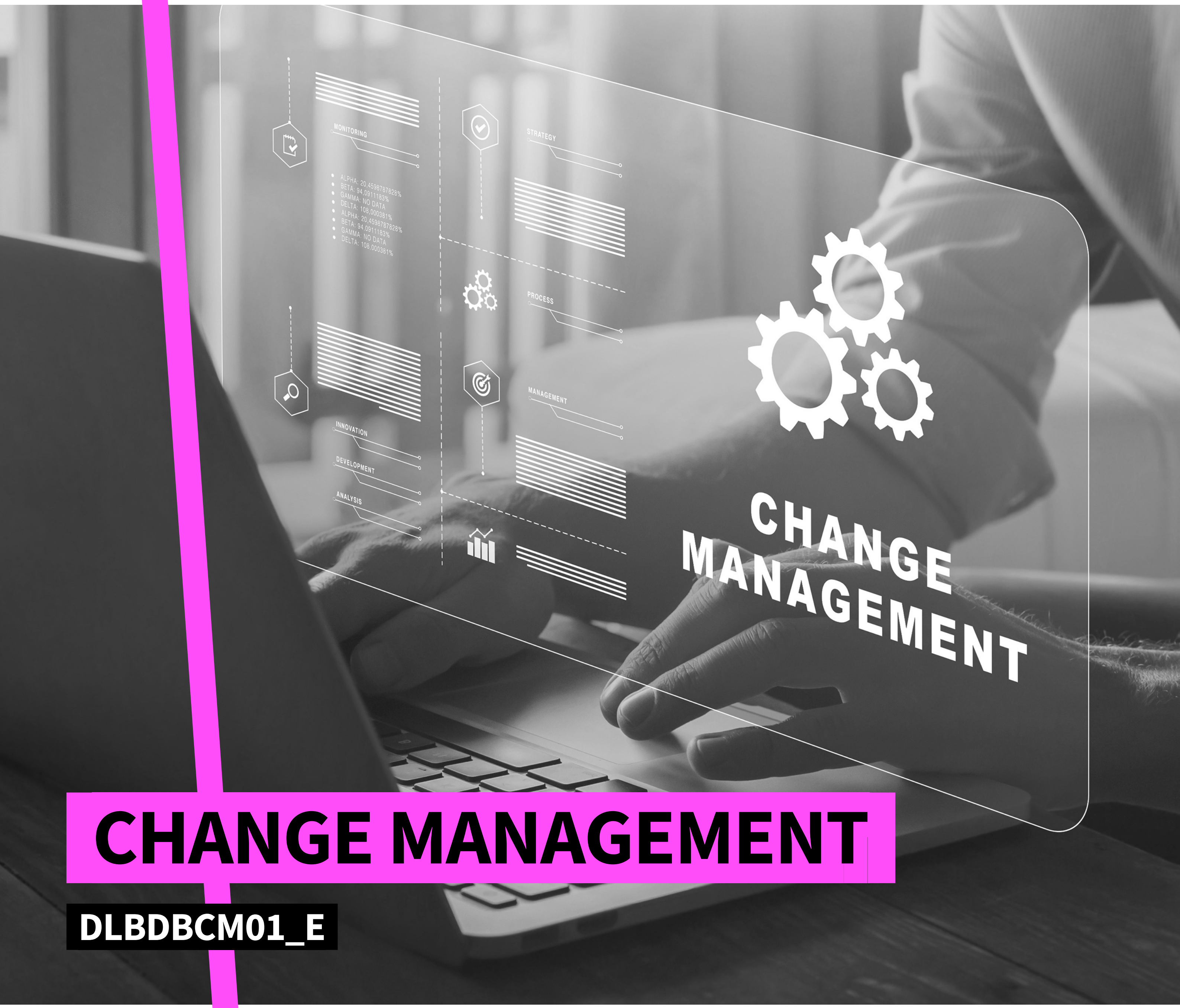
Course Book



CHANGE MANAGEMENT

DLBDBCM01_E

INTERNATIONAL UNIVERSITY OF APPLIED SCIENCES

LEARNING OBJECTIVES

Change is omnipresent in a globalized and digitized world, and companies must continuously adapt. The ability to change has become a critical success factor for organizations. Thus, it is essential for every member of an organization to understand the mechanisms and challenges of change. This course deals with the basics of **Change Management** and will enable you to apply theoretical models and practical methods to understand the causes and context of change.

You will start this course by clearly defining the term "change management" and separating it from other concepts, such as organizational development and strategic management. You will also become familiar with different change theories that will help you to understand various perspectives on organizational change. No two organizational changes are alike. To comprehend this complexity, you will learn to differentiate between various causes that trigger changes, as well as different forms of change. For example, you will examine incremental versus fundamental changes.

The execution of corporate change is an essential and difficult task that involves many obstacles. These obstacles come from different directions and have different consequences; therefore, you will learn about the different forms of obstacles (e.g., organizational versus individual) and understand their origins. One of the most critical and common obstacles of change management is the lack of acceptance among employees. You will learn to specify reasons for these acceptance barriers and patterns of their alteration over time.

When successfully managing change in organizations, it is necessary to know the levers that have the most impact on change success. You will identify the critical success factors of change and learn how to utilize them in different change strategies and management tasks. You will focus on the two success factors that are most vital for change management: leadership and communication. As well as becoming familiar with assessing the applicability of transformational and transactional leadership in change management, you will also gain insight into different forms of change communication and their effects on the acceptance of change.

As change management is typically executed through project management, you will understand the differences between traditional project management and Agile project management, as well as the suitability of these approaches for change management. As with other management fields, the assessment of change management results is required. You will consider approaches to measuring change success, as well as the typical challenges of change management.

UNIT 1

INTRODUCTION TO CHANGE MANAGEMENT

STUDY GOALS

On completion of this unit, you will be able to …

- define the term “change management” and understand its distinction from other management disciplines.
- differentiate between change management and organizational development.
- explain, exemplify, and understand the differences between the four schools of thought on change theories.
- evaluate change theories with respect to their applicability in management practice.

1. INTRODUCTION TO CHANGE MANAGEMENT

Introduction

The requirement to change has always been a challenge for organizations. There has never been a company that did not have to pursue some form of organizational change over a long period of time. Hence, change and development are deeply embedded in an organization's nature. To survive and stay competitive, companies have always had to adapt everything from strategy and structure to technology. As the world around them changes, companies must also evolve.

Charles Darwin, the originator of the theory of evolution, depicted this insight when stating that "it is not the strongest of the species that survives, not the most intelligent that survives. It is the one that is most adaptable to change" (Secord, 2010, p. 58). This principle, drawn from a biological theory, can be used to underline two basic messages for organizations: Firstly, the meaning and omnipresence of change has long been evident and is far from being a new challenge for companies. Secondly, mastering these changes (i.e., change management) is a crucial success factor and might determine the survival of a company in the long term.

The importance of change management in management science has been well established for quite some time; however, it has gained even more attention in the past decades. This increasing awareness can be observed in the current era of digitalization and can be attributed to the following phenomena:

- significantly increased pace and radicality with which the world is changing
- shortened product life cycles
- accelerated dissemination of new technologies
- rapid actualization of new business models
- old technologies and business models becoming obsolete
- introduction of more disruptive innovations

Thus, it is not surprising that a Capgemini Invent study revealed that dexterity is "defined as flexibility, skill, or adaptability" and is the "number-one key to success" (2019, pp. 15—16).

1.1 Terms and Definitions

As with many terms in management practice and science, there is a wide range of definitions of change management. This is mainly due to numerous different perspectives, scientific backgrounds, and objectives that are relevant for such an interdisciplinary subject. Psychological approaches to change management, for instance, often focus on an individual's reaction to organizational change (Waddell & Sohal, 1998). In contrast, there are approaches in the fields of management and organization that emphasize technical aspects of change, such as legal, organizational, or financial issues (Faulkner et al., 2012).

A broad definition of **change management** can be followed that encompasses multiple theories, models, organizational levels (i.e., individual, team, organization), and forms of change. As a starting point to approach a specific understanding of change management, consider that "change management is generally concerned with the optimal management of corporate change" (Lauer, 2021, p. 5). In this context, "[t]he term has become established for the special management techniques required to control these processes involved in change" (Lauer, 2021, p. 3). This preliminary definition may seem almost meaningless at first glance, as it defines change management as the management of change. However, it also contains the following clarifying aspects:

Change management
This discipline optimizes the path from the status quo to a desired goal in corporate change.

- Change management focuses primarily on internal corporate change rather than the change in the external environment of a company.
- Change management aims to control the process of change in a company: it does not encompass unintended, evolutionary developments, such as new collaboration routines that emerge in a team.
- It focuses on the change process itself, thus optimizing the "design of the path from the starting point […] to the goal […]" (Lauer, 2021, p. 4). Consequently, the definition of the goal is not part of change management. Defining the goal is part of the management field, which is subject to change (e.g., strategy, structure, and culture).
- There are special techniques for managing the change process. Hence, change management is a professional discipline that uses a variety of designated theories, methods, and tools.

In summary, we define change management ~~in this unit~~ as follows: Change management is a professional management discipline that deals with the optimal management and control of the processes that are involved in intended changes within an organization. There are specific models, theories, and techniques to describe, explain, and execute change management.

1.2 Limitations of Change Management

Due to the nature of corporate change as a phenomenon that affects several functions and aspects of a company—or all aspects in large-scale transformations—the discipline of change management is a **cross-sectional task**. Thus, unlike functions such as procurement and manufacturing, it cannot be restricted to one part of the value chain or organizational structure of a company. In contrast, change management uses resources and tools of other functions, as well as impacting other functions through its measures. For example, if employees need to have a specific qualification for a certain change project (e.g., a software implementation), the human resources (HR) department must be involved to define curricula, provide trainers, and organize workshops. If a change project includes the acquisition of another company, the legal department provides their expertise.

Cross-sectional task
This type of task involves several functions of a company and requires interdisciplinary actions.

While there are many interdependencies and blurred boundaries between other departments and disciplines, the task of change management has become a separate management discipline and developed into a profession with its own trainings, certificates, and study programs. Therefore, to define the scope and the boundaries of this management discipline, it is necessary to clearly determine what change management is and what it is not.

Following the definition of change management as designing the path towards a goal, the determination of the goal itself can be excluded from change management. Depending on the content of the change, different management disciplines are considered responsible for the setting of the goal. Hereinafter, several management disciplines interconnected with change management are mentioned. The objective is to distinguish them from change management while describing overlapping aspects between these disciplines and change management.

Strategic Management

Typically, strategic management is responsible for shaping the long-term future of a company. Strategic decisions for an entire organization are usually made by the top management. For example, when a company wants to embark on a new strategy, enter a new strategic business area, or shift to a new business model, strategic management defines the goal to be achieved. Change management becomes involved when the transformation of a company towards the envisioned state must be planned, shaped, and executed. As such, change management acts as a supporting and **enabling function** for strategic management.

Enabling function
Change management enables the execution of strategic plans.

Project Management

Deutsche Institut für Normung
This is a German system of standardization that is similar to the international organization for standardization.

According to the **Deutsche Institut für Normung** 69901 standard, project management is defined as “the entirety of the management functions, structures, techniques, and tools required for the execution of a project” (Deusche Institut für Normung [DIN], 2009, p. 5). Since projects are temporary efforts, which have a beginning and an end, the effort to execute a change in an organization can be viewed as a project. A project starts with goal setting and ends when a set goal has been reached. Consequently, project management and all its techniques and tools are supporting functions for change management. While the tasks of change management encompass more than the management of a **change project**, project management is a substantial part of optimizing change processes. The tools, methods, and resources of project management are utilized to support change management and help implement the change concepts.

Change project
These types of projects are transformations in companies carried out through project management.

Organization

Organizing a company means splitting tasks into individual parts and integrating them via coordination mechanisms. The result is hierarchical structures, such as departments, business units, divisions, and business processes (including standardized activities in manufacturing, procurement, or customer service). Hence, organization as a management function provides the framework in which all other management activities take place. Organization has two significant contact points with change management. Firstly, an organization defines the position of change management within a hierarchy. Many companies that have designated units responsible for change (often labeled as organizational development or transformation) implement them as a staff position or add them to the HR department. Secondly, the type of organizational structure in a company has a huge impact on change management. For example, a steep hierarchy with many levels and a traditional separation of business functions tends to be averse to change. Thus, it is difficult to implement changes in such an organization. In contrast, there are also change-friendly organizational structures, such as a **swarm organization** or **holacracy**. In these types of organizations, change is inherent and facilitates change projects. Indeed, organization as a management function acts as a lever for change management.

