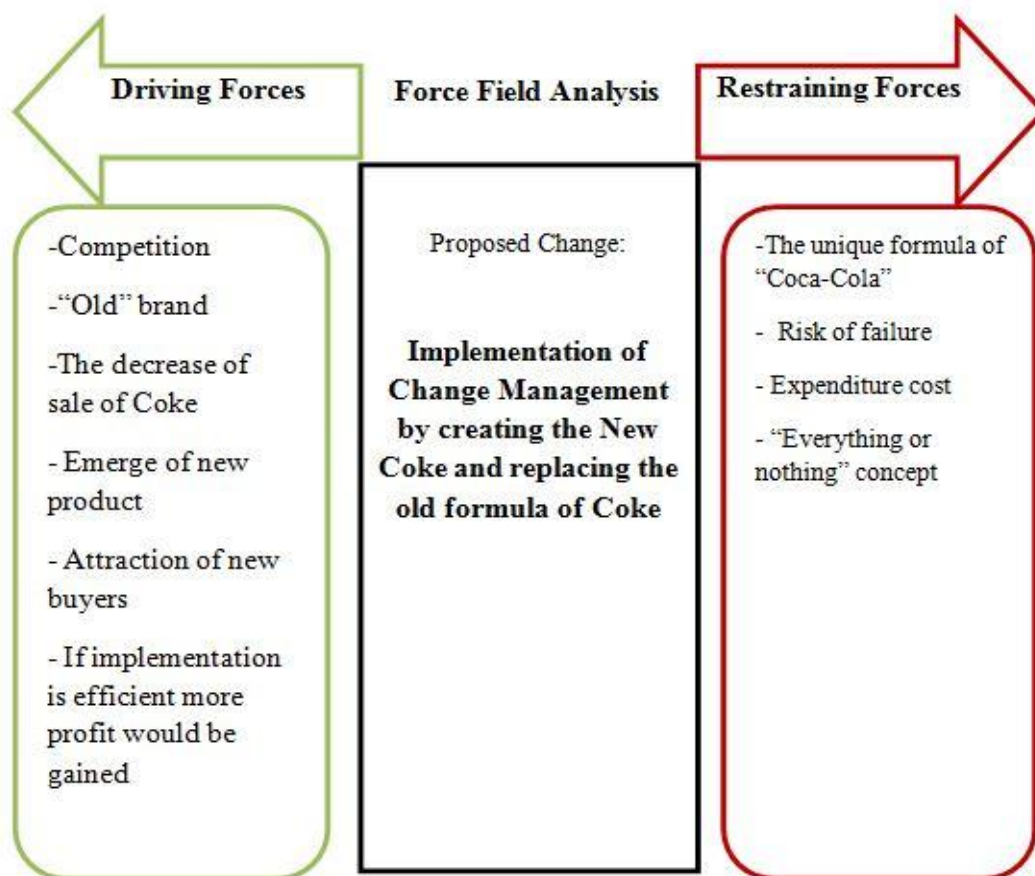
³¹ Schindler, R.M., The real lesson of New Coke: the value of focus groups for predicting the effects of social influence. Marketing Research, 1992

April 23, 1985 New Coke with great fanfare was released for sale. Announcing a new formula for the drink of The Coca-Cola Company, the CEO Robert Goizueta referred to the decision as “the surest step The Coca-Cola Company has ever made”.

To look deeper into the decision of implementing such a risky marketing structure the Force Field Analysis will be given. The driving forces as well as the restraining forces of Change Management implementation will be explained and analysed.

5.3.3 Force Field Analysis

Figure 3: The Force Field Analysis



Source of data:Mark Connelly,Force Field Analysis-Kurt Lewin,2012 ³², own processing

³² Mark Connelly,Force Field Analysis-Kurt Lewin,2012 available at: <http://www.change-management-coach.com>, retrieved January 2014

1) Driving Forces:

- **Competition.** The main force drove the company to undertake changes was competition with PepsiCo, especially because the U.S was the largest market of the company
- **“Old” brand.** The fact that the Diet Coke was created didn’t improve the company’s market situation. The provocative advertisement strategy of the PepsiCo Inc. made The Coca-Cola Company to believe that the brand is too old and people are not attracted to it anymore.
- **The decrease of sales of Coke.** If sales go down production goes down as well, and therefore cause a decrease of profit.
- **Emergence of new product.** It was an extremely good idea when The Coca-Cola Company created Diet Coke. The company aimed to repeat the success.
- **Attraction of new buyers.** As it was mentioned before, the company was no longer popular for young people who are defined as the main consumers of soft drinks
- **If the implementation is efficient more profit would be gained.** The company’s plan was not only about returning its profitability, but also increase it.

