

CHANGE MANAGEMENT – A CRITICAL ACTIVITY UNDER CRISIS CONDITIONS

PhD. Candidate Liviu TUDOR¹

Rezumat

Organizational change management or "the approach to the transition of individuals, teams and organizations to a desirable future state" as defined by John Kotter (Kotter, 2011), is a competitive advantage in crisis situations. Although the discipline has advanced significantly in recent decades in terms of theoretical substantiation, practical application of the model is inadequate, several authors reporting success rates below 40%. The challenge of the economic crisis urges managers and specialists to look for new solutions and tools to facilitate change in actual organizational and economic situations. In addition, there is a growing tendency to shift from a linear approach, strictly phased, focused on technical aspects of organizational change, towards a holistic, integrated approach which allows management of all human, cultural and technical issues simultaneously.

Keywords: *organizational change management, linear approach, holistic approach*

JEL: M10

1. INTRODUCTION

Organizational Change Management is already a familiar presence in the set of skills and competencies of the modern manager, especially in the context of the economic crisis of the last years, when adapting to a dynamic economic environment - subject to significant, rapid and complex changes - represents a serious competitive advantage (Uhl, 2012).

Organizational change management is defined by John Kotter and Leonard Schlesinger as "the process of identifying sources of resistance to change and providing ways to overcome them" (Burdus, 2000), or by John Kotter, in another context, as "the approach to the transition of individuals, teams and organizations to a desirable future state" (Kotter, 2011). Eugen Burdus et al. propose the following broad definition: "*Organizational change management* is the overall process of forecasting, organizing, coordinating, training and controlling measures of replacement, modification, alteration or transformation of the form and content of the organization, with the purpose of increasing efficiency and competitiveness" (Burdus et al., 2000).

Organizational change management is recognized as a discipline described in theoretical and practical terms and applied widely in private companies in the U.S. since the 80's, although the first studies on the subject, theoretical substantiating the discipline date back to the 50's. Before this, organizational changes were not seen as separate processes within organizations and did not have a structured and effective approach. The first significant papers in the field were published by Kurt Lewin, addressing organizational change by describing linear process steps primarily from a psychological perspective, specifically the

¹"Academy of Economic Studies" Bucharest, Romania, It@idgrup.ro

impact on the people involved in the change, and overcoming inertia and resistance to change (Cameron & Green, 2009).

In the '70s and '80s big U.S. corporations use *change management* in their organizations and widely implement change programs in order to provide significant cost reductions in overcoming the economic crisis and successfully implement technological innovations (*Change Management History*, 2013).

A new theoretical body that models the *organizational change management* process is developed in a complementary manner. An example of this is the eight step model, proposed by one of the most influential authors in the field, John Kotter (Degnegaard, 2010), which is closely related to the leadership theory, proposing a central role for the organization's leadership in the implementation process of organizational change: "the leader is the driver of change" (Kotter, 1996).

In the 90's, with the development of new technologies, *Organizational change management* is spreading beyond the big corporations environment, exceeds the status of novelty and becomes a necessity for all organizations. The rapidity and scale of change compels organizations to seek more efficient theoretical models, methods and tools to facilitate change and reduce costs. Thus, during this period, large corporation leaders, dissatisfied with the results of implementing *top-bottom* change processes, create a new position within the organization: a leader responsible for organizational change, in particular for managing human resources issues (Anderson & Ackerman Anderson, 2001a).

Since 2000, *Organizational change management* is widely accepted and becomes a core competency of managers and leaders. According to data available in the specialized literature, using appropriate *Organizational change management* methodologies increased from 34% in 2003 to 72% in 2011 (*Change Management History*, 2013).

2. ORGANIZATIONAL CHANGE PROJECTS SUCCESS

Experts agree that the main aspect of *Organizational change management*, which causes projects to succeed or fail, is represented by the human resources of the organization. Any approach that ignores human aspects, the psychology and development of people involved (employees, managers, promoters / change agents, stakeholders), is more likely to fail.

