

THE ROLE OF CORPORATE CULTURE  
IN ORGANIZATIONAL CHANGE MANAGEMENT

BY

RAUSHAN KOISHANOVA

THESIS

Submitted in partial fulfillment of the requirements  
for the degree of Executive Master of Business Administration  
in the Graduate School of Business  
Nazarbayev University, 2016

Astana, Kazakhstan

Advisor: Dr. Chet Borucki

## **Abstract**

This thesis presents the role of corporate culture in organizational change management. The objective is to study the existing corporate culture of the Republican State Enterprise “Kazakhstan temir zholy” (hereinafter referred to as KTZ) and demonstrate the role of KTZ’s corporate culture in change management in the context of KTZ Business Transformation Programme.

## Table of Contents

Abstract.....	2
1. Description of the purpose of the thesis.....	4
2 Implementation of the Business Transformation Programme.....	7
3 What is corporate culture? .....	9
4 Models for change management in an organization.....	10
5 Analysis.....	13
6 The current status of HR.....	20
7 Study of the satisfaction level (involvement index) of KTZ personnel.....	27
8 Recommendations.....	31
References.....	34
Appendix.....	35

## **1. Description of the purpose of the thesis**

The Head of the State, N.A. Nazarbayev, in a speech made about “Strategy “Kazakhstan – 2050” The new practical course of the established state”, established a goal to elevate Kazakhstan to the rank of the 30 most developed countries of the world by 2050. Achieving this ambitious target will require elevating the performance of the JSC “Sovereign Wealth Fund “Samruk-Kazyna” (hereinafter – the Fund) and its portfolio companies.

JSC “National Company “Kazakhstan Temir Zholy” (hereinafter – JSC “NC “KTZ”) is the largest transport and logistics holding of national importance, and is an asset of the “Samruk-Kazyna” Fund. In fulfillment of the order of the Head of State Nursultan Nazarbayev regarding the national logistics operator on the basis of JSC “NC “KTZ” with a full range of assets and competencies, the Seaport of Aktau, International Center for Boundary Cooperation “Khorgos” and the Special Economic Zone “Khorgos-Eastern gates”, an airports network were transferred under the company’s management. At the present time, Kazakhstan’s railway industry provides employment to more than 150 thousand people.

As a national logistics operator, JSC “NC “KTZ” addresses tasks set by the “Kazakhstan -2050” Strategy on development of transit capacity and is responsible for a two-fold increase in transit transportation throughout Kazakhstan by 2020, and ten-fold by 2050.

Moreover, to ensure the development of the private sector in the economy of the Republic of Kazakhstan, the Government initiated a programme for privatization of a number of government assets. The programme will significantly modify the structure of the portfolio of assets of JSC “NC “KTZ” and the industry as a whole.

Therefore, today’s JSC “NC “KTZ” is not only a national operator of the backbone railroad network, but a modern multifunctional transport holding integrated into the worldwide transport system, and providing sustainable competitive development of Kazakhstani economy.

Taking into account the external environmental changes and extension of the Company’s range of activities, on November 26, 2015, the Board of Directors of JSC “NC “KTZ” approved the Development Strategy of JSC “NC “KTZ” until 2025 that represents KTZ’s mission and vision.

#### MISSION OF JSC “NC “KTZ”:

As a core infrastructure company, we provide a high-quality transport fundament for sustainable growth of the economy of the Republic of Kazakhstan, generate value for the Shareholder and offer benefit for consumers and the society as a whole providing needed and competitive transport and logistic services.

#### VISION OF JSC “NC “KTZ”:

We are eager to become a high-performance and innovative transport and logistic company acting in compliance with the best business practices.

The need for ongoing changes in the Company is due to a demand and supply imbalance. Over the entire period of the existence of Kazakhstani railways, there has been an increasing imbalance between the market demands, expressed in the form of specific requirements to railway transportation services, and the railways industry capacity. The Shareholder, represented by “Samruk-Kazyna” Fund, has established high requirements to KTZ to ensure efficient implementation of the mission. In order to achieve the Shareholder expectations, the Company intends to implement a set of actions aimed at transformation of operations that will enable the realization of the target vision of KTZ as a high-performance transport corporation.

The purpose of my thesis “The role of corporate culture in organizational change management” is to study the existing corporate culture of KTZ and demonstrate the role of KTZ’s corporate culture in change management in the context of KTZ Business Transformation Programme. The scope of the analysis of corporate culture in the organization is the KTZ Corporate Center. In addition, my research is based upon description of the KTZ corporate culture throughout the HR stream.

In this thesis, I have used the following materials: the courses completed within the Executive MBA Program in Nazarbayev University Graduate School of Business – “Management and Organization” with Professor Aaron Kay, “Foundation of Strategy” with Professor Venkat Subramanian, material of the researches performed by PricewaterhouseCoopers (PwC) consulting company

for KTZ in the framework of Business Transformation Programme, and a questionnaire<sup>1</sup>, which was the basis for my survey among the middle leadership (chief specialists – 64 people, department directors – 20 people) of the Corporate Center.

## **2. Implementation of the Business Transformation Programme**

In February 2013, JSC “NC “KTZ” has commenced implementation of a strategic project on business transformation. Implementation of the Business Transformation Programme will require changes in the organization’s operations.

To ensure achievement of the Company mission, the Transformation will cover such areas like:

- financial and economic performance (Shareholder expectations)
- services quality and leadership at the market (customer expectations)
- processes (what should be done within the Company to provide value to customers?)
- capacity (How the Company should be developed?)

The Business Transformation Programme will make it possible to create a performance-focused corporate culture by attracting, retaining and developing the best personnel, improving the governance system, and ensuring implementation of effective social policy.

---

<sup>1</sup> Appendix 1 to the thesis

Therefore, the main benefits for stakeholders from the Business Transformation Programme of JSC “NC “KTZ” are as follows:

For the Government:

- sustainable tax payer
- an employer meeting the best world standards
- robust transport infrastructure of the country's economy.

For the Society, customers:

- transparent and affordable transport services of high quality
- client focus and a wide range of the services offered
- multimodal transportations and flexible tariffs
- safety and environment friendly services

For the Company leadership:

- an ultimately new governance system, based on targeting and a process-based approach, which will provide a high level of manageability and performance;

- automation of processes;
- ability to respond changes in the needs of the services consumers;
- decrease of operational expenditures and performance improvement;
- costs control
- quality of decision-making information

For the Company employees:

- an adequate motivation system

- performance –focused culture
- safe labour conditions.

The goals and objectives of the Business Transformation Programme are aimed at the systemic transformations of internal and external environments, and the use of successful experience in transformation implementation based on world best practices.

One of the main goals of the Business Transformation Programme (hereinafter – BT Programme) is to create a corporate culture of continuous improvement, mobility, flexibility and innovativeness. Personnel training and involvement in the modernization process, and bringing the culture of involvement into changes are among the most important aspects for successful implementation of the BT Programme<sup>2</sup>.