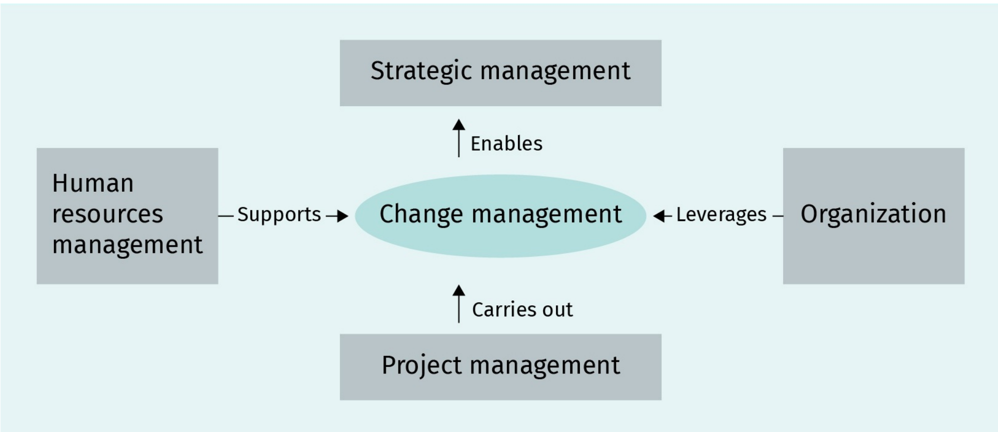
Swarm organization
A swarm organization is a self-organizing, flexible structure that changes frequently.

Holacracy
This structure is a hierarchy-free organization based on roles and structured in circles.

Human Resources Management

The management of a company's HR has a relationship with change management that is similar to the relationship between change management and organization. Since a specific change is carried out by the members of a company, a big part of change management is creating change readiness among the employees by training and motivating them for the new concepts. In Dave Ulrich's (1997) prominent HR model, one of four roles HR must fulfill is a change agent. Therefore, HR management functions as a supporter and enabler for change management.

Figure 1: Change Management and Related Management Disciplines



Source: Dirk Steffens (2022).

Although these subject areas all exhibit some overlaps with change management, they can be clearly demarcated from change management because their ultimate mission is not the design of the path, but the definition of the goal. However, there are also concepts that focus on change or transformation processes and thus have a similar scope. Nevertheless, these concepts all follow different approaches toward the design and management of the change. The most important change-related concepts and their interrelations to change management are discussed below.

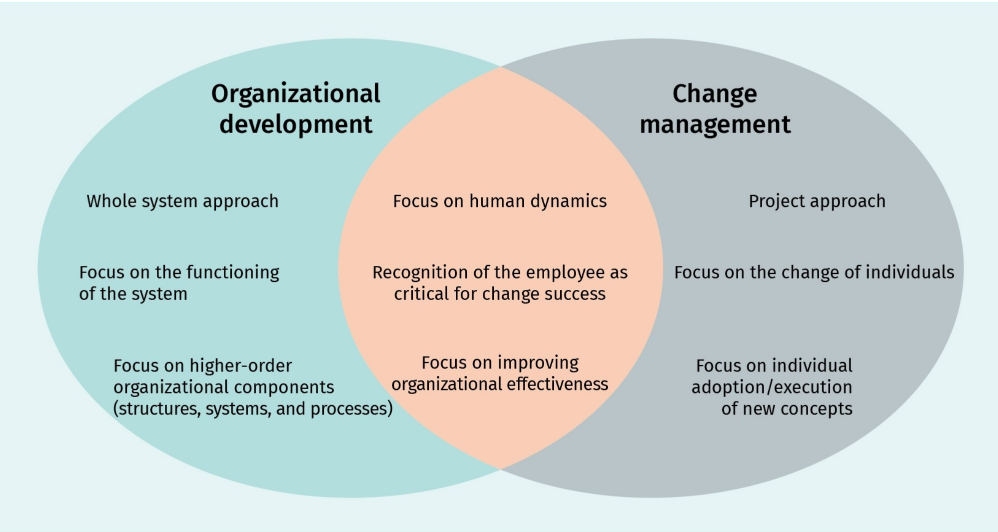
Organization development

Organization development
This approach focuses on the long-term development of an organization and is based on systems theory.

The concept of **organization development** cannot be easily distinguished from change management. In fact, many facets of this approach are similar; for instance, both approaches deal with planned changes. However, there are some aspects of organization development that are clearly different to change management. For example, the origins of organization development lie in social sciences, such as sociology and psychology, rather than in natural sciences. In contrast, change management is a part of management science and is primarily based on technical approaches, mathematics, or physics.

An older concept than change management, organization development has been discussed for more than 70 years and focuses on the development of social systems, individuals, and groups. Using principles and methods from behavioral and organization sciences, organization development aims at the long-term development of a social system. Understanding a system as a whole and developing it towards a higher effectiveness must happen in accordance with values essential to the concept organization development. These values include, among others, humanism, participation, and choice (Creasey et al., 2015). Following the basic ideas of systems theory, because every system is part of another higher-level system and is interlocked with other systems, organization development analyzes an organization and its context. This leads to a very broad view on an organization that always considers relevant stakeholders, the history of the organization, and its long-term mission and vision. This broadness is the major difference of organization development compared with change management. Change management often has a narrow view, with a clear short-term goal, on a particular change project (e.g., the implementation of a new information technology [IT] system in a company).

Figure 2: Organizational Development versus Change Management



Source: Dirk Steffens (2022), based on Creasey et al. (2015).

Learning organization

The concept of a learning organization is based on the idea that learning is not a specialized activity of an organization, but a standard procedure, deeply embedded in the culture and part of everyone's daily work (Nonaka, 2007, p. 97). Hence, a learning organization continually creates new knowledge and does not restrict learning or changing of certain projects. As this concept integrates development as an essential part of the entire company, it can be viewed as an advancement of organization development. In 1990, in *The Fifth Discipline*, Peter Senge established the concept of a learning organization and defined it as an organization made of five components (or disciplines; Senge, 1990, p. 1):

1. Personal mastery
2. Mental models
3. Shared vision
4. Team learning
5. Systems thinking

Unlike change management, a learning organization does not need to define change projects with specific outcomes and apply certain tools to reach goals. As it continually learns and evolves, change is integral to the organization and the management of change becomes unnecessary.

While this idea of a company seems appealing, especially in rapidly changing environments, there has also been criticism of the learning organization. Namely, it has been argued that the learning organization as a concept is unrealistic or utopian (Garvin, 1993). Since continuous organizational learning requires individuals to change constantly, it can be argued that inertia and resistance to change are observable on all organizational levels and stand in the way of the idealistic concept.

1.3 Models of Change

When striving to obtain a deeper understanding of professional and productive ways to manage a change process, it is helpful to first explain and analyze the change process itself. To gain a better understanding of change processes, we can refer to the theory of change management and use **models of change**. In management science, a model is a simplified, less complex representation of reality. Hence, there is no model of change that can be considered universally valid and/or generally accepted. In fact, there are several different approaches to organizational change that have different scientific backgrounds and aim to describe and explain different phenomena. These numerous and diverse change models can be grouped in four "basic schools of thought" (van de Ven & Pool, 1995, p. 513). They each encompass a variety of sub-theories that share some basic assumptions. The four theory families are as follows:

Models of change
These models describe and explain change processes using a certain theory.

1. **Life-cycle theory**
2. Teleological theory

Life-cycle theory
In this theory, a company goes through different stages of maturity.

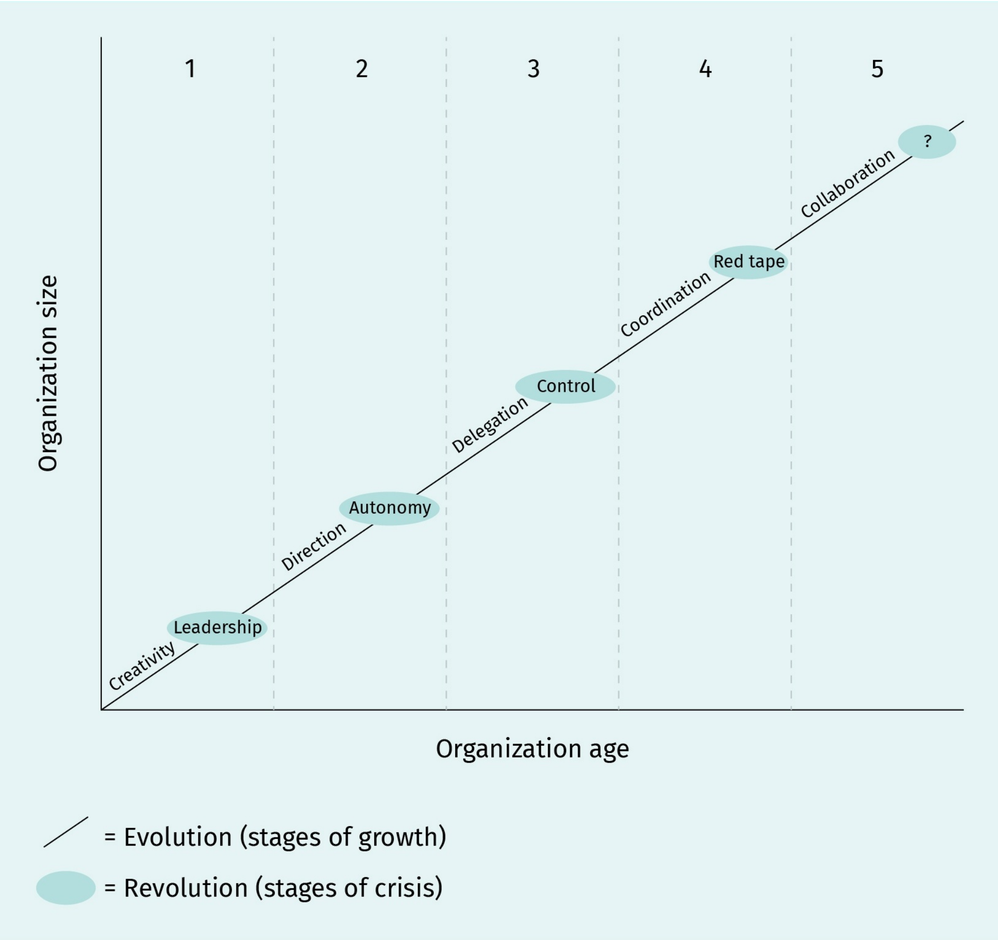
3. Dialectical theory
4. **Evolutionary theory**

Evolutionary theory
This theory explains organizational change through processes of variation, selection, and retention.

Life-Cycle Theory

Drawing upon the metaphor of organic growth and development, life-cycle theory assumes that “change is imminent”(van de Ven & Pool, 1995, p. 513). According to this theory, there is some form of underlying program or logic that is responsible for a certain development path of organizations. In biology, this path typically consists of stages, including birth, growth, maturation, and termination. Applied to organizational change, some models presume similar sequences in a company’s development. A prominent example is Larry Greiner’s organization life-cycle model (Greiner, 1998).

Figure 3: Greiner's Model of Organizational Growth



Source: Dirk Steffens (2022), based on Greiner (1998).

Greiner’s model comprises five development stages characterized by an interplay of periods of evolutionary growth and corresponding revolutionary changes through crises.

Phase one

A company mainly grows from its founders' creativity, which produces an attractive product or service offering, and establishes the offering on the market. As the company is comparably small at this birth stage, the focus is on the product and the market. Along with growing sales, a company's structures and the number of staff must also grow. This leads to more management responsibilities that the founders of the company are often not prepared for; thus, a leadership crisis occurs.

Phase two

This crisis is often counteracted by installing a strong leader to give the company direction. In summary, the measures of this growth stage consist of formalization (of structure, communication, etc.). Although formalization leads to a higher efficiency, a crisis of autonomy occurs because leaders often feel robbed of leeway to make decisions.

Phase three

Many companies react to this lack of autonomy by creating a decentralized structure and delegating more responsibilities to lower and middle managers. This allows for growth through diversification because managers who are close to their respective markets make creative and innovative decisions. In turn, diversification and decentralization often accompany a lack of coordination between different products, functions, and departments. This high degree of autonomy often leads to a crisis of control.

Phase four

As a reaction to top management's lack of control, more coordination procedures are implemented. These are often procedures that increase the degree of formalization and centralization of a company, such as formal planning systems, the installation of central service units, and the implementation of central IT systems. In terms of resource allocation and portfolio management, these new management systems generally lead to an increased efficiency and higher performance. However, as many local managers feel that decision-makers are not familiar with the local conditions (e.g., markets or cultures), this creates boundaries between the central and peripheral units. In summary, the implemented systems lead to bureaucratization, which is also known as a red-tape crisis.