According to data published by John Kotter in 1995, approx. 70% of organizational change initiatives fail (Kotter, 1995). Further research undertaken by Scott Keller and Carolyn Aiken confirms maintaining this percentage despite the apparent evolution in the field of *Organizational change management* (Scott & Aiken, 2009). Recently, Axel Uhl confirms previous statistics and provides similar data: a success rate of organizational change projects below 40% (Uhl, 2012).

Keller and Aiken stated in *McKinsey Quarterly*, in April 2009, that the poor success rate of *Organizational change management* is due to two main elements concerned, respectively *employees attitude and managers behavior*. In order to overcome these obstacles and considering the nature of the human resource of the organization, including its irrational and unpredictable character, the two specialists propose a set of four conditions needed for a successful organizational change:

1. The proposed change project should "tell a story" appealing for all key stakeholders;
2. Provide an appropriate behavior model, which is adapted to the envisaged change;
3. Strengthen mechanisms to implement and support change;
4. Build both individual and organizational change ability.

In 2012 the American consultancy company Prosci, leader in the field of *Organizational change management*, conducted a study to identify Change Management Best Practices,

which highlights, in order of their frequency, five main obstacles to the success of organizational change initiatives (*Top change management obstacles*, 2013):

1. *Ineffective support of the organizations leaders.* 80% of change initiatives that received an effective support from organizational leaders have met or exceeded objectives. Problems identified by experts related to this obstacle include: low involvement or conflict, respectively low commitment to change from the initiators of the change process; lack of alignment between the goals and objectives of the organizational change process, creating confusion among employees; lack of authority of the initiators.

2. *Insufficient resources allocated for change management.* If the organization's management does not really support organization change initiatives and allocate insufficient or inadequate human resources, materials, etc., it can hinder or even sabotage the change process.

3. *Employees' resistance to change.* The authors note that a certain resistance to change is inevitable, but recommend two areas of action to compensate it: top management level – increase the understanding of the need to change (or substantiation of change); middle management level – highlight how change affects people in the organization. Among the causes of employees' resistance to change, the following were identified: lack of understanding of change necessity; attitude of employees who are near retirement or who do not want to learn something new (systems, tools, skills); feelings of insecurity in the face of change; unpleasant experiences related to previous change processes; employees' involvement in too many change initiatives.

4. *Middle management resistance to change.* Managers' resistance to change at this level has the following reasons: limited understanding or acceptance of the need for change; uncertainty in the face of change and fear of job loss; lack of knowledge and skills in change management; lack of time to properly manage the change process.

5. *Poor communication.* Clear, transparent and honest communication regarding the need and impact of change is critical to the success of the initiative. Also, the person who transmits messages must have sufficient authority within the organization so that the communication has an impact. It is advantageous that the communication process focuses more on change necessity and less on implementation details, so that people do not lose sight of the main objective during the implementation of the change process.

3. CHANGE MANAGEMENT STEPS

As a discipline, *Organizational change management* benefits from a vast body of work: varied, uneven and often contradictory. Among these, papers on implementing change in the private sector prevail compared to those on non-profit and public sectors. This difference is primarily due to the dynamic and innovative nature of the private sector, and secondly, managers' focus on identifying and using new methods and effective tools in leading organizations.

The major shift in paradigm in *change management* occurs with the passage from the "industrial" interpretation of the organizational reality, "the organization is a machine," to the "emerging" interpretation proposed by the experts, "the organization is a living, evolving organism" (Ackerman Anderson & Anderson, 2001b). Therefore, proposed models of *Organizational change management* evolve from a *planned change*, which corresponds to a *linear approach* of the change process, with clear and predictable steps, to an *emerging change*, which is a *holistic and integrated approach*, in which there is an initiative and an organic development of the change process that is more facilitated than managed.

In essence, the industrial paradigm (*linear approach*) considers that the change is a set of discrete, predictable and controllable events, which can be driven by applying an external force. Emerging paradigm (*holistic approach*) considers that there are many types of

organizational change, in which the transformation is an ongoing, self-regulating process that can be facilitated by a positive interaction with the human and organizational elements involved.