### **3. What is corporate culture?**

There are many definitions of corporate or organizational culture in the literature. In most definitions, there are common words such as beliefs and shared values. General definitions which make it easy to understand the concept are “the way things get done around here”, or “the glue that holds a company together”, or corporate culture is “the soul of a company.”<sup>3</sup> Perhaps one of the most complete and recognized definitions has been offered by Edgar Schein (2010), one of the leading scholars who has conducted extensive research on the topic. He defines organizational culture as: “a pattern of shared basic

---

<sup>2</sup> The Road Map for KTZ Business Transformation Programme

<sup>3</sup> <http://sellwin.by/career/article/korporativnaya-kultura>

assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”

The culture of an organization is, on the one hand, the most important factor that is able to facilitate or resist to any changes planned in a company, on the other hand, it is an aspect of organizational life, which is sometimes changed cardinally, at the same time “cultural revolution” – it is probably one of the most complicated projects of change.

The success of ongoing changes in a company depends on the behavior and response of the people who work there. At the start of transformations, an employee of any level and any profession feels his/her vulnerability and asks questions: “What will happen to me? How will change my work? What new things will I have to do? What methods will I have to refuse?”

Non-recognition of change management importance can result in a decrease in the motivation of personnel, a decrease in performance and can affect the overall success of a change initiative. Therefore, it is important for initiators of organizational change to know the basic principles and approaches of this work<sup>4</sup>.

---

<sup>4</sup> <http://www.mbschool.kz/>

#### **4. Models for change management in an organization**

Employee resistance to change, which KTZ faces when transitioning to the new level of its operations development, and according to the sponsors of the Business Transformation Programme, is a subject of continuous study. Management of such resistance to changes by means of the development of the performance oriented corporate culture, is one more confirmation of the importance of corporate culture in organizational change management. Professor Aaron Key provided the following answers for the question “Why do people resist changes?” asked during the course “Management and Organization” in the EMBA program:

- Fear of the “unknown”
  - do the changes lead to the better? Are they worth it?
  - what is the risk of loss?
  - am I able to change?
  - destruction of tradition / history - the old methods will not work any more
- Fear of the “known” (expected loss)
  - high cost - loss of control, strong tension, failures;
  - threat for identity, status and competence
  - inability to fulfill the promises.

During this course, the Professor proposed different models for change management in an organization: application of the six domains of leadership<sup>5</sup>, change model “Unfreeze, Change, Freeze” (Kurt Lewin), and an 8 step change process model (John Kotter, 1995).<sup>6</sup>

The world practice is based on both classic and innovative tools for change management, innovations in planning and implementation, and effective tactics for dealing with resistance to change.

For example, the Congruence Model by Nadler and Tushman (1989) highlights four important components of an organization: people, corporate culture, critical tasks and formal organization. The basic idea - to ensure demonstration of excellent results and use of emerging opportunities by an organization, these components should be aligned with each other and also be aligned with and support mission and strategy. The authors theorize the better the alignment or congruence or “fit” between the organizational components, the better the organizational performance.<sup>7</sup>

The first internal component of their model is People - an integral and, perhaps, the most important part of any organization. In the modern business

---

<sup>5</sup> The six domains of leadership. Sim Sitkin & Allan Lind. (Chapel Hill, NC: Delta Leadership Inc., 2008)

<sup>6</sup> Through his research, Kotter identified 8 reasons why change efforts fail. These are listed below. The opposites of these represent what he believes should be done to increase the chances of success of organizational transformations:

1. Not establishing a great enough sense of urgency
2. Not creating a powerful enough guiding coalition
3. Lacking a Vision
4. Undercommunicating the Vision by a Factor of Ten
5. Not removing obstacles to the new Vision
6. Not systematically planning for and creating short-term wins
7. Declaring Victory too soon
8. Not anchoring changes in the corporation’s culture

<sup>7</sup> [http://pribylov.ru/bip/congruence\\_model.html](http://pribylov.ru/bip/congruence_model.html)

world, where replication of successful ideas and technologies, as well as acquisition of necessary resources is a matter of a few weeks or even days, people and their qualities determine business success.

Any organization, in fact, is a comprehensive system. In order to ensure the unity and coordination, the system generates laws, ideology, culture, and the meaning of its existence. Just as an individual has personal characteristics that shape his/her identity and distinguish him/her from other people, so, too, does an organization have its “individuality” or “personality” – its corporate culture.

The second component is Critical Tasks: the varieties, nature and principles of labour organization in a company. This is how to organize the workflow in a company, the sequence of work and level of employees’ interaction in the process of critical organizational activities implementation. In addition, it is necessary to evaluate the types of efforts performed with regard to their complexity and certainty of the outcome.

The third component is the Formal Organization: the organizational basis of a company, which includes organizational structure and systems of a company (such as information systems, control and motivation system, human resources management system, etc.). Besides, it also incorporates formalized processes of a company, including the decision-making process.

My research, related to identification of what models were used by KTZ when managing the changes and what is the role of the corporate culture in change management during implementation of the KTZ Business

Transformation Programme, has demonstrated that some elements of the models stated above, have been applied in the implementation of the BT programme.. These include development of the leadership qualities and competencies required to overcome resistance to changes, creation of the feeling of changes, stimulating the personnel to change through “internal motivation” and “external motivation” – in other words, the alignment of people, corporate culture, critical tasks, and organizational structure.

### **5. Analysis.**

To analyze the appropriateness of the topic of my thesis, I studied the Business Transformation Programme`s Methodology in which it is noted that stable business transformation involves a synchronous change of processes, technologies and competences of the main employees of the Company.<sup>8</sup>

The BT Programme methodology is based on an assessment of the competence and the employees` behavioral skills, beliefs and values that form the corporate culture of the organization and create a certain stable stereotype of organizational behavior, which cannot be easily changed, and which causes resistance to changes.

Overcoming of organizational resistance requires hard work to change the value system, behavior of employees, and the corporate culture of the enterprise as a whole. To ensure support of the transformation, it is essential to show the benefits and convince the employees at all levels of the organizational structure

---

<sup>8</sup> Transformation Guide. Volume VIII “Change Management Strategy”

that ongoing changes can result in new prospects for professional development and careers growth.

To successfully implement organizational changes, it is necessary to perform the following changes in the field of personnel management: mindset and behavioral skills, organizational development, employee training and development of the corporate culture. A comprehensive business transformation programme is a full cycle of transformations: from development of a strategic vision, goals and key performance indicators to the processes reengineering and roll-out of a process-oriented management system, implementation of IT-solutions, change management, and achievement the final outcomes. Addressing these and other challenges multiplies the role and responsibility of the many thousands of employees of the National Railway Company.

External stakeholders need to understand that the transformation is from the position of a monopoly corporate culture, focused on production and costs, to the culture of a client-focused national carrier and a provider of high quality services. The Company employees should be aware how important it is to deter and reduce costs in order to increase investment resources.