Phase five

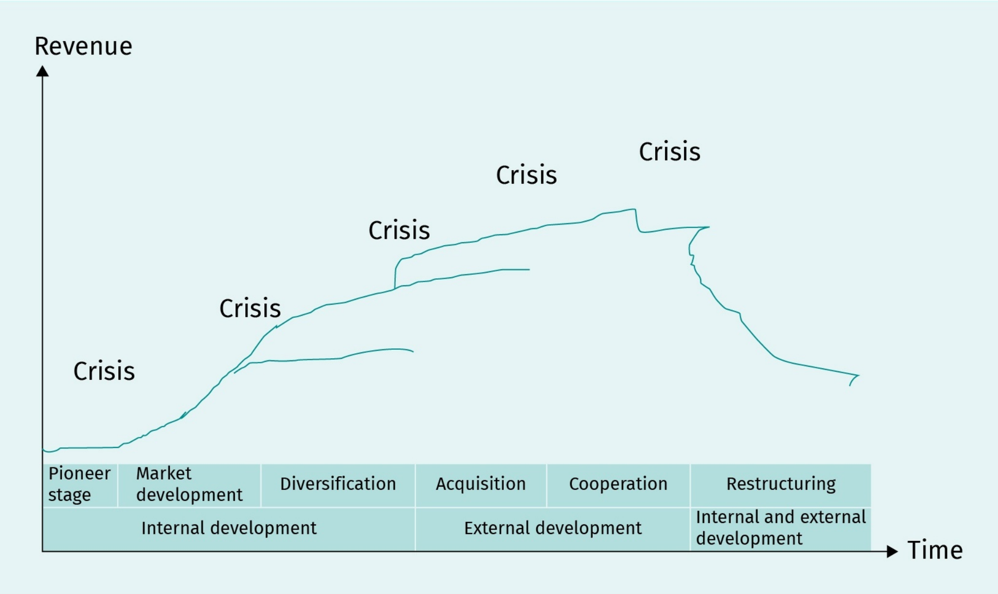
As a countermeasure to the bureaucratic systems, soft factors are emphasized. The new management style builds upon self-organization and collaboration (instead of formalization), as well as personal relationships (instead of standardized structures). This often includes the implementation of cross-functional organization concepts in the company, such as matrix structures or communities. Greiner (1998) suggests that the next crisis may be caused by employee exhaustion because networking and teamwork are more emotionally demanding than the traditional way of working. However, for this crisis, Greiner's theory does not provide an answer.

Greiner's theory provides an easily understandable and plausible framework for describing the overall long-term development of a company. However, as Greiner himself pointed out, there may be an overlapping of phases, a different sequence of phases, and even the omission of individual phases (Greiner, 1998). Taking these relativizations of the model into consideration, the somewhat random nature of Greiner's model can be critiqued.

Internal development
The growth of a company in terms of higher revenue and/or more employees is referred to as internal development.

Another popular example is the life-cycle model of Knut Bleicher (Vahs, 2019, p. 311). Like Greiner's theory, this model assumes typical development stages in the life cycle of a company. Contrary to Greiner, who describes the **internal development** stages of a company, Bleicher encompasses both internal and external development stages within his model. He presumes six typical stages that represent the "normal" development of a company. Each of these stages involve possible crises that can disturb or terminate development.

Figure 4: Bleicher's Growth Model



Source: Dirk Steffens (2022), based on Vahs (2019).

Described as the typical situation of a start-up company, which is mainly based on a business model idea and the creativity of its founders and owners, the pioneer stage shows some similarities to the first phase in Greiner's model. There is little to no formalization of structures or processes; hence, the typical origins for a crisis are liquidity and leadership problems.

During the market development stage, the predominant focus of a company is growth. This involves establishing a higher degree of standardization and formalized structures. Due to economies of scale and scope, a company's structure often develops into a functional organization that leads to more centralization and often an overload of operational tasks for the top management. Consequently, strategic management and long-term planning are frequently neglected in such an organization. This lack of strategic thinking is the most likely source for a crisis in this stage.

In the diversification stage, the portfolio of products and markets of a company are considerably expanded. The company usually develops new products, enters new markets, and must adapt the organizational structure to the increased complexity and heterogeneity of the portfolio. Thus, many companies deploy a divisional organization to support this new strategic path. This structure leads to more delegation of hierarchical power to established decentralized units that act as entrepreneurial entities. This diversified structure entails a lot of advantages, such as better risk spreading. On the other hand, it intensifies the risk of internal conflicts and the loss of control over the increasingly complex range of products, services, and customers.

The first three stages in the model represent internal development of a company, whereas in the fourth stage, a company carries out **external development**. This acquisition stage enables a company to quickly obtain new competencies and knowledge and tap into new markets by buying other companies and integrating them into its own organization. The management of mergers and acquisitions (M&As) is a highly complex challenge and represents a sub-discipline of change management; hence, M&As have a risk of failure. One important reason for the failure of an M&A transaction is a difference between the organizational cultures of the companies involved (Faulkner et al., 2012).

External development
This is the growth of a company through relationships with other organizations.

One way of mitigating these risks is represented by the megatrend of working together in organizational networks, which is the premise of the cooperation stage. Companies cooperate with partners without merging into a new legal form or financially investing into the partner company. Thus, the connection to the partner company is looser and cultural differences do not usually have great impact. Common forms of cooperation between companies include joint ventures, strategic alliances, and temporary project networks. Cooperating with one or more companies enables concentration on core competencies but involves substantial risks, such as the loss of knowledge or the risk of becoming dependent on another company.

The fifth stage in Bleicher's model is restructuring. As the next steps may be unclear, this stage follows both the internal and external development stages. The range of possible forms of restructuring is very wide and varies from returning to earlier stages through size reduction (e.g., by divesting individual units) to further embarking on a growth strategy (e.g., by creating a financial holding; Bleicher, 1991).

Like the Greiner model, critics of Bleicher's theory argue that the obligatory sequence of phases is not empirically supported. However, there is explorative evidence that illustrates the logic and empirical realism of Bleicher's framework (Bleicher, 1991). Both Greiner and Bleicher assume a sequence of development stages that are universal to some extent; that is, they apply to all organizations. This characteristic is inherent to life-cycle theory because it has its origins in the natural development of living organisms.

Teleological Theory

Unlike life-cycle theory, **teleological theory** does not prescribe a logical succession of different development stages (van de Ven & Pool, 1995, p. 515). Rather, in this school of thought, the entity (organization) itself defines a goal, takes specific measures to reach this goal, and monitors its progress on the path towards this goal (van de Ven & Pool, 1995,

Teleological theory
This theory explains development through the interactions of purpose and measures to serve this purpose.

p. 515). Obviously, this is the logic that underlies the traditional understanding of management: goal setting, planning, implementation, and controlling. The assumptions of teleological theory can best be described with the term “individuality”: Both the goals and the appropriate actions to reach these goals are different for each organization. Unlike the life-cycle theory, teleological theory offers a way of evaluating change by judging change processes according to their contribution to moving the organization towards its goal (van de Ven & Pool, 1995, p. 515). This rather mechanistic understanding recognizes the change management process as planned intermediate steps to move an organization closer to its envisioned end state. However, this approach is not sufficient for dynamic and complex circumstances in a digitalized and globalized world.

Teleological theory is not in itself static, but it encompasses the view that goals a company sets for itself can follow a dynamic process and be volatile. From this perspective, this ongoing adaption of goals and actions to reach goals can be considered organizational learning. A prominent example of this approach from the teleological school of thought is Argyris and Schön’s (1978) theory of organizational learning. Their concept distinguishes between the following three forms.

Single-loop learning

This kind of learning consists of detecting and correcting errors without changing the policies and processes of a company (Argyris, 1977, p. 116). For example, this occurs when the quality control within a manufacturing process finds a defect in a certain product and corrects it. The processes and policies of the company remain unchanged.

Double-loop learning

This kind of learning occurs when procedures, norms, and policies of a company are questioned and modified (Argyris, 1977, p. 116). In comparison to single-loop learning, double-loop learning is also called higher-level learning because it represents the view from above and has a broader perspective. An example of double-loop learning is when a company experiences multiple errors in a certain product, and questions, as well as modifies, the manufacturing process or the previously defined quality standards. Here, the organization changes policies, norms, procedures, etc.

Deutero-learning

Deutero-learning
Higher-level learning that changes the policies and culture of an organization is referred to as deutero-learning.

This form of organizational learning is sometimes referred to as meta-learning (Visser, 2007, p. 660) to emphasize the higher organizational level and the broader learning perspective on which it is based. **Deutero-learning** happens on a collective level and primarily changes the context of single- and double-loop learning. While single- and double-loop learning often have very specific, tangible, and short-term outcomes (e.g., the correction of a defect or the modification of a process), deutero-learning is more abstract and indirect because it is “continuous, behavioral-communicative, and largely unconscious” (Visser, 2007, p. 660). The changes induced by deutero-learning affect the system rather than the individual. This form of organizational learning defines and modifies the way in which an organization learns by providing elements such as the learning culture, the collective attitude towards learning and change, and the general learning processes in a company. Hence, deutero-learning is not merely a third form of organizational learning; indeed, its shaping of the context in which learning is either promoted or inhibited makes it the basis for single- and double-loop learning.

Examples of this kind of higher-order learning are manifold. They include changes in the learning culture of a company; the establishment of new communication policies or rituals, or the creation of a learning-friendly environment through architecture, team events, and the like. It must be noted that, unlike single- and double-loop learning, deutero-learning largely occurs informally and "tends to escape explicit steering and organizing" (Visser, 2007, p. 661). This characteristic poses a challenge for the management of organizational learning: On the one hand, deutero-learning is vital to all learning processes in an organization; on the other hand, it is not manageable directly but involves certain emergent and evolutionary aspects. The concept of organizational development deals with this challenge and embraces evolutionary bottom-up change of a company.

The concept of organizational learning widely conforms to the basic ideas of teleological theory by presuming that each learning process moves the organization closer to its goal. Yet, because it is inherently dynamic, it does not represent a simplistic example of this school of thought. Both the goals of a company and the actions to reach these goals are subject to constant change, whereas in traditional strategic management approaches, a long-term plan operates with no or only minor modifications. In this regard, the concept of organizational learning by Argyris and Schön (1978) constitutes an approach that is much more appropriate for turbulent circumstances of the globalized, digitally evolving, and disruptive world.

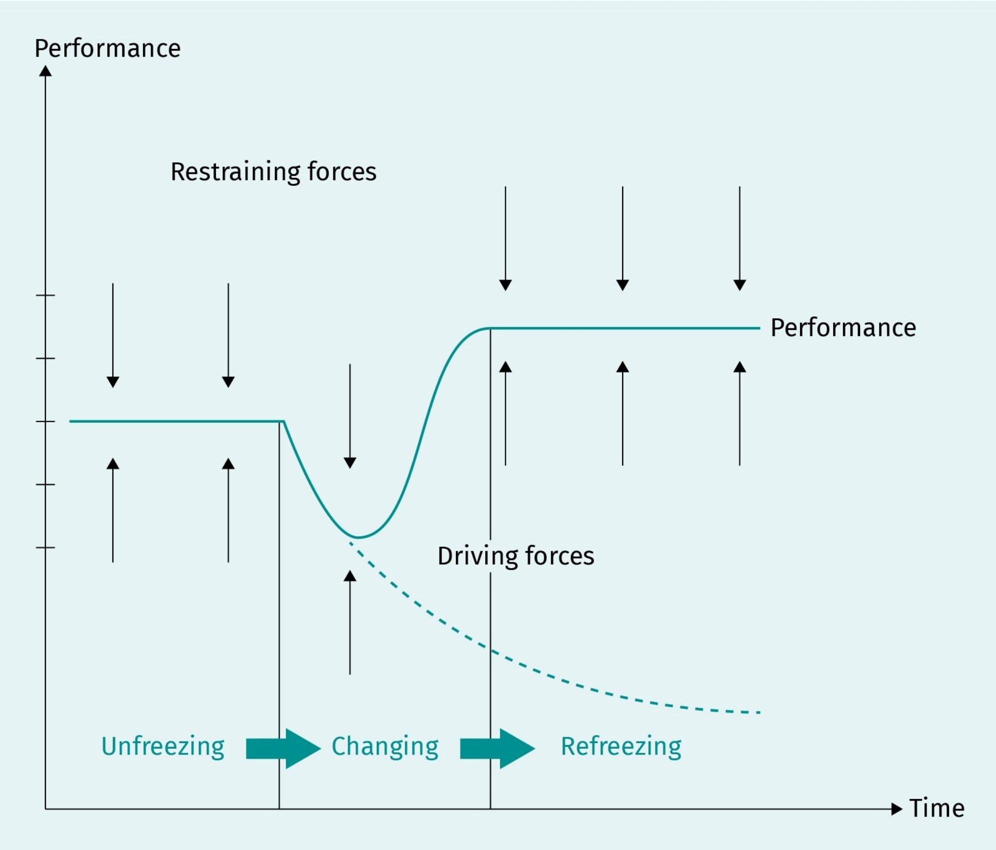
Dialectical Theory

This third school of thought builds upon the idea that organizations are exposed to "colliding events, forces, or contradictory values that compete with each other" (van de Ven & Pool, 1995, p. 517). These oppositions may have internal (e.g., conflicting goals and opposing stakeholders) and external (e.g., conflicting competitive forces and opposing economic trends) roots (van de Ven & Pool, 1995, p. 517). **Dialectical theory** distinguishes between two states of an organization—stability and change. Whether an organization finds itself in a stable or changing situation depends on the interplay of the opposing forces: When the opposing forces are in balance, they are equally strong and thus outweigh each other. Consequently, the organization does not change. If they are unbalanced, the organization changes. In reality, this simple metaphor adds up to a much more complex situation because there are typically more than two opposing forces and more than two directions that a company can be drawn into.