Linear approach

An example of a *linear approach* to the *Organizational change management* is provided by Richard Luecke, who proposes a set of seven essential steps for implementing the change process established by collaborating with specialists who have successfully tested them in private companies and corporations (Luecke, 2003):

- *Step 1. Mobilizing the energy and commitment of employees by collaboratively identifying the organization's problems and solutions.* The starting point of any effective change process is to identify and clearly define the organizational problem, because it answers the most important question of the employees: "Why is change necessary?"

- *Step 2. Developing a shared vision for organizing and managing change to ensure competitiveness.* Change managers and leaders should develop a coherent vision for the future of the organization and communicate it fully and clearly to all employees. Vision, which can be heavily motivational, must be transposed into actions that lead to specific results; otherwise it will produce the opposite effect.

- *Step 3. Identifying leadership.* To ensure the success of the change process implementation, the organization should identify a leader to represent and lead change.

- *Step 4. Focusing on results, not on activities.* Often the management focuses its attention and effort on activities that, at least theoretically, lead to good results in the future, such as training. This approach, however, even if it seems an appropriate choice for the organization, in fact has little influence on performance at organizational level. To avoid this pitfall, a solution is the introduction of interim measurable goals that target and stimulate the change process.

- *Step 5. Initiating change in peripheral departments allowing for natural spread to other departments without top-bottom coercion.* Organization-wide change implementation process is difficult and the likelihood of success is low. It is much easier for change to be achieved initially at a small scale, preferably in a department with a high degree of autonomy, and then to be replicated in other departments without major pressure from management.

- *Step 6. Formalizing achieved success by instituting new policies, systems and structures within the organization.* Special attention should be given to strengthening results obtained from the successful implementation of change; otherwise people are tempted to return to their old habits.

- *Step 7. Monitor and adapt strategies in response to the problems of the change process.* Change implementation plans rarely take place according to the initial configuration. Change implementation process must take into account a certain degree of flexibility to adapt over time and to manage deviations from the original plan.

Holistic (integrated) approach

Based on a 30-year experience in *Change Management*, Linda Ackerman Anderson and Dean Anderson provide a *holistic approach* to the change process management in their *Change Leader's Roadmap* (Ackerman Anderson & Anderson, 2010). The basic hypothesis of their work is that an integrated process approach is necessary in leading change, as a natural or intentional succession of continuous – but not linear – events towards a desired state or result. In other words, organizational transformation cannot be achieved through a series of isolated and random events, and a simple set of successive steps is also not enough. The holistic approach implies equal attention in three important and interdependent areas in order to achieve the results of a change process implementation:

- Content: *what?* needs to change in the organization (the aims of the change process);
- People: *who?* changes (human resources and dynamics);
- Process: *how?* the organization is transformed.

There is a three-stage full stream model for the change process that can be customized according to the organization's needs:

A. Upstream change stage: Phase I – Prepare to lead the change; Phase II – Create organizational vision, commitment, and capability; Phase III – Assess the situation to determine design requirements;

B. Midstream change stage: Phase IV – Design the desired state; Phase V – Analyze the impact; Phase VI – Plan and organize for implementation;

C. Downstream change stage: Phase VII – Implement the change; Phase VIII – Celebrate and integrate the new state; Phase IX – Learn and correct the course.

Phase I – Prepare to lead the change. Phase I of the Anderson model aims to clearly establish a common intention for change, as well as a strategy for a successful transformation. The change process begins from the moment the wake-up call is acknowledged and the management decides that a change is necessary. This phase of the process is of critical importance and covers up to 50-60% of the decisions regarding the change strategy and plan. In this view, a special attention is recommended for Phase I in order to ensure the design of a successful change process, having the following objectives:

1. *Initiating the change process* - once the wake-up call is acknowledged the first step in preparing the implementation of the change process is its design (description)

2. *Staffing the change process* - the main risk during this phase is generating confusion among the newly appointed staff members regarding the conflict between their two roles within the organization: operational and change leadership

3. *Elaborating the case for change in the organization* - identifies also the scope and target groups of change

4. *Assessing and building the organization's readiness and capacity for change*, - taking into consideration the involvement, resources and availability of people to take on new tasks

5. *Building the leader's capacity to lead the change* - an organizational change process requires first of all the personal change of the change leaders. They should actively commit to their own transformation as a central element of the organizational change.