Over the last few years, the railway industry has been in the process of reformation. In order to understand the characteristics of the existing institutional and organizational structure of the railway industry in Kazakhstan, it is necessary to take into account the incomplete nature of the reform at this stage, as well as the peculiarities of its implementation.

The ongoing Transformation Programme of the Company, if successful, will result in the following by 2020: a global network, brand awareness, sound compensation and social benefits, and strengthening of the corporate culture.

My further research of the role of corporate culture in change management in KTZ is focused on the analysis of the current state of the HR function and KTZ's vision in terms of the HR function's future by means of the implementation of a project from the BT Programme's Road Map: "Implementation of the target model for human resources management". In my view, the occurrence of the "Human Capital" stream in the Strategy of "Samruk-Kazyna" Fund for implementation of the KTZ mission along with financial, strategic, and operational streams provides justification for the whole-scale study of this concept within my workplace.

People as the main value of the Company are put at the forefront in raising the level of the employees' involvement, social stability improvement, and development of the corporate culture.

David Ulrich, a professor University of Michigan Business School and the author of 15 books on HR and management, asserts: "HR professionals should become architects of talents, culture and leadership"<sup>9</sup>. Thus, the role of corporate culture in the Company should be viewed primarily through the prism of the HR stream.

---

<sup>9</sup> David Ulrich, W. Brockbank "HR struggling for competitive advantage" Harvard Business Review Press, 2005

The Transformation Programme aims to shift the focus of HR managers to assist the leadership in achieving the unit's business goals. When an HR manager is freed from personnel administration, he/she will be able to spend more time on business-related issues. In railways passenger transportation, an HR manager, in collaboration with the leader, may perform an analysis of customer satisfaction with the Company services and identify things that prevent the employees of passenger transportation from meeting the passengers' needs.

Perhaps this is due to the lack of customer orientation, or undermotivation, or there are problems with the line leader, etc. For instance, if it is necessary to improve customer orientation, the employee will be sent for training. If that is a motivation related issue, then there can be a proposal submitted to the central service to change any target indicators that have been set for a particular group of the industry employees, whether these are conductors or cashiers, etc.

One of the variety of options explored within the Transformation is the creation of a special center, where the HR administration function will be transferred. Each specialist of this center will specialize in only one type of operation that facilitates its implementation and reduces the rate of errors. Onsite HR managers, who will be freed from the accounting functions, will be occupied with personnel planning, motivation, training, and talent development.

Based on analysis of the study case "Strategic Outsourcing at Bharti Airtel" considered during the "Foundations of Strategy" course with Venkat

Subramanian and giving answers to the questions: What activities may be transferred to third party contractors? What has the critical value for “Bharti” activities? What is the core of “Bharti” activities? – I believe that creation of a dedication center for “Bharti” activities and transfer of HR administration function to this center, and a focus on HR strategic challenges is the right decision of the leadership in the light of ongoing organizational changes across KTZ.

Thus, the experts of the transformation group prepare proposals on how it will look like in the future within a description of the processes. The process of change will not be easy and fast. There will be change of not only technologies and processes - people need to change as well.

In terms of the Company’s personnel development, one of the goals of the Transformation Programme is to create the unified corporate culture. This is because today’s Company becomes a multimodal operator and its employees in the near future will have to deal not only with railway operations, but with logistics as well, since at the year-end of 2014, 12% of revenue was received from provision of logistics services.

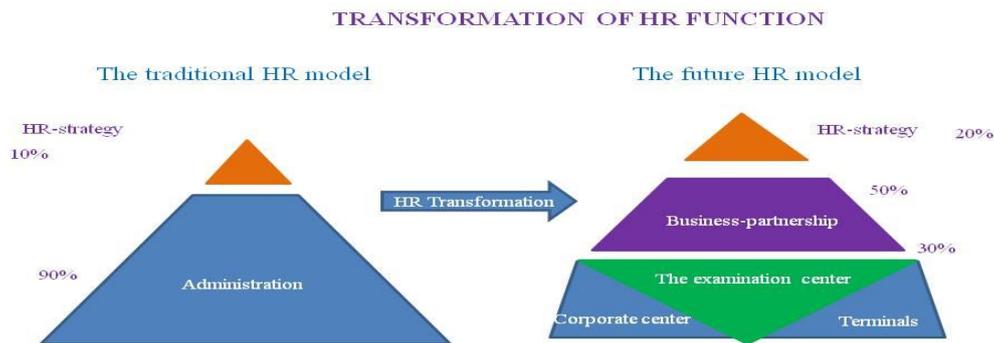
To implement the new processes, the Road Map approved the BT Programme’s projects portfolio, one of which is the project “Implementation of the target model for human resources management”

The project goal is to improve the quality of personnel due to the implementation of HR processes that will result in the improvement of

employee performance. This project provides improvement and finalization of existing HR processes with due account to the Fund’s standards.

The Action Plan for implementation of the new HR management model provides introduction of 12 target processes, including “Management of corporate culture and social stability”. The key goal for transformation of the human resources management function is a shift of the role from supporting administrative function to a strategic partner of the business units, as is shown in Figure 1.

Figure 1 – Transformation of HR-function



Accordingly, on the one hand, the HR function should become more service-oriented, focused on domestic customer, on the other hand - more strategic and implement full support in implementation of the Company’s strategy at the level of human resources management.

Ulrich’s model was used as a guideline for the reference operation model for the human resources management function. This model defines the human resource management function as strategic by allocation of three main roles within the function:

- HR Business Partners - responsible for establishing a dialogue between the business and HR team, as well as for effective implementation of HR services for business.
- Centers of expertise - responsible for design of effective HR solutions, programmes, processes, policies and procedures.
- Service Center - responsible for effective implementation of the current HR services and tasks.

Business partners in human resources management are representatives of the human resources management function for businesses. They are the initial contact persons in formation of a strategic and long-term demand. They provide consulting support to businesses.

The new organizational model will improve performance and experience in HR management; increase the customer focus of human resource management, as well as the business' understanding of human resources management.

## **6. The current status of HR**

Personnel is one of the most important assets of JSC "NC "KTZ" ensuring sustainable development of JSC "NC "KTZ", implementation of innovative and high-tech projects, and achievement of its strategic objectives. The Company has a Personnel Policy for 2014-2018, which supports the principle of transparency and openness achieved through:

- transparent procedures for enrollment to talents pool and talent promotion to managerial and leadership positions;

- transparent competitive procedures when hiring to administrative positions;

- hiring and promotion of the production personnel in strict compliance with the qualification requirements, professional standards, and their merits;

- transparency of the remuneration system, opportunities for training and development.

One of the key areas of the Personnel Policy is the development of the corporate culture. This trend has just been included to the HR function and requires development. This area is focused directly on employees as the key asset of the company and includes the following HR processes:

- implementation of professional standards;

- workforce planning;

- search and selection management;

- training and professional development management;

- talent pool management and succession planning.