Dialectical theory
This theory explains change by the interplay of opposing forces.

A well-known change model that acknowledges this complexity is Lewin's field theory (Lewin, 1947). As it also follows the underlying assumption of the existence of conflicting forces that shape an organization's development, it can be viewed as a member of the dialectical school of thought. Lewin argued that a given status quo is maintained by a set of different forces, conditions, and behaviors (Burnes, 2004). While every group or organization constantly changes as forces fluctuate, Lewin defined states where these changes are only minor as a relatively stable situation named "quasi-stationary equilibrium" (Burnes, 2004, p. 981). In such situations, forces that drive and restrain change are balanced and the status quo becomes stable. These forces shift radically once there is a perceptible change in the status quo, and the equilibrium ceases to exist. Lewin's field theory model explains change processes in groups and organizations, but it can also be used to intentionally drive change by willfully strengthening or weakening individual forces. Hence, this approach is often mentioned with respect to change management as an instrument to foster change and overcome obstacles of specific change projects.

Figure 5: Lewin's Model of Change



Source: Dirk Steffens (2022), based on Vahs (2019).

Lewin's model differentiates between the following three phases (or steps) of a change process.

Step one (unfreezing)

To execute an intended change of a group or an organization, the existing equilibrium must be destabilized by first strengthening the forces that drive change (Burnes, 2004, p. 985). This is called unfreezing because fixed structures and behavioral patterns are broken open to make change possible. From a psychological point of view, this is a hard task and may involve measures such as questioning the current situation and inducing anxiety to overcome individual and organizational inertia. In a specific change project, examples of unfreezing may include drastic, worst-case scenarios for the company or the threat of job losses for employees. More positive measures are workshops for employees to enhance their creative thinking to gain new ideas and solutions beyond the status quo.

Step two (changing)

Once existing routines and policies are loosened, the actual change can happen. Unfreezing ideally creates openness and motivation to learn and change among the organization, but it does not define specific actions or a direction in which to go (Burnes, 2004, p. 985). This is the main task of step two. Here, the top management and the responsible change managers execute concrete actions to abolish old structures and create new ones. Again, the focus here is on further empowering the driving forces. In the terminology of change management, this step can also be labelled as implementation: New concepts are put into place, employees receive the qualification required for applying the concepts and are informed about new structures, processes, or policies, and so forth. Step two can be considered the core of Lewin's change model, as it includes the actual changing of the organization, whereas step one and step three constitute preparation, wrap-up, and accordingly represent the framework for the change.

Step three (refreezing)

According to Lewin's model (Lewin, 1947), an organization strives for a state of equilibrium (i.e., stability). After the turbulent phase of changing the organization, stability must be actively created by reducing the driving forces and supporting the restraining forces of the force field. All measures of refreezing serve to reinforce the newly implemented concept in the organization. New structures, routines, and policies are integrated into the daily routine and thus become the new normal. From a change manager's point of view, typical actions in this phase may include elements such as the communication of the first positive experiences with the new concept (quick wins), formalizing the new rules by integrating them into the company's governance systems, or further enhancing the mastery of the new concept through training, coaching, and e-learning.

This course of events over the three steps represents an ideal type of a change process. Although the intentionally created chaotic conditions usually lead to a decline of performance in step two, the company enhances its performance level in the long run. In this case, the change was successful. If an organization fails to put the new concept into place and reset a new equilibrium of forces, performance declines further and the change project fails. Numerous unsuccessful M&A projects are one example of the vast number of failed change projects.

Although Lewin's model is quite old and originally stems from sociology rather than from management theory, its basic assumptions of conflicting forces and change being a three-stage process are still popular. Reasons for this popularity include the model's plausibility and its applicability to explain change processes, as well as manage them.

Evolutionary Theory

The fourth school of thought in change management is based on the theory of biological evolution. Evolutionary theorists assume that “change proceeds through a continuous cycle of variation, selection, and retention” (van de Ven & Pool, 1995, p. 518). While evolutionary ideas in management and economics are often used to explain survival and adaptation of entire organizations that compete against each other, this approach is also applied to the variation, selection, and retention of phenomena—especially procedures and routines—within organizations (da Silva et al., 2017). The basic idea of variation is that certain traits, policies, procedures, or routines in an organization (or in an entity within an organization) change. According to biological evolution theory, this change happens “by blind or random chance” (van de Ven & Pool, 1995, p. 518). This aspect highlights a considerable difference between evolutionary theory and all other schools of thought in change management. Changes in evolution happen naturally rather than being willfully induced by organizational stakeholders. This accounts for a theoretical proximity of evolutionary theory to organizational development rather than to change management. The process of selection is mainly determined by competition for scarce resources (van de Ven & Pool, 1995, p. 518), which are—from an interorganizational perspective—market share and customers. Within an organization, these resources may be financial budget, HR, or acknowledgement. The functioning of competition as the coordinating mechanism for the selection of the best alternatives has its limitations within an organization. Typically, organizations possess a hierarchical structure rather than being coordinated by competition-based internal markets. Thus, the selection of a routine (a repetitive pattern of behavior), structure, or procedure in an organization is strongly influenced by individual interests of the top management or other influential stakeholders rather than the survival of the fittest. The process of retention counteracts the dynamics of variation and selection by contributing to the re-establishment of stability. Much like the refreezing phase in Lewin’s model, retention reinforces the selected alternatives and thus creates a form of equilibrium.

Evolutionary approaches can serve various purposes in management and economics. For example, they are used to explain how organizational traits and behaviors are developed through learning and imitation within an organizational generation and between such generations (van de Ven & Pool, 1995). At least to some degree, the processes of variation, selection, and retention defy control and explicit steering through an organization. Hence, in change management, evolutionary theory can be applied to better understand and explain change phenomena in organizations. As evolutionary approaches have limited benefits for the management of change, they are more beneficial for organizational development than for change management.

SUMMARY

Due to the need to adapt to dynamic and complex circumstances, change management is a highly important task for companies. Change management aims to optimize the process from a status quo to a desired goal. It is a cross-sectional task closely connected to other man-

agement disciplines. With respect to the direction of change processes, change management and organizational development are separate theoretical concepts. Several theories exist to describe and explain change processes, and they can be summarized in four schools of thought (lifecycle theory, teleological theory, dialectical theory, and evolutionary theory). The different change theories are not mutually exclusive and, as they provide different perspectives on change processes, should be used in combination.

UNIT 2

CAUSES AND TRIGGERS OF CHANGE

STUDY GOALS

On completion of this unit, you will be able to …

- understand the difference between change and transformation.
- explain different forms of organizational change.
- understand the various triggers and causes for change and their differences.
- analyze organizational changes with respect to their forms, triggers, and causes.

2. CAUSES AND TRIGGERS OF CHANGE

Introduction

A wide range of projects can be considered part of the subject of change management. For example, there will most likely be need for some form of organizational modification when a company implements a new software to support the sales process. As it makes changes (e.g., to the sales process, responsibilities, or required qualifications of employees), this software implementation can be considered a change project. However, the overall structure, strategy, and culture of a company remain unaffected by these minor changes. Another example of a change project is when two large companies merge into a new company. For instance, in 1998, Daimler and Chrysler decided upon a merger. Following this decision, the two global automotive industry companies had to integrate their strategies, structures, and organizational cultures in an enormous effort involving more than 400,000 employees. Famously, this change effort was a long-term failure, as the two companies separated again in 2007 (Wernle, 2007).

Clearly, these two examples represent two poles of a spectrum and bear almost no similarities. They are caused by different reasons: They pursue completely different goals, and they have very different project volumes. Nevertheless, both are subject to change management, as they deal with some form of organizational change. Thus, it is necessary to differentiate between forms of change with respect to the causes of the change, as well as consider different change processes.

2.1 Change and Transformation

Transformation
This is a large-scale, significant, and fundamental change.

There are many different reasons for change management and many forms of change that are subject to change management. As a result, it is vital to systematize these aspects to develop principles and procedures of change management that account for these differences. While “change” in change management is a widely used term describing all kinds of processes in relation to organizational change, **transformation** has emerged as a new buzzword for these phenomena. Although the meanings of the two terms overlap in certain aspects, they originally stem from different directions. Transformation is considered a form of change that is large, significant, and fundamental (Metcalfe & Cantner, 2003). Sometimes, transformation is even referred to as a fundamental change of society—thus, an external form of change—hereby excluding phenomena like organizational transformation from its definition. Since this distinction between change and transformation—accurate as it may be—contradicts the use of the term transformation in current management lingo, we do not follow this strict definition. Here, the term transformation stands for a large-scale and fundamental change of an economy, society, or organization. Change as the generic term, however, encompasses fundamental transformations, as well as small and incremental changes in a company. Consequently, the term transformation is used for a specific manifestation of change (e.g., a fundamental, large, and significant change). Changes that a company can undergo are manifold. The following are relevant examples of change projects (Lauer, 2021, p. 6):

- the takeover of a company
- the reorganization of a company
- the outsourcing of certain units and/or functions
- the implementation of new technologies
- the implementation of new human resources (HR) methods

To be able to deal with the heterogeneity of organizational change, a framework to distinguish between different forms of change is required. A framework can be provided by using various criteria to create dichotomous pairs of change forms. These criteria are not all mutually exclusive or free of overlaps. Still, these distinctions help to create an understanding of the different requirements posed by the variety of change projects. Three such criteria are presented in the figure below.

Table 1: Different Forms of Change

Planned versus unplanned change	
Planned change • Intended • Managed • Organized • Controlled	Unplanned change • Unintended • Random • Unnoticed • Uncontrolled
Episodic versus continuous change	
Episodic change • Discontinuous • Planned • Externally triggered	Continuous change • Cumulative • Spontaneous • Internally triggered
Proactive versus reactive change	
Proactive change • Chance-oriented • Voluntary • Internally triggered	Reactive change • Risk-oriented • Forced • Externally triggered

Source: Dirk Steffens (2022), based on Stegmaier (2016) & Vahs (2019).

The presented criteria serve to systematize specific change projects and tailor change instruments to target the characteristics specific to each challenge. For example, when this framework is applied to the 1998 merger of Daimler and Chrysler (Wernle, 2007), this change project can be characterized by applying these criteria: Since there was a clear and explicit plan developed by the top management teams of both companies, this merger can be regarded as a planned change, fulfilling all the specifications (intended, managed, organized, and controlled). While the actual execution of the merger took a very long time from initiation to completion, it can still be considered an episodic change as it had a starting point and a defined ending. Daimler and Chrysler both strived to bundle their potential to gain higher market shares and increase their competitive advantages—hence, the merger can be ranked as a proactive change. Returning to the initial considerations, with respect to the distinction between the terms “change” and “transformation”, the DaimlerChrysler merger can be considered an organizational transformation, as it was a radical and fundamental change with consequences for almost all aspects of both companies. A terminological distinction often used in management science and in practice, which is based on the criteria discussed above, is the distinction between **incremental change** and **fundamental change**.

Incremental change
An incremental change is a step-by-step change with minor scope and low risk.

Fundamental change
A fundamental change is a radical change that occurs infrequently and exposes the entire organization to disruptive shifts.

Table 2: Incremental versus Fundamental Change

	Incremental change	Fundamental change
Intensity	Evolutionary	Revolutionary
Change approach	Optimization	Disruption
Change process	Continuous	Discontinuous
Dimensions	Few	Multidimensional
Organizational levels	Few	All levels
Risk and insecurity	Low	High
Occurrence of change	Standard	Exception
Required change capability	Change management	Change leadership

Source: Dirk Steffens (2022), based on Dillerup & Stoi (2016).