2) Restraining Forces

- **The unique formula.** The Coca-Cola has a unique secret formula, created, by that time, 100 years ago and excluding is never a good idea for The Coca-Cola Company.
- **Risk of failure.** It is always a great risk for organisations to undertake a Change Management programme, even if changes are not that big. But in the case of The Coca-Cola Company the risk was too high.
- **Cost.** Cost is also one of the factors against change. As it was mentioned before the implementation of New Coke required lots of spending on testing the product

The results of the analysis

Even though the factors against implementing a change was highly important to consider, an even more important to observe, The Coca-Cola Company decided to take a risk and follow Kurt Lewin three-stage concept’s first step- “unfreeze”. In fact, the company really required changes that would move it from the state that the company had.

And there actually were enough reasons to undertake a Change Management in this really radical way. The main purpose of “go for change” was to transit the company’s weaknesses into strengths. For the companies like The Coca-Cola Company, customers will always play the huge role of its business. Customers are the one who decides whether to consume the product or not.

The analysis shows how it is important to evaluate all pros and cons before starting a change. However, the results might not be precise enough to be efficient.

5.3.4 The effect of Change Management

In April 23, 1985 New Cola was introduced to the audience, and several days later the production of the original Coke was stopped. This decision was soon called “the greatest failure in the history of marketing”. It resulted in lower sales of New Coke and a high degree of public discontent over the sudden disappearance of the original beverage.

By that time the market share of The Coca-Cola Company fell from 24.3 in 1980s to 21.8 in 1984³³. And it was obvious that the market share will fall again if the reaction of people to the New Coke will be the same.

The Coke drinkers and The Coca-Cola Company customers reacted very negatively and even refused to buy a new product. The whole idea of the Coke was explained by this situation. Mostly, people were not buying Coca-Cola for its taste, but more for its brand which means a lot for Americans.

Radical and absolutely risky Change Management was not efficient, the process failed. And there are several reasons for it.

5.3.5 Reaction of The Coca-Cola Company to the failure

The New Coke was removed after 87 days of being in the market. After, the company decided to bring the old recipe back.

In other words, The Coca-Cola Company has realized that marketing is much more than the product itself. Most tests were carried out with a blindfold, so the only factor evaluation was the taste. The company eventually had to admit to trying to act like Pepsi, endangering the main advantage of its brand - its originality.

The old recipe of Coke brought back to the customers, as a Classic Coke and sales increased dramatically. The effect of having old Coke back was what The Coca-Cola Company needed. Pepsi went to be the 2nd again. It was proposed later that the company did it with purpose, which they have planned everything but The Coca-Cola Company's president disproved this idea.³⁴

³³ Bastedo M. and Davis A., Cola Fountain, God, What a Blunder: Source: The New Coke Story, 1993, available at: <http://colafountain.topcities.com/newcoke.htm>