The corporate culture is formalized by approval of a number of KTZ local acts, such as the KTZ Corporate Ideology and Business Philosophy, Code of

Business Conduct, Corporate Governance Code<sup>10</sup> and other acts regulation corporate relation issues.

Compliant to the Personnel Policy, there are efforts carried out in HR areas - competitive selection of candidates in employment, adaptation and mentorship programmes for newly hired employees, and a multi-level system of remuneration. In addition to material labor incentives, the Company actively develops the non-material motivation of the personnel. In this context the measures of the employees' moral encouragement by means of various types of industry and departmental awards is applied.

The Company appreciates the continuity of generations. The dynasty of railroad workers originates from the time of the construction of railways in the territory of Kazakhstan. In the labor collectives, there are railroad worker dynasties in the third and fourth generations settled across all regions. Labour dynasties contribute to the preservation of the continuity of generations, the support of the legacy of the family profession, the bringing up the younger generation to respect the labour, the encouragement of family workers to be proud of their profession, and the strengthening of the social stability in the country.

---

<sup>10</sup> Corporate Ideology and Business Philosophy, Code of Business Conduct are approved by the resolution of the KTZ Board of Directors dated March 19, 2013; KTZ Corporate Governance Code is approved by the order of JSC "Kazakhstani Holding for Public Assets Management "Samruk" dated 07.09.2007, №117-II.

Conflict resolution is also of great importance when developing the corporate culture. The Company has introduced the Ombudsman position for the resolution of conflicts.

One of the most important principles of the Personnel Policy of the Company is succession. When staffing a senior position, the candidates from the internal environment are considered in the first place as they represent the talents pool of the Company. To be included in the talents pool, the candidates go through the selection procedure, which evaluates their professionalism, performance, business, and leadership skills in compliance with the competency profile for a positions that they plan to get in the future.

One of the important elements of corporate culture is the attitude to newcomers, and their adaptation to the corporate culture itself. Implementation is often a complicated and painful process. It is necessary not just to understand all the details, but also to absorb them. Adaptation to the corporate culture is one of the most difficult moments upon arrival to a new position. Some companies conduct dedicated adaptation workshops and other activities aimed at the newcomers' adaptation. For example, 258 activities for adaptation of 627 new employees were performed in 2013. The number of mentors in the Company amounted to 1003 people, a number of the employees who passed trainings - 1231 people<sup>11</sup>.

---

<sup>11</sup> Source: Report on KTZ HR function activities for 2013

A set of measures aimed at improving the organization and labor management, adoption of the mutual aid and support spirit, team building through joint activities, presentations and other actions that demonstrate the success of the Company, is routinely performed as part of the Company's initiatives for personnel motivation. The Company provides its employees with a competitive package of social benefits, some of which are applied to members of their families. These are medical insurance, educational scholarships of the President of the Company, housing, sanatorium and resort treatment, children camps, corporate events, and a number of benefits in accordance with the Collective Agreement between the Company and the labour collective.

As a subject of the market economy, the Company is socially responsible to the employees and retirees of the industry, annually increasing allocation of the funds for social benefits payment to the employees and retirees. There are about 50 thousand unemployed retirees registered in JSC "NC "KTZ".

The Company pays great attention to development of sports among the railway employees. The Company is involved in sponsorship and charity: medical trains provide qualified medical aid to populations living at remote stations; assistance in implementation of measures related to emergencies; and assistance for medical treatment of the Company employees and their close relatives.

The fundamental corporate values that form the Company activity are as follows: honesty, respect for people, solidarity and mutual trust. Safety, quality

and environmental protection, responsibility, sustainable development and mutual prosperity, teamwork and openness to development, professionalism and pride for own work are also immutable values of the corporate culture.

In general, it should be noted that the Company has done a great job on the formation of corporate culture and the development of many areas of HR. One of the main problems of the existing HR system is isolation of HR processes that are not related with other processes of the Company (production, financial, etc.) and inside the HR processes as well. That is, a systemic vision of HR role in the Company's strategy was absent.

HR is not an equal partner involved to address the planning and strategic challenges. HR has only "put out the fire" and resolved current operational problems, but has not been engaged in the implementation of the HR functions based on the business needs and long-term goals and objectives of the Company. That has been a contributing factor in the evolution of the corporate culture currently existing in the Company.

Taking into account global trends, the rapid development of IT technologies, the expectations of "Samruk-Kazyna" Fund and the need to become a profitable company, there is a need for transformation of the entire transport industry. And this is a very major challenge, given the size of the Company, since it is necessary to change the employees' mindset and by means of implementation of the projects for introduction of a new HR management

model, ensure integration of all HR processes between themselves and between other areas of the railway industry.

To ensure improvement of the corporate culture, in addition to the above, it is also necessary to constantly invest in the human capital of the Company. In the country as a whole, it is an effective system for personnel training and development, evaluation, and selection at all levels.

Having analyzed the current state of the Company and the surveys' findings, I think it would be feasible to:

- focus on the employee motivation system, which would include both material and non-material factors. This requires a comprehensive analysis of the personnel preferences in the field of the motivational personnel policy and evaluation of the motivational environment.

- develop new forms and opportunities for training, it is necessary to revise approaches to formation of professional development plans and to increase the personnel coverage with various forms of training and development, to focus on the employees self-education.

- the Company leadership is necessary to extend the possibilities of administrative and managerial personnel to show initiatives and independence in decision making, and ability for practical application.

- generate new independent ideas and rational proposals, since it is critical for this level of employee to demonstrate their professional competence and see

the outcomes, to be directly involved in the successful development of the Company.

The analysis of current organizational health has shown that leadership takes responsibility for the outcomes when implementing the strategy. At the same time, given the lack of coordination and control, personnel motivation and development is observed. To accurately perform the most important problems and implement the changes, it is necessary to improve the level of development of these areas and raise the leadership role up to a new level.

### **7. Study of the satisfaction level (involvement index) of KTZ personnel.**

In the information below, I would like to show the social feeling of KTZ personnel a year after the start of KTZ Business Transformation Programme. I have used materials of the research performed by Private Institution “Corporate University “Samruk-Kazyna”.

In order to determine a level of the personnel satisfaction (involvement index), in August and September 2014 Private Institution “Corporate University “Samruk-Kazyna” conducted a study regarding involvement of KTZ personnel using questionnaires. The questionnaire designed for the survey consisted of 48 simple and complex questions. The survey involved administrative and managerial employees, 6359 respondents in total. The research findings are available in Appendix 2 of this thesis.

Change Management is one of the important elements of the BT Programme. Effective and timely implementation of project solutions is possible if the leadership and employees of the Company are consistently involved in the transformation

The main purpose of change management is to:

- Provide the personnel from the top leadership to line personnel with sufficient and consistent information, as well as involvement of stakeholders in implementation of the Programme tasks;
- Provide support and get the employees ready for change and mitigate the risks associated with resistance and difficulties of adaptation to the new conditions;
- Provide the transformation teams with the necessary information, knowledge and tools for the personnel preparation to changes;
- Coordinate the change management activities;
- Provide a platform for creation and development of the corporate culture of continuous improvement.