Using the example of the DaimlerChrysler merger, this change clearly falls into the category of fundamental change. On the contrary, an implementation project for a sales support software would be considered an incremental change, as it does not involve the entire organization, bears a manageable risk, and constitutes a form of optimization that occurs constantly in most companies.

The different forms of change that have been discussed refer mainly to the question of how a change in a company takes place; therefore, they focus on the change process. To gain a holistic overview of the different characteristics of change projects, the content of the change must also be considered. Thus, the question “What changes?” must be asked. Here, according to Lauer (2021, p. 7), change projects can be differentiated into three categories. He defines three starting points for change, thereby emphasizing that the categories do not exclude each other, but rather represent three different perspectives on a specific change project. In most cases, an organizational shift affects more than one of the three categories. In fact, most frequently, organizational changes impact all three of the following dimensions.

Individuals

As the smallest entity of an organizations, individuals are vital to every change, as they execute organizational modifications that would otherwise remain abstract and theoretical. Hence, the focus on individuals in change processes considers the skills, the (organizational) roles, and the behavior necessary for a change. The implementation of a new organizational structure can only be successful when the occupants of certain roles within this structure behave accordingly. For instance, the new organization is doomed to failure if individuals do not accept their formal supervisors.

(Formal) Structure

The formal structure of a company defines roles and responsibilities for organizational units, such as divisions or departments. It also creates processes along the value chain that define how a company creates value for its customers. The reorganization of a company is the rearrangement of formal structures and business processes to enhance performance.

Corporate Culture

The culture is the collective mindset that dominates an organization and builds upon underlying values. It becomes manifest in collective informal rules, behaviors, and symbols. As corporate culture has a strong impact on the coordination of individuals' behavior and motivation, it is often considered crucial for the success of change enterprises.

Table 3: Starting Points for Change Management

Individuals	Structures	Culture
Skills	Strategy	Values and standards
Behavior	Process organization	Symbols
Roles	Technology and resources	Basic assumptions
	Organizational structure	

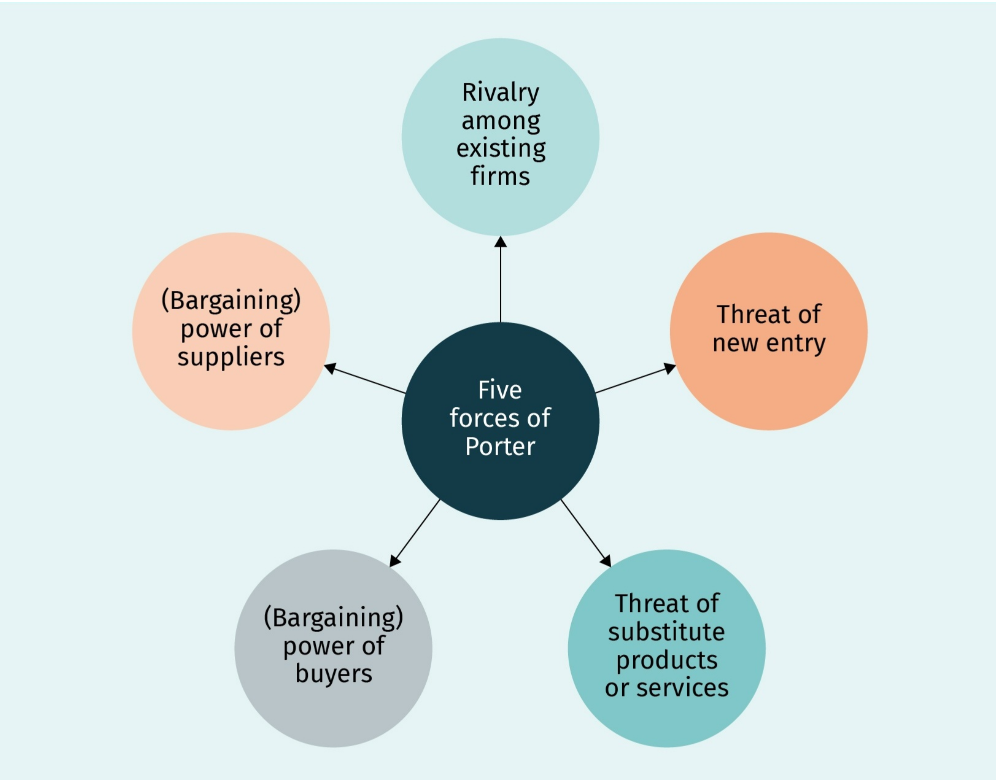
Source: Dirk Steffens (2022), based on Lauer (2021).

2.2 External Triggers of Change

Since organizations are always embedded in various systems that surround and affect them, it is no surprise that said systems also have strong effects on the changes a company undertakes. In many respects, companies must adapt to their context to gain and sustain competitiveness. For example, they must react to technological innovations impacting their industry, comply with laws and adjust to legal changes, and adopt new business models when customers demand them or the competition has already implemented them. Hence, there are many causes of change that come from the organization's environment. For a company, it is crucial to identify and analyze external triggers early on to react rapidly and thus realize advantages in a time-based competition. To classify external triggers of change, it is helpful to refer to established frameworks designed to bring structure to a company's environment—even if these frameworks are not primarily focused on change management. Michael Porter's **five forces** model is one of these frameworks. Originally, Porter's model was designed to determine the intensity of competition a company must deal with. Nevertheless, it can also be used to identify forces that have an influence on a company and drive a company to change (Porter, 1979).

Five forces
The five forces determine the degree of competitiveness within an industry.

Figure 6: Porter's Five Forces



Source: Dana Maldonado (2017), CC BY 4.0.

With respect to the threats that the five competitive forces pose for a company and the power the corresponding actors have, the model explains the intensity of competition within a certain industry and value chain. While this unit will not go into the details of determining the degree of competition, we will use this model to categorize causes for change that are relevant for a company. Triggers for change that can be attributed to one of the five forces include the following.

Rivalry among Competitors

When a company operates in an industry with many competitors (i.e., a polypoly), there is a high need to adjust to changes in this industry. For example, individual competitors in an industry can lower their prices if they introduce a new manufacturing technology or out-source their production to low-cost countries. Consequently, the other companies must follow by lowering their prices, which can also be achieved by applying the same technologies or organizational adaptions. Hence, they need to pursue organizational changes because of their competitors' actions.

Bargaining Power of Buyers

In a highly digitized and globalized world, customers have access to extensive information and have a wide range of suppliers to choose from. Thus, customer power over suppliers has grown considerably over the last decades. As a result, companies must react to customers' demands quickly, or they may lose them to a competitor. One of the numerous examples of this, especially with respect to digital businesses, is the interoperability between hardware and software applications. Customers demand immediate access to all their favorite apps on their smartphones. This forces hardware and software providers to work together closely to ensure this compatibility. This connectiveness between companies that are complementors (rather than parts of the same value chain) triggers multiple organizational changes for all companies involved.

Threat of Substitute Products or Services

It is once again digitization that is responsible for the increasing number of products and services that can substitute an existing offering. For example, the emergence of platform-based business models has led to such new threats. Companies such as Airbnb offer access to a vast number of accommodations all around the world. Consequently, this offer puts pressure on existing players in the hotel industry. Since they cannot provide a comparable selection of accommodations from their own resources, existing players must cooperate with other providers and thus change their own business model.

Threat of New Entrants

Many digital businesses do not require noteworthy investments in resources to start a new business. Online shops, for example, can be set up quite easily by outsourcing the bigger part of technical and organizational tasks. Providers such as Shopify (Shopify, n.d.) lower the entry barriers to this market considerably and enable many people to start their own business. Hence, the existing providers in a market are forced to execute similar efforts to remain competitive.

Bargaining Power of Suppliers

The far-reaching trend towards focusing on one's own core competencies has led to extensive outsourcing of all activities that do not belong to this crucial part of value creation. This, in turn, has enabled suppliers to transform from mere vendors of standard products and services to outsourcing partners that cannot be replaced easily. As a result of this development, suppliers have a greater deal of power and customers must cooperate closely with them. This is especially valid for relationships between customers and suppliers in just-in-time systems.

The five forces framework takes the meso-environment of a company into consideration and helps to identify causes and triggers for change coming from players in close strategic and operational proximity to the reference company. Alternatively, the political, economic, sociological, technological, legal, and environmental (**PESTLE**) analysis broadens the view by considering the macro-environment of an organization. The different factors of this model were (once again) not originally designed to identify change causes, but generally describe and analyze the strategic environment of a company. Nevertheless, the PESTLE approach is suitable to focus on those aspects of the environment that are most likely to induce changes that might affect a company. Examples of such triggers include the following aspects.

PESTLE
The PESTLE framework systematizes the external environment of a company.

Political Factors

Political developments often have a very direct and intense influence on a company. For example, the transition from an old to a newly elected administration often involves uncertainties regarding political emphases. When a new president and their administration pursue a policy of protectionism by imposing high import taxes, for example, many companies must adapt their established globalized value chains, as they may no longer be profitable. The political climate and conditions in general also have an impact on concrete management decisions. For example, the selection of a supplier is highly influenced by prevailing political conditions in the countries where the providers' plants are located.

Economic Factors

Economic developments, such as commodity prices or business cycles, do not only affect the general success of a company. Sometimes, such developments induce specific adjustments in a company's business model or organizational structure. For instance, an increase of oil prices might endanger strategic business areas with low-cost strategies and consequently force companies to shift resources to other, more profitable areas.

Social Factors

The characteristics and development of societies affect companies in at least two different ways. Firstly, societal changes obviously have an impact on customers, as they are part of the society. During the last few years, customers increasingly ask for environmentally-friendly products that have been produced in a socially responsible manner. These requirements force companies to reconsider business models, such as fast fashion, with frequently changing product ranges and cheap prices. Secondly, changes in a society directly affect the human resources (HR) management of a company. In many companies in Central Europe, fundamental demographic changes can be observed. Declining birth rates lead to a scarcity of qualified personnel that, in turn, forces companies to compete for candidates. Hence, the significance of recruiting has increased, and companies must fundamentally change work procedures and incentive systems to recruit employees.

Technological Factors

The changes in the technological sector are probably the most drastic, as well as the most obvious. Digitization affects all industries, all countries, and all parts of the supply chain. The effect of technological changes, especially when disruptive innovations are considered, is often dramatic. At the same time, the dissemination of new technologies has gained additional momentum due to globally connected business activities. As digitization is essentially ubiquitous, this does not only apply to inherently "digital" businesses (e.g., software development and online marketing), but also to industries and companies that are not inherently in close contact with digitization (e.g., handcraft and logistics). Digitization's impact on products, services, and the needs of customers is often the starting point for organizational changes. For example, customers of a logistics provider may expect online tracking of the goods they ship.

Legislative or Legal Factors

All companies must comply with the laws in the locations where they operate. These laws set a framework that a company can act within, and they can be a boundary, as well as source of potential new business opportunities. For example, the introduction of new data security legislation frequently results in organizational adjustments, as companies need to adapt processes concerning the storage of customer data. As the financial risks of not complying with these complex new laws are typically very high, the operational execution of these laws often requires external consulting. This new consulting field is a business opportunity for legal counsels and thus can trigger organizational changes.

Environmental or Ecological Factors

The ultimate restriction for all activities in economy, society, and politics is the finiteness of natural resources. While this has always been a known fact in theory, there have been numerous examples over the last few years showing the inevitability of dealing with this fact in practice. Efforts to prevent climate change or (at least) mitigate its effects have become manifest in politics, economy, society, technology, and legislation—hence, environmental or ecological factors are relevant in all other five factors of the PESTLE framework. The challenge to transform products, services, business models, and so forth can be considered no less than humanity's greatest challenge. Consequently, the long-term effects of the ecological factors on companies are tremendous.

The five forces model, as well as the PESTLE approach, present frameworks for systematizing external triggers for change. However, they do not include specific change triggers or causes, but can rather be applied to all kinds of circumstances. A model describing actual conditions with very concrete triggers for change is the volatility, uncertainty, complexity, and ambiguity (**VUCA**) world. This model claims to describe the circumstances we currently live in—at least in the industrialized parts of the world. The basic assumption of the VUCA concept is that, in combination with globalization, digitization leads to completely new conditions where the world becomes more dynamic and less predictable.

VUCA
This term represents dynamic, unpredictable, and complex circumstances.