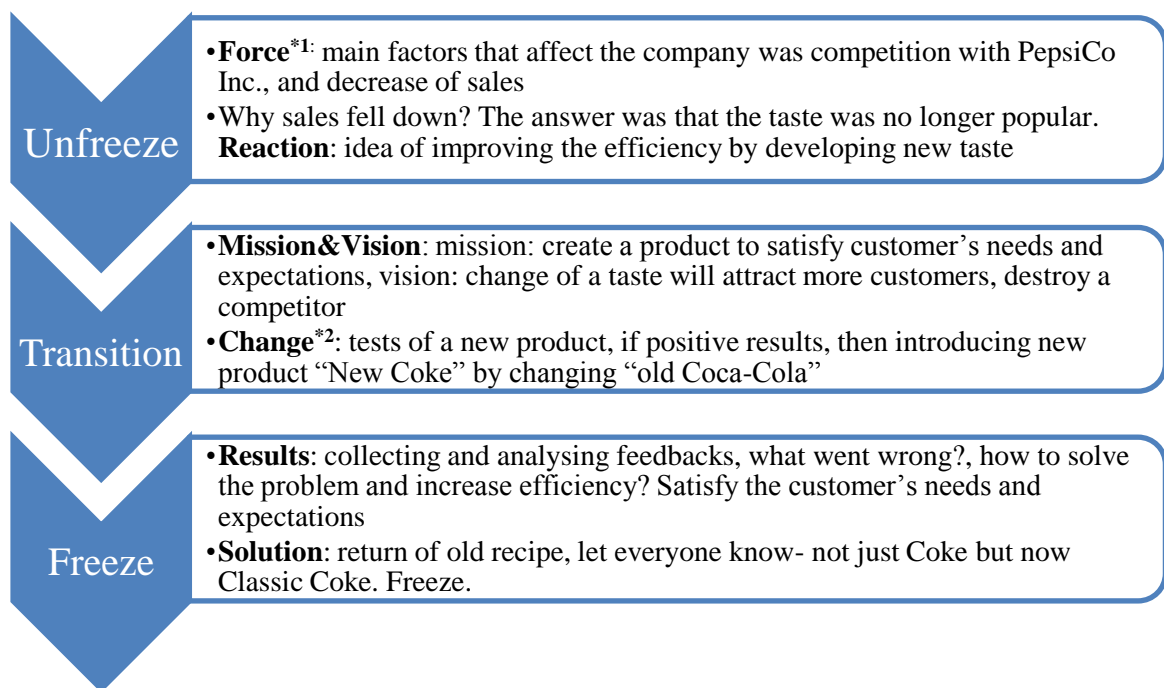
³⁴ The Coca-Cola Company official website, available at: www.thecocacolacompany.com, retrieved September 2013- February 2014

5.3.6 The Concept of The Coca-Cola Company

In order to understand the company's concept and steps of Change Management, the analysis of The Coca-Cola Company will be provided.

The Coca-Cola Company's Change Management can be described by involving these stages: **Force-Reaction-Mision&Vision-Change-Results-Solution**. Kurt Lewin's three-stage concept (which was explained in theoretical part) **Unfreeze-Transition-Freeze**, taken into consideration as a base.

Figure 4: The concept of Change Management in The Coca-Cola Company



Source: ³⁵Change Management: The Systems and Tools for Managing Change, Change Management Tutorial Series, own processing.

***¹Force:** By changing preferences consumer's increased competition with PepsiCo Inc., and as a result of it, sales of The Coca-Cola Company's production fell down. The customer's perceptions are always changing, there are a range of products competitors provides to them.

³⁵ Change Management: The Systems and Tools for Managing Change, Change Management Tutorial Series, available at: <http://www.change-management.com>, retrived January 2013

***²Change:** by developing new product and therefore undertaking Change Management, the company's production changed, for instance, new product requires new cans and bottle. It also requires new advertisement and new business strategies to increase sales and make profit. Internal changes also took part in this case, the company's employees now needed to be educated in order to sell new product.

5.3.7 Evaluation of results

This part will analyse the reason of Change Management failure in case study given above.

The biggest mistake the company made was spending a lot of money in a short time in order to test the new product. The idea of testing New Coke was however good and reasonable. But the way The Coca-Cola Company represented it, wasn't really a smart marketing plan. As it was mentioned before, people were involved in a blind taste. But major point was that they were not told that they taste The Coca-Cola Company's product. So, most of the consumers didn't even know their preferences, they didn't know that they are suggesting Coke to be replaced. The company's better idea would be to simplify the process by asking if customers want a new recipe, and if they want it to be replaced with a new product. The problem is that the company tried to follow PepsiCo's marketing plan.

The other problem the company faced is maximization. Should be considered the fact that the changes were radical and risk of failure was very high. But the company determined to undertake Change Management anyway. Robert Goizueta, the company's CEO was one the leaders and change creators. The Diet Coke introduced in 1982, and Cherry Coke in early 1985, were introduced under his control and leadership skills. But then when it comes to the New Coke, it needed more planning and analysing.