Change management principles and tools:

- **Sponsorship:** the Transformation Programme should be supported by the key stakeholders making decisions at all levels of the organization, as well as it should be provided with resources for successful implementation.
- **Planning:** planning should be carried out regularly throughout the Programme implementation. Developed plans are to be agreed between the main

stakeholders. Goals, resources, roles and risks also need to be clarified and refined.

- Measurement of the deliverables: the Programme deliverables should be defined, agreed, and information on the current deliverables should be communicated to the main stakeholders of the Programme.

- Liabilities: The Programme stakeholders should discuss and resolve issues in an atmosphere of openness, mutual respect and trust.

- Support structure: the team and Programme stakeholders should have all necessary resources and support before and after the transformation implementation.

The key success factors are:

- coordination of change management, which consists of the following actions:

- 1) case of change; and ensuring:

- 2) clarity and benefits with regard to the case of change;

- 3) responsibility for the changes due to implementation of the Programme;

- 4) understanding of the need for changes to the existing processes in organization of the management system and practices.

- management of communications and interaction with stakeholders through persuasion them that:

1) the Programme's support by top leadership and stakeholders is visible, and the leadership is constantly presents their vision of "how the success looks like";

2) utilized communication channels are available and the information is understandable to the target audience and promotes the Programme understanding and commitment to it.

In addition, it is important for the Programme to report real information, not slogans.

- personnel training and development providing:

1) members of the team with all the skills they need to successfully implement the Programme;

2) capabilities / abilities of the employees to effectively conduct business, to work with the new system and processes designed in the course of the Transformation Programme;

3) support of the personnel in terms of application of new methods, tools and procedures in the context of the business process changes.

The purpose of the change management activities at the stage of preparation and mobilization is to provide sincere conviction of the leadership and personnel in the need for change, form a consensus. In this regard, the Company's CEO participates in kick-off meetings for the leaders, seminars and trainings for middle management. There are personal involvement plans

prepared for each top leader in order to ensure an adequate level of support for the transformation on the part of the senior leadership.

In 2015-2016 within the scope of the BT Programme, the PWC consultants conducted a study to assess the organization health for diagnosis of the current state of corporate culture<sup>12</sup>.

I have performed a survey covering 84 out of 230 specialists at various levels and categories, KTZ Corporate Center, to assess the corporate culture in KTZ<sup>13</sup>. At the same time, the gender and age categories were not taken into account. This group of respondents was selected based on the “line leader-employee” position.

## **8. Recommendations:**

Based on the mission and vision, and KTZ Development strategy briefly described in the beginning of my work and expectations of both the sole shareholder represented by “Samruk-Kazyna” Fund and the society of the Republic of Kazakhstan as a whole, I strongly believe that the corporate culture plays a significant role on change management. To ensure improvement of the corporate culture with due account to the global trends in HR, the world economic forecasts, the current business situation and the stakeholders’ expectations, three key strategic drivers are proposed:

---

<sup>12</sup> Findings of the OHI assessment research for diagnosis of the current state of the corporate culture, performed by PWC consultancy are presented in the Appendix 3 to the thesis.

<sup>13</sup> The survey findings and conclusion are available in the Appendix 4 to this thesis

- meritocracy culture: support for definition and transition to the culture, behaviors, values and competencies

- talents: talents attraction, development and retaining. Accomplish the goal when all the employees of the Company will be included in the talent pool without exceptions. In the future, the Company will attract only the best specialists and become a preferable employer.

- HR transformation and change management: implementation of a perfect execution of HR processes, change of the employees mindset starting with the top executives. It is also necessary to increase the level of professionalism of HR specialists.

The fact that HR will get a seat at the Company's strategic table, becoming the CEO's partner that allows to efficiently improve the corporate culture level, will be the outcome of these drivers.

Based on analysis of the current methodology, I would recommend KTZ to revise the existing Personnel Policy and bring it into alignment with the Strategy of the "Sanruk\_Kazyna" Fund, as well as the Company Strategy, to update all HR policies, procedures and ensure efficient integration of the processes.

Moreover, I propose to enhance efforts on Change Management, that is, actively communicate the need for business transformation to the employees (starting with the leader); it is necessary to involve them in this process. Train

the change agents, who will help to implement efficient communication at the initial stage.

## References

John P. Kotter (1995). "Leading Change: Why Transformation Efforts Fail." In *Harvard Business Review*, March-April, pp. 59-67.

David A. Nadler and Michael L. Tushman (1989). Organizational Frame-Bending: Principles for Managing Reorientation. *Academy of Management Executive*, vol. 3, no. 3, pp. 194-204

Report on KTZ HR function activities for 2013.

Sim Sitkin and Allan Lind (2008) . *The six domains of leadership*. Chapel Hill, NC: Delta Leadership.

Edgar H. Schein (2010). *Organizational Culture and Leadership*. Jossey-Bass.

The Road Map for KTZ Business Transformation Programme.

David O. Ulrich and Wayne Brockbank (2005). HR struggling for competitive advantage. *Harvard Business Review Press*.

## Appendix 1

### Questionnaire For executives (head of departments)

Dear executives!

Please take a part in the study.

Questionnaire consists of 5 pages, it takes 7 on average minutes to answer.

#### Questionnaire is anonymous

**1. What is your total work experience?**

1. Up to 1 year
2. 1-5 years
3. 6-10 years
4. 11-15 years
5. 16-20 years
6. More than 20 years

**2. What is your experience (as executive position)?**

1. Up to 1 year
2. 1-5 years
3. 6-10 years
4. 11-15 years
5. 16-20 years
6. 21-25 years
7. More than 26 years

**3. Have you ever passed skill upgrading courses?**

1. Yes
2. No

**4. How often do you pass skill upgrading courses?**

1. every year
2. once in 3 years
3. once in 5 years
4. less than once in 5 years

**5. Do the organization created conditions to staff training and development?**

1. Yes
2. Rather yes than no
3. I don't know, I didn't think about it
4. Rather no than yes
5. No

**6. You consider that passing of staff improvements every five years is:**

1. enough to upgrade professional knowledge and skills

2. not enough, it is necessary to train in cycle of thematic improvement for each specialty question.

3. formality, that is not needed for practical specialist.