6. *Establishing the overall strategy for change* - based on the values and guiding principles of the change effort

7. *Structuring an adequate change leadership system* - involves defining the change leadership roles, governance structures and a clear decision making process for change management

8. *Establishing the engagement strategy* - both at personal and operational levels. Ensuring engagement is the best way to minimize or even eliminate resistance to change

9. *Communicating change* - the communication plan is established closely to the engagement strategy and plan, since their objectives are interdependent.

10. *Building infrastructure and conditions to support the change effort* - ideally, the change infrastructure is not a rigid bureaucratic structure but a flexible one, that can be adapted according to circumstances during the implementation.

Phase II – Create organizational vision, commitment and capability. In Phase II the focus goes from *preparing* the change leaders to *engaging* the entire organization in initiating the change process, the main aims being:

1. *Building a collective intent to obtain the desired results*, by communicating change and promoting understanding of change at organizational level regarding change necessity,

vision and strategy. The content of communication is just as important as the process and the methods of communication.

2. *Building organization capacity for a successful change initiative.* All transformational changes require a change of mindset and behavior from the people involved. Although this phase is highly important, in practice most organizations find it difficult to successfully implementing it, since people can perceive this approach too personal or intrusive.

Phase III – Assess the situation to determine design requirements. During Phase III the following questions are answered, regarding both the operational and cultural/human aspects: What can be preserved from the current state of the organization?; What can be changed?; What needs to be rebuilt entirely?

Phase IV – Design the desired state. The aim of Phase IV of the Anderson model is the design of organizational and cultural solutions that will allow people in the organization to achieve the desired vision of change. During this phase a distinction is made between the *vision for transformation* described earlier in the process and the *design of future state*. Designing the future state takes into consideration that it serves the people involved in implementing the change process.

Phase V – Analyze the impact. The impact analysis carried out in Phase V of the change process model aims to: identify aspects of the current state that support the desired state, establish the real scope of the change initiative, support the decision-making process regarding necessary resources for the estimated timeline, identify elements that could impede achieving the change vision, engage people opposing change and ensure the function of the desired state as an integrated system.

The main aim of the impact analysis is identifying all obstacles that stand in the way of a successful transformation, while providing an opportunity to engage people still resisting change.

Phase VI – Plan and organize for implementation. Following the completion of the impact analysis, the next phase of the model covers the elaboration of the plan or guide to implementation, as a Master Plan. One of the most important elements of the Master Plan that guarantees either success or failure is effectively supporting people during the implementation of the change process.

Phase VII – Implement the change. Implementing the change process means deconstructing and abandoning the old way of thinking and doing things, learning the new way and monitoring the progress in order to maintain the desired direction. During this phase all action plans and strategies are carried out, even though the actual implementation will – almost always – differ from the initial plan. Once the change process is initiated, it cannot be fully controlled or managed, but it can be effectively and intelligently corrected along the way.

Phase VIII – Celebrate and integrate the new state. The desired change has been implemented is in place according to plan, and the people in the organizations need to know and celebrate this success. Celebrating change comes also with the risks of wrong communication.

Phase IX – Learn and correct the course. This requires to establish mechanisms for continuous improvement of the new state, assess and learn the lesson regarding design and

implementation of the change strategy and process implementation, prepare the organization for future change initiatives and conclude the present change initiative, by dismantling the temporary elements no longer necessary in the new organization: structures, management systems, policies, and technologies.

4. CONCLUSIONS

Change management is a difficult management area, but extremely necessary in these challenging economic times. Companies and public institutions from all over the world struggle in getting these things right, as failures rates are high.