When Coca-Cola in the 1880s, has just appeared on the market, it was the market itself. It has created a new product category and brand name became the name of the product itself.

Starting a new Coke, the company has negated all previous marketing efforts. Coke is not called the "new" with its first advertisement in 1886 in Atlanta Journal: "The soda drink containing properties of plant of Coca and famous fruit Coke". And so, in 1985, a hundred years after its inception, the "new" was the last word that was associated with Coca-Cola.

It was necessary for the company to bring the brand to its unique taste, because the strength of any brand lies in its filing, and not the product itself, especially for The Coca-Cola Company

However, the implemented Change Management was not only consisting of bad decisions. The Coca-Cola Company chose to move forward to change and react to PepsiCo Inc., rather than defending its existing products.

5.4 SWOT analysis for The Coca-Cola Company

In order to define the company's competitive advantages and prevent possible threats it is important to make the SWOT analysis of internal and external factors. The other usage of the analysis is to define the forces driving the company to implement the Change Management programme in today's environment.

Table 2: SWOT analysis for The Coca-Cola Company

The Coca-Cola Company	
Strengths	Weaknesses
<ul style="list-style-type: none"> • “Coca-Cola”. The beverage brand “Coca-Cola” is unique in taste, was created a new category of beverages, when there was no such drink • Company valuation and brand. “Coca-Cola” world's one of the most recognisable brand. It also, one of the most valuable brands in the world. According to “Interbrand” in 2013, The Coca-Cola Company ranked in 3rd place in the world's top brands with a value of \$79.213 billion. For the last 13years the Coca-Cola brand had first place, but in 2013 Apple Inc. (\$98.318billion) has become the leader of Interbrands's annual study, and 2nd place was given to Google. • Vast global presence. The company presented in more than 200 countries. Besides, best known products such as Coca-Cola, Coca-Cola-Diet, Fanta and Sprite, there are also a range of different drinks in each country. The company operates in the developed countries as well as developing. • Quality and historical background. For most of the people quality of the product is the primary cause of consumption of it. The Coca-Cola Company has good reputation, mostly because of company's long existence in the market; in 2013 it celebrated 127 years. • Successful marketing and advertising 	<ul style="list-style-type: none"> • Significant focus on carbonate drinks. As it is known, the company is concentrated in drinks only. Where, for instance, its competitor PepsiCo also produces snacks and other products. These products would have been an additional revenue driver for the company • Water Management issues. One of the main issues of the company, vast consumption of water even in water scarce regions. It faced difficulties because of it. The company blamed for mixing pesticides in the water to clear contaminants; water management should be improved in the case of The Coca-Cola Company. • The largest part of products are not considered as healthy. Carbonated beverages not considered as healthy drinks. Most of the company's product contains sugar, which is under the average daily consumption. People who have diabetes, especially, won't buy this kind of a product. Even though, it produces water and juices, healthy alternatives would not only increase revenues but also reputation • Negative publicity. As it was mentioned before, the company, in the past, was criticized for high water consumption in water scarce regions. The syrup from which beverage “Coca-Cola” and its variations is made from,