**7. What kind of training do you consider is the most effective?**

1. Training on workplace
2. Thematic improvements
3. Traineeship, post-graduate studies
4. General improvements
5. Specialization
6. Your option \_\_\_\_\_

**8. What is the main problems that prevent effective and productive work in your Organization? On 5-point scale. 5 – affect, 1 – not affect**

Characteristic	5	4	3	2	1
The monotony of the work					
The lack of independence of employees in decision-making					
Low professional level of employees					
Specific(narrow) speciality					
Mismanagement (incompetency)					
Formal attitude of employees functional to responsibilities					
Competition between employees					

**9. Please rate the characteristics below that affect on work productivity of employees. On 5-point scale. 5 – affect, 1 – not affect.**

Characteristic	5	4	3	2	1
Provision of office equipment and stationery					
Career advancement possibility					
The variety of work					
High profit payment					
Independence in the performance of work					
The prestige of the profession					
Favorable working conditions					
Favorable Благоприятный психологический климат (коллектив)					
Communication in work process					
Participation in the development of the enterprise					

**10. Do you consider that motivation contribute rising of work efficiency?**

1. Yes
2. No
3. Difficult to answer

**11. Is there a problem of work incentive and work motivating in your Organization?**

1. Yes

2. No  
3. Difficult to answer

**12. What kind of financial incentives do you consider is the best for employees? On 5-point scale. 5 – affect, 1 – not affect.**

Characteristic	5	4	3	2	1
Surcharge (premium, bonus)					
Additional payment for years of service in company					
Payments for rehabilitation (additional to main vacation)					
Insurance (medical, annuity)					
Lunch					
Fare (ticket, conveying, car maintenance)					
Corporate events (theatre, cinema, concerts; camping; trip)					
Tourist voucher for free or with partial payment					
Mobile payment					
Sport (gym, pool etc. subscription)					

**13. What kind of moral incentives do you consider is the best for employees? On 5-point scale. 5 – affect, 1 – not affect.**

Characteristic	5	4	3	2	1
Certificate of honor, letter of thanks					
Praise from the head					
Conferment of title "The best employee"					
Honorable mention with recording in employment history					
Submission on hall of fame					
Participation in a seminar, conference					
Engaging in social activities					
Flexible working hours					
The opportunity to participate in decision-making					
Additional holiday					

**14. Please rate on 5-point scale your degree of development from list below: 5- high quality degree, 1-low quality degree**

Quality					
<b>Initiative</b> — identifying opportunities and their use, independence of action, not waiting for opportunity passively					
<b>Business awareness</b> —ability to see and to use favorable commercial opportunities					
<b>Skill to work in team</b> — desire to offer their own ideas for solving the problem; being interested in the point of view					

of the team members; help the group to achieve results; striving for consensus; commitment to conflict resolution					
<b>Focus on achievement /result</b> — ability to set and achieve goals, create their own measure of perfection and a always search for ways to improve efficiency					
<b>Communication</b> — the ability to compose messages и communicate information clearly, successively in oral and writing form					
<b>Flexibility</b> - the ability to adapt to different situations without losing efficiency					
<b>Leadership</b> — the ability to inspire employees to achieve desired results, maintaining effective relationships, both the individual workers and the group as a whole					
<b>Planning</b> — the ability to choose the direction of activity, ensure that the resources for its implementation available and develop an action plan to achieve the intended result					
<b>Stress resistance</b> — stability in operating in lack of time and / or the environmental resistance, behavior control in stressful situations					
<b>Delegation</b> — the ability to effectively allocate responsibility for decisions and the respective responsibilities suitable for that subordinates or colleagues					
<b>Development and innovation</b> – the ability for innovative thinking, vision of new possibilities, the ability to think and act unconventionally					
<b>Staff development</b> - ability to contribute to the professional development of subordinates, both short-term and long-term					
<b>Objectives and strategy of the organization</b> – constructive and creative participation in discussions and formulating objectives and strategy of the organization					
<b>Corporate culture and work climate</b> – taking personal responsibility for ensuring positive and constructive climate at work, that associate with workplace for each employee					
<b>Resource usage</b> – the use of aggregate resources of the organization, so, that to enhance the overall effectiveness of the organization					

**Questionnaire  
for employees of company (senior specialists)**

**4. What is your total work experience?**

7. Up to 1 year
8. 1-5 years
9. 6-10 years
10. 11-15 years
11. 16-20 years

12. More than 20 years

**5. Have you ever passed skill upgrading courses?**

3. Yes

4. No

**5. How often do you pass skill upgrading courses?**

1. every year

2. once in 3 years

3. once in 5 years

4. less than once in 5 years

**4. What determined your decision to come to the work in the organization?**

Characteristics	5	4	3	2	1
Ambition to be realized professionally					
Stability and confidence in the future					
The prestige and credibility of the organization					
The need to earn a living					

**5. Which factors determines your work in the organization now?**

Characteristics	5	4	3	2	1
The prestige and credibility of the organization					
Stability and confidence in the future					
High salary					
Aspiration to realize own potential					
Inability to find a better paid job					
The need to earn a living					

**6. Are you satisfied overall with your current job?**

1. Completely satisfied

2. Rather satisfied than no

3. I can not say satisfied or not

4. Rather not satisfied

5. Completely not satisfied

**7. What is the main problems that prevent effective and productive work in your Organization? On 5-point scale. 5 – affect, 1 – not affect**

Characteristic	5	4	3	2	1
The monotony of the work					
The lack of independence of employees in decision-making					
Low professional level of employees					
Specific(narrow) speciality					
Mismanagement (incompetency)					
Formal attitude of employees					

functional to responsibilities					
Competition between employees					

**8. Please rate the amount of your work:**

1. Exceed your abilities
2. Meet your abilities
3. Above your abilities

**9. How do you rate practical necessity, usefulness of things that you have to do at work?**

1. It is really necessary
2. Not everything is really necessary
3. We have to do a lot of useless work

**10. You consider that passing of staff improvements every five years is:**

1. enough to upgrade professional knowledge and skills
2. not enough, it is necessary to train in cycle of thematic improvement for each specialty

question.

3. formality, that is not needed for practical specialist.

**11. What kind of training do you consider is the most effective?**

1. Training on workplace
2. Thematic improvements
3. Traineeship, post-graduate studies
4. General improvements
5. Specialization
6. Your option \_\_\_\_\_

**12. Do the organization created conditions for staff training and development?**

1. Yes
2. Rather yes than no
3. I don't know, I didn't think about it
4. Rather no than yes
5. No

**13. Please rate the characteristics below that affect on work productivity of employees. On 5-point scale. 5 – affect, 1 – not affect.**

Characteristic	5	4	3	2	1
Provision of office equipment and stationery					
Career advancement possibility					
The variety of work					
High profit payment					
Independence in the performance of work					
The prestige of the profession					
Favorable working conditions					
Favorable Благоприятный					

психологический климат (коллектив)					
Communication in work process					
Participation in the development of the enterprise					

**14. Do you consider that motivation contribute rising of work efficiency?**

1. Yes
2. No
3. Difficult to answer

**15. Is there a problem of work incentive and work motivating in your Organization?**

1. Yes
2. No
3. Difficult to answer

**16. What kind of financial incentives do you consider is the best for employees? On 5-point scale. 5 – affect, 1 – not affect.**