Table 4: Challenges of the VUCA World

	What it is	An example	How to effectively address it
Volatility	It is relatively unstable change; information is available and the situation is understandable, but change is frequent and sometimes unpredictable.	Commodity pricing is often quite volatile; jet fuel costs, for instance, have been quite volatile in the twenty-first century.	Agility is key to coping with volatility. Resources should be aggressively directed toward building slack and creating the potential for future flexibility.
Uncertainty	There is a lack of knowledge as to whether an event will have meaningful ramifications; cause and effect are understood, but it is unknown if an event will create significant change.	Anti-terrorism initiatives are generally plagued with uncertainty; we understand many causes of terrorism, but not exactly when and how they could spur attacks.	Information is critical to reducing uncertainty. Firms should move beyond existing information sources to both gather new data and consider from new perspectives.
Complexity	Many interconnected parts form an elaborate network of information and procedures; they are often multiform and convoluted, but not necessarily involving change.	Moving into foreign markets is frequently complex; doing business in new countries often involves navigating a complex web of tariffs, laws, regulations, and logistic issues.	Restructuring internal company operations to match the external complexity is the most effective and efficient way to address it. Firms should attempt to "match" their own operations and processes to mirror environmental complexities.
Ambiguity	A lack of knowledge as to "the basic rules of the game"; cause and effect are not understood and there is no precedent for making predictions as to what to expect.	The transition from print to digital media has been very ambiguous; companies are still learning how customers will access and experience data and entertainment given new technologies.	Experimentation is necessary for reducing ambiguity. Only through intelligent experimentation can firm leaders determine what strategies are and are not beneficial in situations where the former rules of business no longer apply.

Source: Dirk Steffens (2022), based on Bennett & Lemoine (2014).

Obviously, this new set of conditions and rules provides enormous challenges for organizations in numerous areas. In some cases, it could even be argued that the VUCA world makes the traditional understanding of management obsolete and calls for completely new principles and procedures. For example, the factor of volatility requires companies to deal with unstable conditions that change frequently at a high rate. This is in stark contrast to the traditional understanding of organization science where only stable structures and standardized processes enable companies to gain economies of scale and profit. A volatile environment, however, demands flexible and easily adaptable structures. Hence, completely new philosophies and forms of organization are on the rise. For instance, swarm organization, holacracy, and Agile organization are concepts that foster entirely new theories of coordination and organization and replace some conventional principles of hierarchy, leadership, and organization. In summary, the VUCA model presents numerous external triggers for change that often call for revolutionary rather than incremental changes in an organization.

2.3 Internal Triggers of Change

The distinction between external and internal triggers of change can be clearly defined. Triggers for change that can be attributed to the environment of an organization are external, and triggers that come from within the company are internal. Nevertheless, there is uncertainty when the view is broadened in order to gain an understanding of cause-and-effect relationships between different causes and triggers. When clearly external triggers are considered, such as disruptive innovations from competitors, these innovations may cause the top management of a company to embark on a new strategy to keep up with the competition. This decision can be characterized clearly as an internal trigger for a strategic change project. Two conclusions can be drawn from this observation. Firstly, external and internal triggers are often interconnected. Secondly, internal triggers can be differentiated into those caused by external triggers and those that have no such external cause but are inherent to the organization. The latter are triggers that are described by life cycle theories of change. For example, Greiner (1998) and Bleicher (1991) both assume that the development of an organization follows a natural path, similar to the birth, growth, and maturity of natural organisms. In Greiner's model, crises are the main causes for organizational changes. He describes the different development stages through the crises that typically accompany these stages: leadership, autonomy, control, and red-tape. When crises as triggers for change are considered, there is a very wide range of types of crises with diverse characteristics that lead to different change processes. The subsequent change projects are reactive, as they are the reaction to an incidence or a problem, rather than a deliberate and proactive management decision. From a strategic point of view, proactive change is generally preferrable, as it does not include the problem of time lag that reactive change often experiences.

A very prominent example of a management rule that can be used to describe the interdependency between strategic management decisions and organizational change is Chandler's hypothesis: **Structure follows strategy** (Chandler, 1995). This principle reflects the understanding that an organizational structure acts as an enabler for strategy. Consequently, the organizational structure must be aligned to the company's strategy (Kaplan & Norton, 2006). This view on organization aligns with the situational approach (Vahs, 2019, p. 42) that assumes there is no such thing as a good or bad organizational structure, only one that does or does not fit a certain situation. Conversely, when strategies are replaced, or even modified, this often creates the need for an adjustment of the company's organization. When a company decides to pursue a cost leadership strategy, it is crucial to lower internal costs to be able to offer the lowest price in the industry. The lever to lower production and procurement costs is the structural setup of a company. The necessary economies of scale can only be realized if organizational functions are bundled in centralized structures. Conversely, when a company strives for high-quality products tailored to cus-

Structure follows strategy
The organizational structure of a company must fit its strategy.

tomers' needs in different markets, they have to decentralize their structure to be closer to the respective markets and target their products towards the various customer groups. Hence, a structure with autonomous divisions is required.

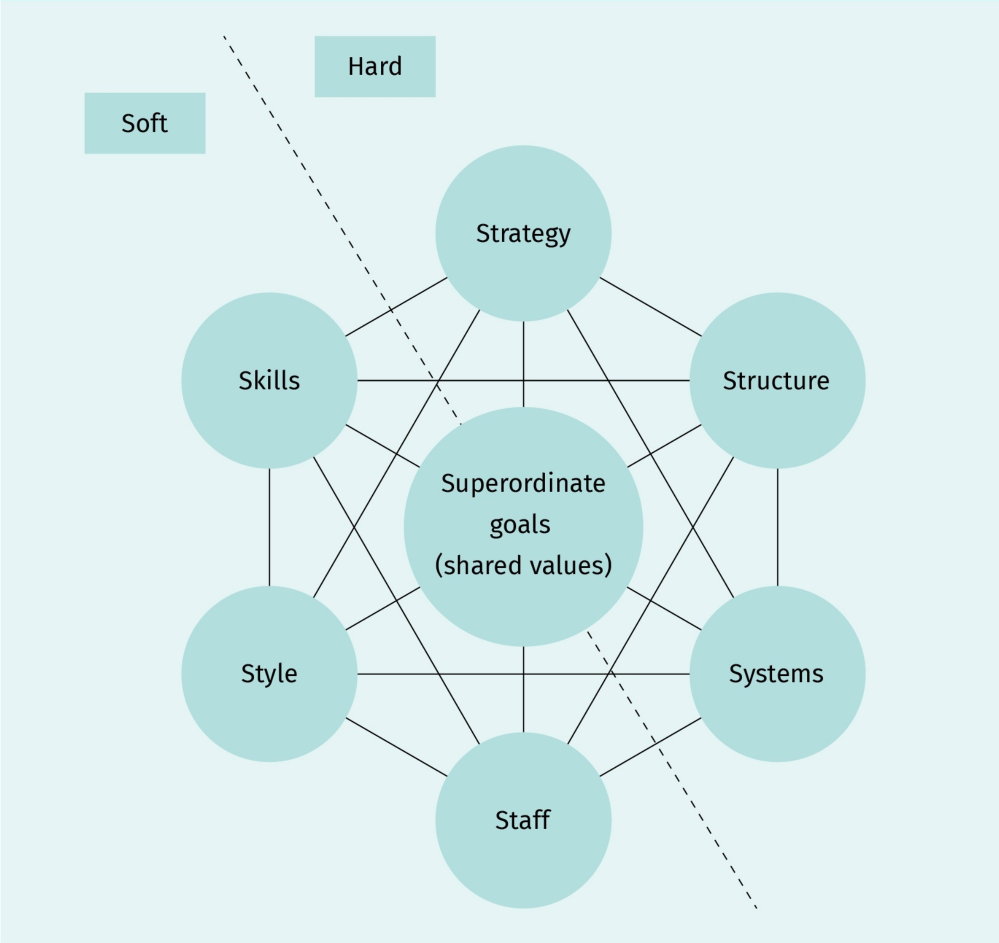
When companies change their strategy from cost to quality leadership, and vice versa, the strategic shift is merely a change of plans and thus more or less abstract. The strategy is not put into action until the planning and organization needed to execute it are put in place. Hence, most strategic changes can be considered internal drivers for change, as they require organizational adjustments to execute the strategic decisions.

Although the theoretical plausibility and the simplicity of "structure follows strategy" makes it appealing, the phrase falls short with respect to incorporating the complexity of a VUCA environment. The 7S model (Peters & Waterman, 1982), however, encompasses more factors than just strategy and structure by considering seven success factors of a company. The model differentiates between **hard factors** (strategy, structure, and systems) that are quantitative, measurable, and rational, as well as **soft factors** (skills, superordinate goals, style, and staff) that are qualitative, hard to measure, and emotional.

Hard factors
These factors are quantitative and rational.

Soft factors
These factors are qualitative and emotional.

Figure 7: The 7S Model



Source: Pkor43 (2007), CC BY 3.0.

This model depicts the interconnectedness between these success factors. The factors influence each other, and a change in one factor usually leads to changes in one or more other factors. Although it encompasses the complexity and interplay of the various factors a company is built upon, this model lacks clear explanations of the nature of these relationships because it does not further define the connections between the factors. Additional theories and approaches can be used to complement this framework; for example, human relations theory can explain the interdependence between staff and structure. Nevertheless, the 7S model can provide a systematic overview to categorize internal change triggers and thus help to systematize change processes with respect to their origins.

SUMMARY

There are many different forms of change, such as incremental and fundamental change, episodic and continuous change, and proactive and reactive change. A transformation is a fundamental change. The causes of change can be external and internal, and the drivers of external changes can be described through the five different competitive forces and via the PESTLE framework. Additionally, the currently observable VUCA world is an important driver for many organizational changes, as it increases the dynamic nature and unpredictability of the environment. Internal change triggers are either crises that demand reactive adjustments, or they are induced by management decisions. According to the principle "structure follows strategy", many strategic decisions require organizational changes.

UNIT 3

THE COMPANY AS AN OBSTACLE TO CHANGE

STUDY GOALS

On completion of this unit, you will be able to …

- name and explain change obstacles at the company level.
- outline different reasons for collective change obstacles.
- consider the role corporate structures and cultures play in change management.
- explain how economic obstacles often inhibit change projects.

3. THE COMPANY AS AN OBSTACLE TO CHANGE

Introduction

Since all changes are accompanied by the loss of some degree of stability, it is not surprising that change management regularly faces obstacles. Like humans, organizations prefer stable and predictable conditions over insecure and dynamic environments that can be perceived as chaotic. In fact, one might argue that the main task of change management is to overcome these obstacles. This discipline aims to design paths for change projects that are smooth and efficient from the first step to the final goal. While resistance to change (i.e., a lack of acceptance of a change project) derives mainly from an individual's considerations and feelings toward a certain change enterprise, there are specific barriers to change that have their roots in the design of an organization as a collective entity.

There are several aspects of an organization that are resistant to change. One of the basic principles of economics and management is the realization of economies of scale through standardization and repetition. This basic concept is not only inherent to manufacturing processes, but also to the design of an organization that is built upon standardized tasks and stable hierarchies. Standardization and stability contradict the objectives of flexibility and adaptivity; hence, the traditional idea of an organization itself can be considered an obstacle to change. However, it is not only formal organizational structures like hierarchies and processes that are change averse. Informal and soft factors, such as corporate cultures or personal networks, are also drivers for organizational inertia because they aim to create stability and reliability.

3.1 Obstacles at Organizational Level

Sociologists divide organizations into the following three levels: (1) the individual level, (2) the group level, and (3) the organizational level. While the first level emphasizes the individual person, and thus addresses psychological aspects, the other levels involve interpersonal interactions influenced by an organization's design. In this unit, the intermediate group level is dealt with as part of the organizational level. A reason for this is that an organization's setup defines the configuration of teams. However, the individual level represents a different point of view and must be analyzed separately.

In general, there are three categories of obstacles that can be attributed to the organizational level and one that can be attributed to the individual level (Lauer, 2021). The three organizational obstacles are (1) bureaucracy and corporate cultures, (2) cost arguments, and (3) complexity. Organizational obstacles can be either collective obstacles (structure and culture) or economic obstacles (cost arguments). However, some of these obstacles cannot be clearly attributed to either the collective, economic, or individual categories. They encompass characteristics of more than one of these categories and are thus dealt with as simply organizational obstacles. These are phenomena that appear on the intermediate group level within an organization and concern the factor of complexity, which is a mix of individual, collective, and economic aspects.

Complexity

Modern business environments are characterized by a high degree of complexity, which means that social and technical systems are connected, dynamic, and mostly nontransparent. Organizations can be considered as systems consisting of elements (e.g., people and units) that are linked to each other via different types of connections (e.g., hierarchies and supplier-customer relationships; Lauer, 2021). Again, these systems are connected to other systems (e.g., industries, markets, and societies) that are also complex. Because of a growing connectedness in today's increasingly globalized and digital world, business models based on many interconnected systems have become more popular (e.g., platform businesses, business ecosystems, intermediation, and organizational networks). Therefore, the complexity of organizations and all systems surrounding them has increased even more.