<p>campaign. Advertising expenses are very high but beneficial as well. In 2011, The Coca-Cola had \$4 billion for marketing expenses, in the same year it was named as a Marketer Of A Year</p> <ul style="list-style-type: none"> • World's largest market share in beverage. Coca Cola holds the largest beverage market share in the world 	<p>mostly consist of secret ingredients. That kind of facts usually followed up with negative reactions.</p>
Opportunities	Threats
<ul style="list-style-type: none"> • Decrease of unemployment in the countries where it is situated. In 2013 the company, in its annual review, announced that it employs around 150,900 people, which impacts the unemployment rate. • Improvement in the supply chain. Beverage business is based on transportation and distribution. As a cost for transportation rising supply chain may become a major cost sinkhole. And it is always can be improved. • Emerging markets. New markets opening around the world would make company more powerful and market strong. • Acquisitions. The Coca-Cola Company went through many acquisitions, in most cases very successfully. Smart acquisitions would help business in many ways • Corporate social responsibility. The company is increasingly focusing on programmes such a recycling, packaging, active, healthy living, it supports young people, groups of people with health issues. Such programmes • Evolve consumer preferences. Health considerations and nutrition concerns are highly increasing. Human lifestyle is changing as well. The Coca-Cola Company should react on what customers needs and provide it through new innovations and products, otherwise financial results could be negatively affected. 	<ul style="list-style-type: none"> • High competition. Producing beverages become very popular. Each country has its own product, and in most cases, people tend to like national product more. The Coca-Cola Company's largest competitor is PepsiCo. • Indirect competitors. It is also important to add, that such companies as Starbucks, Costa coffee are rising very fast, which also makes competition. • Changing economy. It is not possible to predict for sure what will happen next. The economy is different in all the countries and The Coca-Cola Company should consider the fact, when implementing new products, changing strategy etc. In order to still be efficient. • Decreasing gross profit and net profit margins. Gross profit and net profit margin were decreasing over the past few years. It is a threat for the company as far as it may continue to decrease due to higher water and other raw material costs. • Market cannibalisation. In case of Coca-Cola, sometimes brands can be considered to be competing with each other, which may cause market cannibalisation. For instance, Coca-Cola in comparison with Diet Coca-Cola, and Coca-Cola Zero. Both should be considered the fact that in many cases, companies prefer to compete with each other as a strategy or a market plan, rather than having a competition with other brands. • World obesity concerns. Consumers and more precisely governments are highly concerned about the public

	health consequences caused because of obesity. The products that contains of sugar, as well as those that are nutritive sweetened considered to be a primary source of obesity increase.
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5.4.1 Results of the analysis

Based on the above analysis, conclusions about the potential development of The Coca-Cola Company can be shown, which is inherent in eliminating weaknesses, opportunities, and the skilful use of registered threats. Thus, the SWOT analysis helps identify the main reasons for implementing change and therefore eliminate or reduce threats and improve weaknesses.

However, the analysis points global and most known factors which affect or may have an impact on the company. The Coca-Cola Company releases annual reports, where numerous of risk factors are described. Identifying such factors helps to set the goals, the vision and mission for the future and change the business in order to achieve it.

6. Discussion of the hypothesis

The hypothesis assumed that “Change management in The Coca-Cola Company has resulted in a more profitable company”.

The research of the analysed example, discusses that Change Management is a process that is not always efficient. The results of it might not be satisfactory and the risk of failure is always very high. The research in the practical part of this thesis shows that the company faced failure when it introduced a new product, and it affected the business and therefore the profitability.

However, through the long history of The Coca-Cola Company, which undertaken lots of changes, it is clear that changes helps the company to be more efficient and more profitable by implementing changes. Even though, some of the changes might not give the expected results, the majority of it has resulted The Coca-Cola Company in a more profitable company.

7. Conclusion

As it was mentioned several times through the thesis, implementing Change Management in an organisation is very important and it is a key element of business success.

Of course, Change Management is not the only factor of a business success or rise in income, the causes could be different. However, changes are a crucial part of it.

Change management is basically defined as a process transitions individuals and organisations from the current stage to the desired stage. However, knowing the theory and concepts of it are not a guarantee to an efficient result. Whenever undertaking Change Management organisations face many difficulties, even more often there is a high risk of failure.

In organisational Change Management the Chief Executive Officers (CEOs) play a key role. They are the one who is leading change and involved in it. In many cases, CEOs knowledge and change skills results success of an organisation. The CEO of a company may include changing the company’s mission, reforming business operations, as well as application of new technologies, major group efforts, or adoption of new programmes.

Usually, changes are the results of external factors affecting business, and under which organisations have no control. However, changes can also be oriented internally in order to, for instance, improve employee efficiency.

This thesis studies Change Management as an approach for big multinational companies, but it is also important to consider that, changes are essential for a small companies as well. The processes of it differ according to the organisation's size. Change Management in big companies requires more time and expenses, still, both small and big companies must plan the process.

The Coca-Cola Company implements changes continuously, as it is a type of business that requires it in order to satisfy customer's needs and expectations and stay competitive. The company shows an excellent example of Change Management implementation. It went through numerous changes and still continues improving the business.

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