Characteristic	5	4	3	2	1
Surcharge (premium, bonus)					
Additional payment for years of service in company					
Payments for rehabilitation (additional to main vacation)					
Insurance (medical, annuity)					
Lunch					
Fare (ticket, conveying, car maintenance)					
Corporate events (theatre, cinema, concerts; camping; trip)					
Tourist voucher for free or with partial payment					
Mobile payment					
Sport (gym, pool etc. subscription)					

**17. What kind of moral incentives do you consider is the best for employees? On 5-point scale. 5 – affect, 1 – not affect.**

Characteristic	5	4	3	2	1
Certificate of honor, letter of thanks					
Praise from the head					
Conferment of title "The best employee"					
Honorable mention with recording in employment history					
Submission on hall of fame					
Participation in a seminar, conference					

Engaging in social activities					
Flexible working hours					
The opportunity to participate in decision-making					
Additional holiday					

**18. How available your immediate superior?**

1. Always
2. Only at work time
3. Only at reception time
4. Only in critical situation
5. Not available

**19. How would you choose chief, rate the qualities? On 5-point scale. 5 – affect, 1 – not affect.**

Characteristic	5	4	3	2	1
Business					
Individual					
Work experience					
Qualification					

**20. Please rate on 5-point scale your degree of development from list below: 5- high quality degree, 1-low quality degree**

Quality					
<b>Initiative</b> — identifying opportunities and their use, independence of action, not waiting for opportunity passively					
<b>Business awareness</b> —ability to see and to use favorable commercial opportunities					
<b>Skill to work in team</b> — desire to offer their own ideas for solving the problem; being interested in the point of view of the team members; help the group to achieve results; striving for consensus; commitment to conflict resolution					
<b>Focus on achievement /result</b> — ability to set and achieve goals, create their own measure of perfection and a always search for ways to improve efficiency					
<b>Communication</b> — the ability to compose messages и communicate information clearly, successively in oral and writing form					
<b>Flexibility</b> - the ability to adapt to different situations without losing efficiency					
<b>Leadership</b> — the ability to inspire employees to achieve desired results, maintaining effective relationships, both the individual workers and the group as a whole					
<b>Planning</b> — the ability to choose the direction of activity, ensure that the resources for its implementation available and develop an action plan to achieve the intended result					
<b>Stress resistance</b> — stability in operating in lack of time and / or the environmental resistance, behavior control					

in stressful situations					
<b>Delegation</b> — the ability to effectively allocate responsibility for decisions and the respective responsibilities suitable for that subordinates or colleagues					
<b>Development and innovation</b> – the ability for innovative thinking, vision of new possibilities, the ability to think and act unconventionally					
<b>Staff development</b> - ability to contribute to the professional development of subordinates, both short-term and long-term					
<b>Objectives and strategy of the organization</b> – constructive and creative participation in discussions and formulating objectives and strategy of the organization					
<b>Corporate culture and work climate</b> – taking personal responsibility for ensuring positive and constructive climate at work, that associate with workplace for each employee					
<b>Resource usage</b> – the use of aggregate resources of the organization, so, that to enhance the overall effectiveness of the organization					

## Appendix 2

### **A summary of the research.**

The objective of the survey was to assess the social well-being of the personnel. The personnel involvement is an integral indicator that characterizes internal state of an employee:

- fully involved in the life of the Company, and sharing its values;
- satisfied with his/her work;
- ready to take an initiative and make significant contributions to achieve good results in the work.

Most of the surveyed employees noted that they had chosen a job in the Company primarily due to good career prospects (31%). High prestige of the work is at the second position (16%).

According to the survey findings, the personnel involvement level is at risk and equal to 44%:

- satisfaction index - 52% (stable);
- loyalty index - 46% (risk zone);
- initiatives supporting index - 21% (risk zone).

According to the survey findings, 48.9% of respondents are ready to move to another organization. 38.9% of respondents are ready to move to another organization if they are offered a higher salary or position.

The survey findings show that the alarming areas for the KTZ are as follows: HR policy, employees' involvement in the decision-making and due account to their opinions, possibility for additional training.

### Appendix 3

#### **Findings of the OHI assessment research for diagnosis of the current state of the corporate culture, performed by PWC consultancy.**

Organization Health Index (OHI) is a tool for assessment of an organization health that characterizes peculiarities of management practices, values and the organizational culture prevailing in the organization.

Assessment is performed by means of interviewing techniques, surveys questionnaires and it is analyzed in the context of three areas:

- consistency,
- achievement of deliverables,
- ability to upgrade.

Diagnosis of behavioral skills can be carried out by means of observations, interviews, surveys with use of the tests for assessment of the personnel satisfaction and involvement. Observations should be carried out by 2 people. Complete anonymity is observed to allow the employees to express their opinions.

According to the results of the interviews and the survey, a report on behavioral skills is prepared for understanding of the current thinking aspects and the company employees' behavior.

Assessment of the organization health allows the Company leaders to define and take actions to improve organizational health and to take the first steps for creating the corporate culture of continuous improvement.

Methodology for enhancement of the organizational health (OHI) corresponds to the fundamental concept of KTZ Transformation Programme. It helps to understand the organizational model and select the right combination of management practices to improve the long-term performance and organizational health.

OHI provides detailed results about how well the company operates across nine elements of the organizational health related to the organization performance. The results include critical aspects and best practices for activities, functional groups and various levels of the organization.

OHI is a tool to assess the thinking and behavior that affect the organization activities and describe details of the management practices, values and organizational culture existent in the organization.