Organizational change management, as a distinct approach in the Romanian organizations, is applied since the 90's in major private companies, including foreign corporations operating in Romania, as well as in public institutions. Organizational change in all public sectors was done mainly under the pressure of political change, a volatile area in the last decades in Romania, as well as forced by the rapidly changing economic environment, especially with the installation of the economic crisis in recent years.

In this context, the urgent need to increase the competitiveness and productivity of organizations in the vast majority of Romanian economic sectors causes rapid reorientation of managers and assimilation of change management concepts and tools, adapted to specific local economic conditions.

Given that change is inevitable, there are many benefits of having a *Correct Change Management* effort in Romanian organizations, from different perspectives:

- *Efficient implementation*: Change process is planned and managed, desired results are clearly defined and the organization knows the direction of evolution and the state of target objectives. People involved in the process have a set of procedures, tools and performance indicators to guide specific activities related to the change process. In addition, the impact of change on organization and people can be assessed, both during implementation and after completion.

- *Human resources*: Through effective change management, a proper management of human resources is encouraged during and after the change process, minimizing resistance to change and maximizing the commitment of the people involved in or affected by the change (stakeholders, customers, suppliers, employees, managers etc.), both to the desired change and to the organization itself.

- *Current activity*: change process management, as a distinct approach, allows adapting it according to the current operational requirements of the organization, thus the impact on the current activity is minimal. Also, needed resources are estimated and provided separately from current operations.

- *Knowledge*: Implementing a change process is a valuable exercise for the organization and allows for the development of new skills, gaining new knowledge, development of team and organizational leadership, improvement of communication, etc.

REFERENCES

Anderson, Dean; Anderson, Linda Ackerman (2001a). *Beyond Change Management*, Jossey-Bass / Pfeiffer, San Francisco, SUA (269 pp.)

Anderson, Linda Ackerman; Anderson, Dean (2001b). Awake at the wheel. Moving beyond change management and conscious change leadership, *OD Practitioner*, Vol. 33, No. 3, pp. 40-48

Anderson, Linda Ackerman; Anderson, Dean (2010). *The Change Leader's Roadmap* (2nd Ed.), Pfeiffer, San Francisco, California, SUA (357 pp.)

Burdus, Eugen; Caprarescu, Gheorghita; Androniceanu, Armenia (2000). *Managementul schimbarii organizationale*, Editura Economica, Bucuresti, Romania (632 pp.)

- Cameron, Esther; Green, Mike (2009). *Making sense of change management (2nd ed.)*, Kogan Page, UK (385 pp.)
- Degnaard, Rex (2010). *Strategic Change Management. Change Management Challenges in the Danish Police Reform* (PhD thesis), Copenhagen Business School, Doctoral School of Organization and Management Studies, Copenhagen, Denmark (332 pp.)
- Keller, Scott; Aiken, Carolyn (2009). The inconvenient truth about change management, *McKinsey Quarterly*, April 2009, www.mckinsey.com (20 pp.)
- Kotter, John (2011). Change management vs. Change leadership. What's the difference?, *Forbes* (online version 12 July 2011), www.forbes.com/sites/johnkotter/2011/07/12/change-management-vs-change-leadership-whats-the-difference
- Kotter, John (1996). *Leading Change*, Harvard Business School Press, Boston, S.U.A. (199 pp.)
- Kotter, John (1995). Leading Change – Why transformation efforts fail, *Harvard Business Review*, March-April 1995 (11 pp.)
- Luecke, Richard (2003). *Managing change and transition*, Harvard Business School Press, Boston, S.U.A. (148 pp.)
- Uhl, Axel (2012). *Introduction*, in vol. *A Handbook of Business Transformation Management Methodology* (Ed. Axel Uhl & Lars Alexander Gollenia), MPG Books Group, UK (pp. 1-12)
- Tudor, Liviu (2014). Management of organizational change in the context of sustainable development; *Supplement of Quality - Access to Success*, vol 15
- *** (2013). *Change management history*, www.prosci.com
- *** (2013). *Top change management obstacles (2012 Edition of Best Practices in Change Management)*, <http://www.change-management.com/tutorial-2012-bp-obstacles.htm>