The more complex a system is, the more unpredictable it becomes with respect to its behavior after a change in the system (Lauer, 2021, p. 39). This hypothesis is also reflected in the idea of a volatility, uncertainty, complexity, and ambiguity (VUCA) world, which characterizes a digitized and globalized economy as volatile, uncertain, complex, and ambiguous (Benett & Lemoine, 2014). Consequently, the barriers to change in a complex system also increase. This leads to **structural inertia** that maintains a complex system and avoids fundamental changes. Of course, such effects are harmful for the goals of change management.

Structural inertia
The tendency of a system to maintain stability is known as structural inertia.

Path Dependence

Seemingly irrational management decisions in complex circumstances can often be explained through the theory of **path dependence** (Sydow et al., 2009). Put simply, a company begins to follow a specific path when it pursues a given strategy. The longer an organization pursues and invests in a path, the more costly it becomes to turn around and leave that path to follow a new one. Thus, the decision to embark on a certain strategy tends to reinforce itself over time. This effect is supported by the sunk cost fallacy, which is the mistake of staying committed to decisions that have been made in the past, even after they have proven to be wrong. This fallacy can be avoided by acknowledging failed decisions. With respect to change management, path dependence effects can prove to be significant barriers to change. Path dependence theory offers path creation and path breaking as options to overcome this obstacle (Sydow et al., 2009).

Path dependence
This theory describes decisions tending to reinforce themselves over time and thus making it hard to re-start.

Groupthink

In teams, especially those that have been working together for a long time, an effect called **groupthink** can be observed (Janis, 1991). Groupthink encompasses a variety of group-related mechanisms that include the tendency towards uniformity of thinking and decision-making, which is particularly relevant for change management. Teams that have created a common spirit and amiability among their members seem to foster conformity

Groupthink
This is a tendency towards conformity in teams.

rather than individual critical thinking. This undermines the basic idea of teamwork, which should combine diverse knowledge bases and opinions and thereby create a higher level of knowledge and performance compared to working in solitude. Moreover—and this is even more important for the topic of change management—groupthink results in teams insulating themselves from external impulses and stimulation. Ideas and stimuli that come from outside are often dismissed by teams under the influence of groupthink. Since teams are powerful sociological entities within an organization, particularly with respect to their impact on economic performance and work satisfaction, groupthink can present a significant obstacle to change management.

3.2 Collective Obstacles

Every company is an organizational entity built on the distribution of tasks, authority, and responsibility, as well as a social entity that consists of humans and their relationships. Thus, there are many effects associated with group psychology and sociology that also occur in organizations. In fact, acknowledging these effects and addressing them in order to leverage their advantages and mitigate their disadvantages is one of the major challenges of change management. Dealing with these collective social mechanisms is especially challenging because they, in contrast to organizational structures or accounting systems, defy direct control through management. This is because they emerge and evolve naturally and are not purposefully designed. This poses a problem, as change management explicitly aims to design the process towards aspired goals. Hence, **collective change obstacles** based on such psychological and sociological effects cannot simply be removed or avoided; instead, they must be acknowledged as facts and dealt with carefully, particularly by addressing the soft factors in a change project. Moreover, the formal organization of a company can also lead to significant change barriers because it is often accompanied by bureaucracy. Corporate culture, the other main collective obstacle to change, belongs to the informal domain.

Collective change obstacles
Formal and informal obstacles are two important categories of collective change obstacles.

Bureaucracy

According to empirical research, the traditional understanding of organizational structure is often the cause of structural inertia that causes high change barriers (Lauer, 2021, p. 36). This lack of flexibility can be traced back to the basic economic principles on which a company operates and which are applied to create efficiency. Efficiency is mainly based on the repetition and standardization of tasks, services, and products, which helps create synergies and economies of scale. This approach goes back to Frederick Taylor's idea of "Scientific Management", also called Taylorism (Vahs, 2019, p. 30). The idea of a strictly hierarchical organization with clearly assigned responsibilities and formally granted decision power has its roots in Max Weber's bureaucracy model (Vahs, 2019, p. 27). Whereas the term **bureaucracy** stands for a highly efficient organization in Weber's model, it is nowadays mostly associated with inflexible and long-winded structures and processes. Both views have some truth. Tayloristic and bureaucratic organizations are well-suited for companies that produce standardized goods or services in high volume (mass production) and pursue cost leadership strategies by strongly focusing on economies of scale. However, in terms of organizational change and the flexible adoption of new products, strategies, or

Bureaucracy
Max Weber's model of bureaucracy describes the formal distribution of tasks and power in an organization.

structures, these organizations generally face the highest obstacles for change projects. At the same time, there are structural concepts that are less rigid and formal, more flexible, and more open to change (e.g., swarm organization, network organizations, and holacracy). Still, these organizations generally cannot provide the same level of efficiency as hierarchical and standardized structures.

This duality between the organizational objectives of efficiency and flexibility is reflected in the concept of organizational **ambidexterity** (Tushman & O'Reilly, 1996). Here, companies manage to create structures that allow for both realizing profits through standardization and stability and adapting to shifting environments through flexibility and change. In summary, typical efficiency-oriented organizations create high barriers to organizational change through their focus on stability, compliance with rules and standards, and strict hierarchy. These characteristics reflect the downsides of a bureaucracy in the sense that bureaucratic organizations, while appropriate for stable environments, are generally change averse.

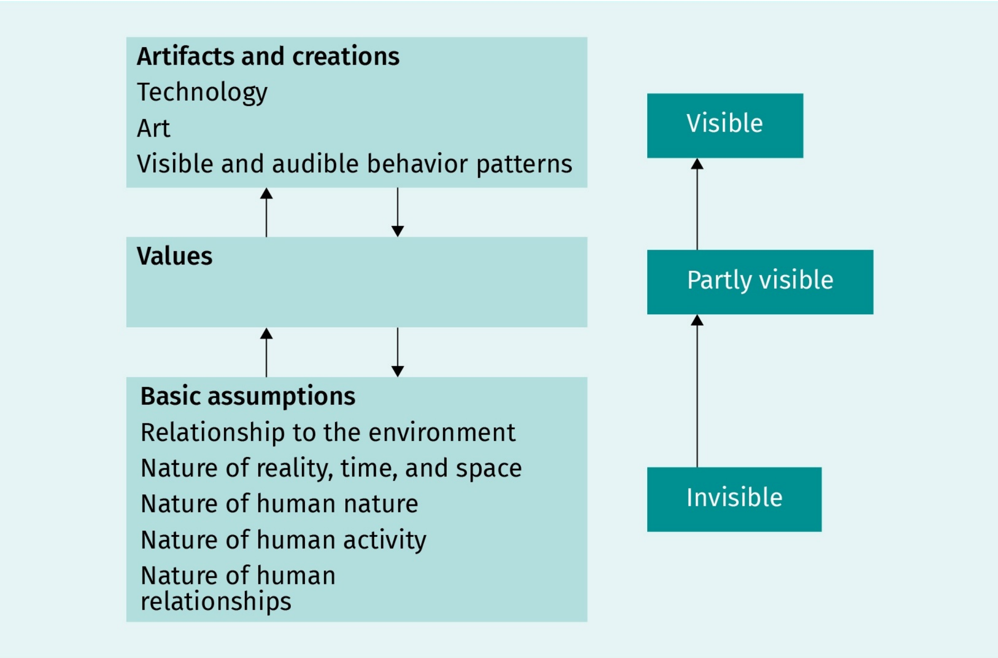
Ambidexterity
The ability of a company to harmonize the two goals of exploitation and exploration is called ambidexterity.

Corporate Culture

Cultures are potent phenomena because they powerfully influence people's behavior. Therefore, they are often considered a key success factor for companies. This notion is bluntly expressed in the words of Peter Drucker in the title of the article *Culture Eats Strategy for Breakfast* (Engel, 2018). This catchy quote emphasizes how a culture's impact on a company can be even stronger than the formal plans and measures implemented by the top management. Consequently, the acknowledgement of **corporate culture** is crucial for the success of change management. However, such an acknowledgement is challenging to put into practice because cultures are not tangible and measurable like other management domains. Corporate cultures must be made accessible through a process of observation and interpretation, which means that their representation always involves some degree of ambiguity during this process. One of the most prominent models of corporate cultures is the three-level model by Edgar Schein (1984). It depicts organizational culture on three levels that differ in visibility, awareness, and accessibility.

Corporate culture
The basic assumptions, values, and artifacts that influence the behavior of an organization's members represent corporate culture.

Figure 8: Schein's Three-Level Model of Corporate Culture



Source: Dirk Steffens (2022), based on Schein (1984).

The upper levels are embodiments of the respective levels below them. Put simply, the elements on the lower levels are the causes for the effects that occur on the upper levels. The top level, artifacts and creations, is completely visible and consists of elements like rituals, symbols, the architecture of the company buildings, clothing, and so forth. The deepest level, basic assumptions, is completely invisible and, in some respects, not even apparent to the members of the culture. This level contains very basic ideas and perceptions of the world. The intermediate level, values, is partly visible and invisible, and it contains elements such as formal and informal rules and guidelines for behavior. While the two upper levels are the specific and manifest elements of a corporate culture that determine everyday routines (cooperation, hierarchy, personal interaction, etc.), the basic assumptions can be considered the culture's foundation that all values and artifacts rely upon.

Cultural strength
The strength of a corporate culture is determined by its conciseness, diffusion, and anchoring depth.

With respect to change management, this is the crux of the matter: Artifacts like clothing or symbols can be easily changed and deliberately managed by the company; however, basic assumptions defy direct intervention and can only—if at all—be managed over time and through indirect measures. Yet, basic assumptions are the most important part of a culture. This indirect management means that basic assumptions might be changed by altering artifacts and values, which are supposed to then induce changes on the underlying level of basic assumptions. Hence, corporate cultures can represent high barriers to change. The **cultural strength** of the corporate culture determines how high and problematic these barriers are. In other words, the stronger the culture, the higher the barriers. The strength of a corporate culture is determined by three factors: conciseness, diffusion, and anchoring depth (Lauer, 2021, p. 36).

The conciseness of a culture depends on how intensely it impacts the daily processes, activities, and routines of a company. A concise culture becomes manifest and is visible in all areas of a company. Conciseness is also driven by the enthusiasm with which people execute the basic assumptions, norms, and values of a given culture. The diffusion of a culture is manifest in the percentage of members or organizational units that share the common culture. For example, diffusion is considered low when the culture is only perceptible in the company's headquarters while the subsidiaries each have their own cultures. The anchoring depth of a culture refers to the degree to which employees have internalized a culture and follow its rules without being aware of it. In this case, the motivational and coordinative effects of a culture are the strongest.

Together, these three factors account for the strength of a corporate culture and thus for the potential obstacles it poses toward change management. In principle, the fact that corporate cultures are often barriers to change can be attributed to the characteristic that cultures in general strive for conformity, stability, and familiarity to create a feeling of security and reliability for its members. While these are objectives that conflict with the goals of change management, a strong corporate culture can also have a positive leveraging effect on change management. This occurs when the objective of change itself is embedded in the corporate culture as an inherent value. If companies manage to establish a cultural mindset that embraces transformation and change, then a corporate culture can turn into a driver for change management.

3.3 Economic Obstacles

The organizational and collective obstacles to change reveal the generally contrastive objectives of efficiency, which is largely based on standardization and scalability, and change management, which strives for long-term improvements of the organization to gain and sustain competitive advantages. This contrast reflects the basic conflict between the operational and strategic goals of a company. Consequently, many economic and cost-related effects that inhibit strategic investments in favor of short-term goals are also relevant for change management.

Opportunity cost
This term refers to the forgone benefit of alternatives that have not been chosen.

Opportunity cost effects have been the center of attention for various researchers who investigate decision-making in management theory (Friedman & Neumann, 1980). Generally, opportunity costs are often neglected by decision-makers when it comes to investment decisions on strategic projects. As they often require immense financial investments and tie up human resources, which are then missing in operational functions and daily business, strategically relevant change projects may be neglected. Hence, change projects have high costs and offer financial returns that are unclear and/or are expected in the distant future. However, from a strategic perspective, necessary change projects that are not executed cause significant opportunity costs through the loss of potential performance enhancements that would have been enabled by change management. These losses include missed business opportunities (e.g., through entering new markets or strategic fields), missed opportunities to reduce costs (e.g., through implementing new organizational structures), and even the risk of bankruptcy due to the failure to adopt to new technological developments. A prominent example of the latter case is the company Kodak.

Kodak was the market leader in the photography industry during the 1980s, but its failure to enter the new market for digital photography eventually resulted in its bankruptcy (Kotter, 2012). Such disastrous effects of neglecting necessary change projects can frequently be reduced to the failure to consider opportunity costs (Friedman & Neumann, 1980).