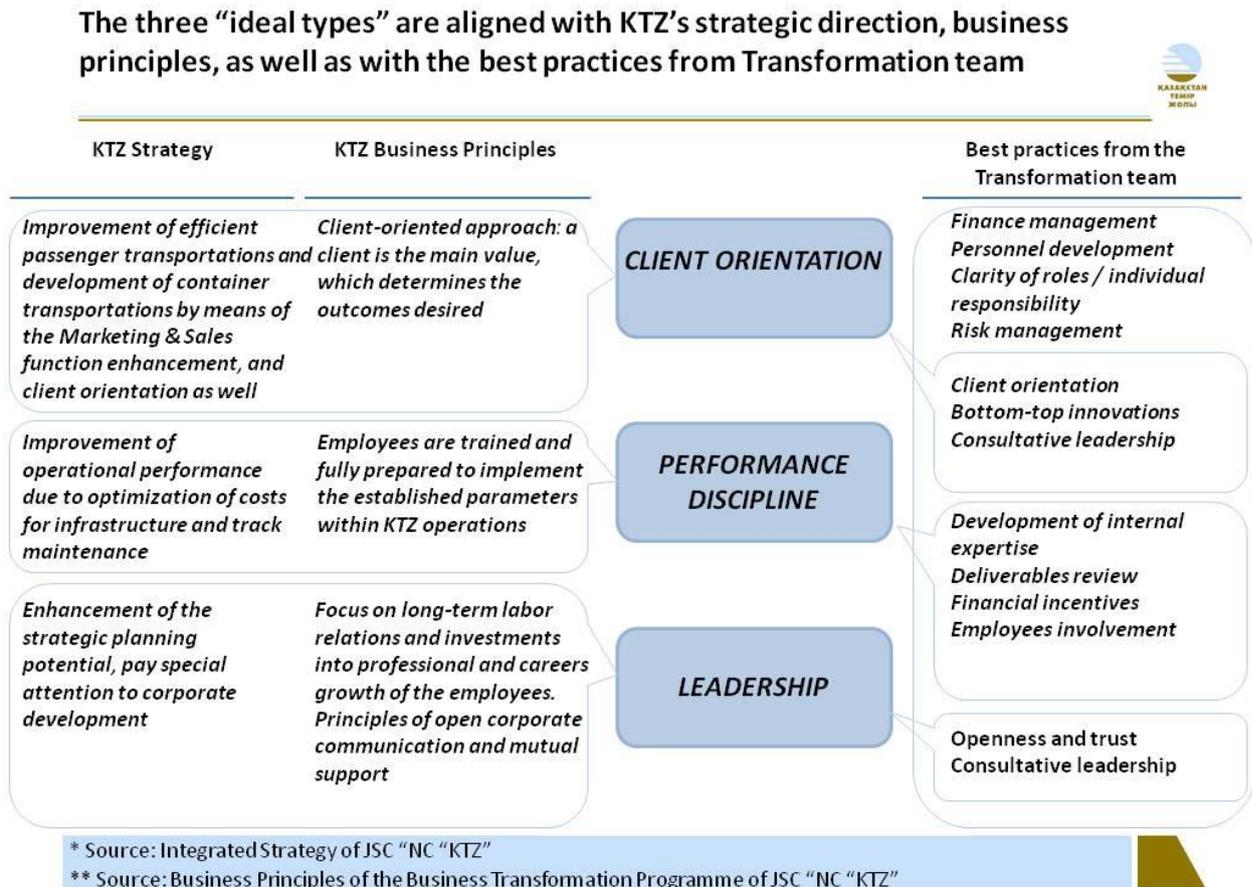
According to the leadership opinion, "Customer Orientation" and "Clarity of the Strategy" are currently developed practices, which are critical in the future.

The reference model consists of three "ideal types" based on the methodology for improvement of the organizational health, developed by McKinsey, KTZ strategy, organization and processes priorities, as well as the world best practices (benchmarking) for peer companies.

The three “ideal types” are the theoretical model used to determine priorities for development of management practices in the future organization: executive discipline, customer orientation, leadership.

The assessment results for links between the “ideal types”, KTZ strategy and benchmarking are presented in the table below.

**Table 1. The three “ideal types” are aligned with KTZ’s strategic direction, business principles, as well as with the best practices from Transformation team.**



Therefore, it was concluded that the three “ideal types” meet and support the strategic KPIs of the Company. The current strategy and vision are clearly articulated and not always supported by the personnel at all levels, and Company’s corporate culture and values as well.

#### Key findings:

- The Company should develop the business culture
- The Company leadership plays the key role in this cultural transformation.

## Appendix 4

Specialists' attitude to their present work was assessed based on the following criteria: job satisfaction, the work scope and its usefulness or practical necessity.

It turned out 17 respondents are satisfied with their work, 30 people are rather satisfied than not, undecided - 26, rather not satisfied - 8, and totally dissatisfied - 3 respondents.

The specialist's scope of work was assessed as follows: 48 respondents believe that the scope of work is consistent with their capabilities, 27 – it exceeds, and 9 of the respondents believe that the scope of work they do is below their capabilities.

The specialist explained usefulness and practical need of what they have to do at work as follows:

22 respondents believe that what they do is really necessary, 39 believe that it is not everything they have to do is necessary, and 23 specialists believe that they have to do a lot of useless work.

Leading experts assessed the factors hindering the most efficient work of the organization's personnel.

Thereafter, the average impact of factors that prevent from more efficient productive work was calculated based on assessments of senior and leading specialists. Thus, the obstacles that mostly influence on specialists performance are incompetent leadership, and lack of autonomy in the decision-making. Minimum obstacles are: rivalry, as well as the employees' focused specialization.

To assess the characteristics that increase the labor performance, chief and leading specialists proposed to assess the impact of the following factors on the of specialists work: provision with office equipment and office supplies, professional development opportunities, diversity in the work, high salary, independence in the execution, prestige of the profession, favorable labour conditions, favorable psychological climate in the team, opportunity to communicate in the work process and participate in the organization development.

Therefore, favorable psychological climate in the collective and opportunity to communicate in the process maximize the work productivity, the factors that barely improve the labour performance are office availability of equipment and stationery and the work diversity.

The following criteria were defined to characterize the changes in the basic motives that determine a specialist's work in this organization to the current moment and at the start of the work: desire to develop professionally, stability, prestige and credibility of the organization and the need to earn a living.

The main motivation to join this organization was a desire to be develop professionally and the need to earn a living. Further, the employees evaluated the factors that determine their work in the organization at the moment. Today's work in the organization is determined by desire to develop professionally and a sense of stability.

In the process of assessment of the motivational factors' impact on the personnel performance all the factors were divided into two groups: monetary and non-monetary.

I have included the following items into the monetary group: additional payments (premiums, bonuses), additional payment for work experience in the organization, payments for health improvement, insurance, meals, travel expenses (travel, conveying, car maintenance), corporate events (theater tickets, cinema , field trips, excursions), a full or partial payment of journey vouchers, payment for mobile phone, payment for sports activities (subscription to the gym, swimming pool).

Therefore, the best way for monetary incentive of the employees is additional payments in the form of premiums and bonuses and additional payments for health improvement, a method that has minimal impact is organization of the corporate event and payment of meals.

Impact of non-monetary incentives was assessed as per the same methodology. The chief and leading specialists were asked to evaluate impact of these factors on the personnel activities based on the 5 point scale: an honorary diploma, awarding the title of "Best Employee", express of gratitude, imposition on the board of honor, participation in conferences, workshops, community activities, flexible working hours, an opportunity to participate in the decision-making, an extra day off.

Non-material incentives factors that has maximum influence on improvement of labor performance are as follows: participation in conferences and flexible working hours. Minimum influence is given to community activities and imposition on the board of honor.

**As the study result I have articulated the following conclusions:**

1. The main obstacles affecting the employees labor productivity is a formal attitude of the employees to their duties (in the opinion of leaders) and the leadership's incompetence (in the employees opinion), which may be reduced by motivating the employees and developing the basic competences of the leader.

2. The main factor increasing the labour productivity is favorable psychological climate in the team according to both first leaders and leading specialists. This figure was ahead of such factor as high salary indicating that non-material component of the labour performance improvement is more important for specialists.

3. Use of non-monetary motivation, in particular, participation in conferences and flexible working hours, also affects increase of the employees'

labor performance and is preferred for use in the company due to the limited budget.