Another characteristic of change management that can be considered an economic obstacle is the fact that many change projects, especially those with the highest strategic relevance (i.e., cultural and strategic transformations), have outcomes that are hard to measure in financial terms. Strategic or cultural transformations of companies are supposed to lead to long-term performance enhancements and competitive advantages, but they are rarely tangible when it comes to cost savings or efficiency improvements. Although there is widespread consensus in management theory that the intangible assets of a company are the most important for its long-term success (Kaplan & Norton, 2004), their lack of measurability remains a barrier when it comes to investment decisions. One of the reasons for this effect is the orientation toward shareholder value reflected in stock prices. Major investments in strategic change projects frequently lead to short-term losses on the stock market, as they come with significant costs and thus reduce profits.

A paradox that can also be considered an economic obstacle to change is the success trap. This occurs when the past success of a company leads to an overemphasis on investments in exploitation (Levinthal & March, 1993). Again, this phenomenon can be explained by a duality of goals: the exploitation of existing business, and the exploration of new business opportunities (Tushman & O'Reilly, 1996). Companies tend to focus on exploitation, as these investments are more predictable and measurable because of their focus on incremental and continuous improvement of existing competencies, products, and markets. Such change projects include process optimizations, cost reduction programs, and lean management implementations. Strategic investments in exploration, however, are less calculable and usually bear a higher risk of failure. Yet, from a strategic perspective, these projects are likely to be the most important for ensuring the company's long-term survival and competitiveness. In summary, the success trap does not generally inhibit change, but causes incremental change projects to be preferred over strategic and fundamental transformations.

SUMMARY

There are different types of organizational barriers to change. The high complexity of the organizational system and its environment often causes companies to shy away from necessary changes. Path dependencies also frequently function as change obstacles. Collective obstacles to change include both formal and informal barriers. Formal change barriers include structures that are strongly oriented toward hierarchy, while informal barriers include the strong corporate cultures.

Economic obstacles to change occur because strategic change projects are often expensive, while their outcomes are not easily predicted and are hard to measure in financial terms. Companies tend to emphasize

incremental changes because they provide more predictable and measurable outcomes. However, a company's long-term competitiveness is often only ensured through the implementation of strategic change projects.

UNIT 4

RESISTANCE AT INDIVIDUAL LEVEL

STUDY GOALS

On completion of this unit, you will be able to …

- identify and explain different forms of individual resistance to change.
- outline the normal distribution of attitude towards change.
- understand the buy-in continuum and explain its role in change management.
- summarize how change acceptance evolves over different project phases.
- categorize different causes for resistance.
- comprehend different actions against resistance and their suitability for specific groups of employees.

4. RESISTANCE AT INDIVIDUAL LEVEL

Introduction

Resistance to change
This is caused by mental barriers.

The failure of change projects is one aspect of widespread research in change management. Some studies suggest that up to 70 percent of change projects are not successful (Eaton, 2010). Frequently, **resistance to change** exhibited by those who are affected by change projects is identified as the main reason for these failures. Since change management must largely deal with the “soft factors” of management—that is, human reactions and emotions—it is by no means surprising that the biggest problem for change management is also one that arises from human nature rather than from systematic difficulties.

Resistance to change is a completely human and understandable reaction, as it is normal for people to strive for stability and reliability. As change involves the threat of chaos and instability, the first reaction to an upcoming change is often resistance. The complexity and dynamics of the volatility, uncertainty, complexity, and ambiguity (VUCA) world reinforce this effect. Once employees are familiar with their work environment, tasks, coworkers, and the organization structure, they feel that they can handle the surrounding complexity to a certain degree. In such a situation, the thought of organizational change can provoke the fear of losing this confidence and thus overwhelm employees.

The reasons for individual resistance to change can be both rational and irrational. For change management to be successful, it is crucial that resistance—irrespective of its causes—is acknowledged and dealt with constructively instead of being ignored. Hence, one of the key tasks of change management is to analyze and understand causes and forms of resistance, as well as develop measures to reduce employee resistance to change. Positively put, the ultimate goal is to create acceptance of change among employees.

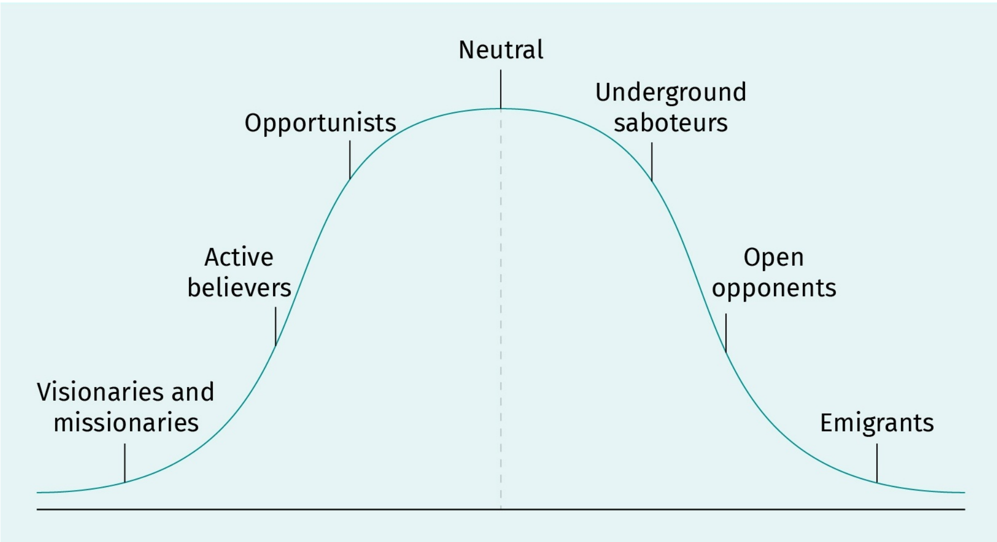
4.1 Manifestations of Individual Resistance

In every management activity, it is necessary to describe and explain phenomena before they can be managed. The same applies to the management of resistance to change. To develop instruments to overcome resistance, the different forms of resistance must first be categorized. Since resistance can be expressed in various ways and intensities, it is hard to define this term coherently without being too vague. Vahs (2019, p. 333) defines resistance as mental barriers that result in the active or passive rejection of changes. Before further analyzing resistance with its roots and internal structure, it is helpful to view the reactions to change from a high-level perspective to classify resistance as being just one of the possible reactions.

Generally, not every employee reacts with resistance to the idea of an upcoming change project. According to longitudinal studies, which investigated change management trends in practice over a long period of time (Capgemini Consulting, 2010, p. 45; Vahs, 2019, p. 334) on the spectrum "willingness to change", a **normal distribution** can be observed regarding the attitude towards change. This normal distribution ranges from an attitude of enthusiasm for a change project to complete rejection that manifests in an employee leaving the organization (Vahs, 2019, p. 335). On this continuum, seven groups can be differentiated by their attitude towards a change project. It is worth mentioning that this classification refers only to the attitude that the individuals exhibit concerning a specific change project, and it does not depict their attitude towards change in general. This classification is—in principle—independent from organizational or hierarchical placement, although there are sporadic correlations between hierarchical level and attitude to change. However, as the only criterion in this classification is degree of resistance, it primarily provides a unidimensional perspective on the members of an organization.

Normal distribution
The resistance to change is distributed normally. There is a large group with a neutral attitude and smaller groups with either high enthusiasm or strong objection.

Figure 9: Reactions to Change



Source: Abbie Rutherford (2022), based on Vahs (2019).

The different groups are described in the following (Vahs, 2019, p. 334—336).

Visionaries and Missionaries

This is usually a rather small group that is nevertheless crucial for change management. It consists of members who are fully engaged in the change project and passionately support its goals and measures. Often, this is due to their active role in defining and planning the change project. Hence, this group regularly contains high-level executives and members of the organizational development units of the company. Members of this group want to actively influence others and inspire them to follow the same path; thus, their role is that of a change promotor.

Active Believers

Similarly to the visionaries, these individuals fully accept the change and support it with their time and resources. Although their original goal is not to convince others of the change, they often act as role models and indirectly convince others.

Opportunists

These individuals are the first on the continuum to show slight behaviors of resistance. They strive to find their own personal advantages in the change and act accordingly positively towards superiors. Towards colleagues, however, they often show signs of skepticism. Either way, they do not engage actively in promoting or preventing the change.

Neutral

This group is usually the largest in most change projects. Their members—often with past experiences of several changes that have led to a certain change fatigue—follow the strategy of “wait and see”. Hence, their willingness to participate is very low. Due to their high share in the total number of an organization’s employees, it is vital for change management to get this group activated. Thus, they are the main target group of acceptance-enhancing measures in most change projects.

Underground Saboteurs

These employees have made a definitive decision against the change project and try to fight it with subversive actions and intrigues. However, they do not speak out in public against the change and thus are hard to identify for change management.

Open Opponents

This group is characterized by the same attitude as the underground saboteurs, but acts openly against the change project. For change management, it is easier to productively deal with the people in this group, as their arguments can be integrated in a discussion with other employees.

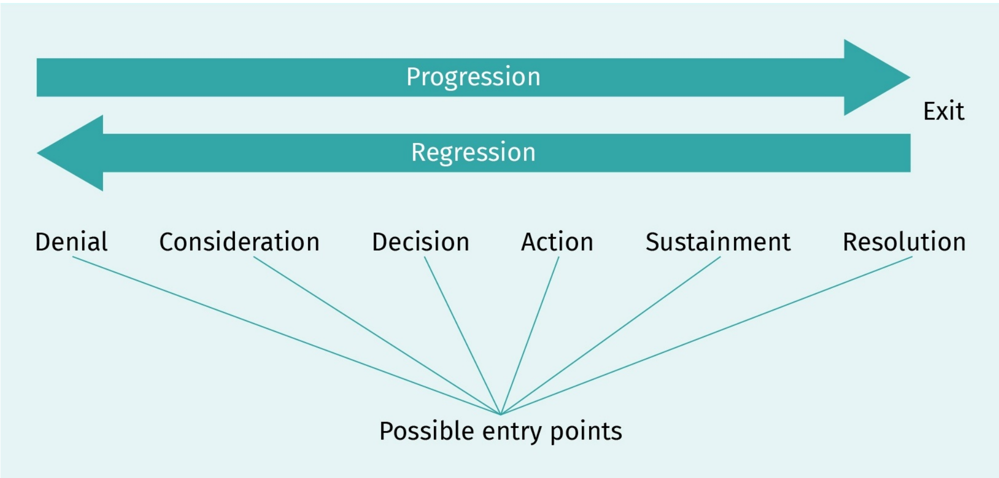
Emigrants

Several people affected by the change do not see any prospects for themselves and decide to leave the company. These employees are often considered victims of change because, due to restructuring, their position may be eliminated and they may not be provided with an adequate alternative. As emigrants are often high performers, and it is not desirable to lose their experience and competences, the size of this group can be used as a measure for the success of change management.

This normal distribution of change acceptance is not only plausible, but it has also been empirically attested (Capgemini, 2003). As a mental model, it is valuable because it provides change managers with a framework that can be used to segment their target groups. When change managers develop measures for the promotion of change acceptance, they can tailor their actions and methods according to the degree of change resistance within the seven different groups. However, this model only provides a static view on the individuals' resistance. Although it is logical that actions of change management strive to shift individuals from the right side of the spectrum to the left, the model itself does not encompass such a dynamic perspective.

An approach that focuses on the change of the individuals' attitudes towards a change project is the buy-in continuum, as introduced by Matthews and Crocker (2016). The authors define a buy-in as "an individual cognitive and behavioral activity related to an employee's commitment to a specific change effort that exists on a continuum from denial to resolution" (Matthews & Crocker, 2016, p. 85). This continuum assumes a six-stage process with respect to the acceptance of change. The (entry) position in this continuum is determined by an individual's intrinsic motivation for a certain change project and changes subsequently through decision-making processes. This dynamic component of the model entails both directions—progression (increased motivation) and regression (reduced motivation).

Figure 10: The Buy-In Continuum



Source: Dirk Steffens (2022), based on Matthews & Crocker (2016).

Matthews and Crocker (2016, p. 88) describe the six stages using verbal expressions for the corresponding attitudes:

1. Denial. "I don't think this organizational change is necessary".
2. Consideration. "This organizational change might be beneficial to me or the organization".
3. Decision. "I've decided to take part in and support this organizational change".
4. Action. "I am actively helping to support this organizational change".
5. Sustainment. "I'm invested in actively helping to sustain this organizational change".
6. Resolution. "I've accepted this organizational change as the new way of doing my work".

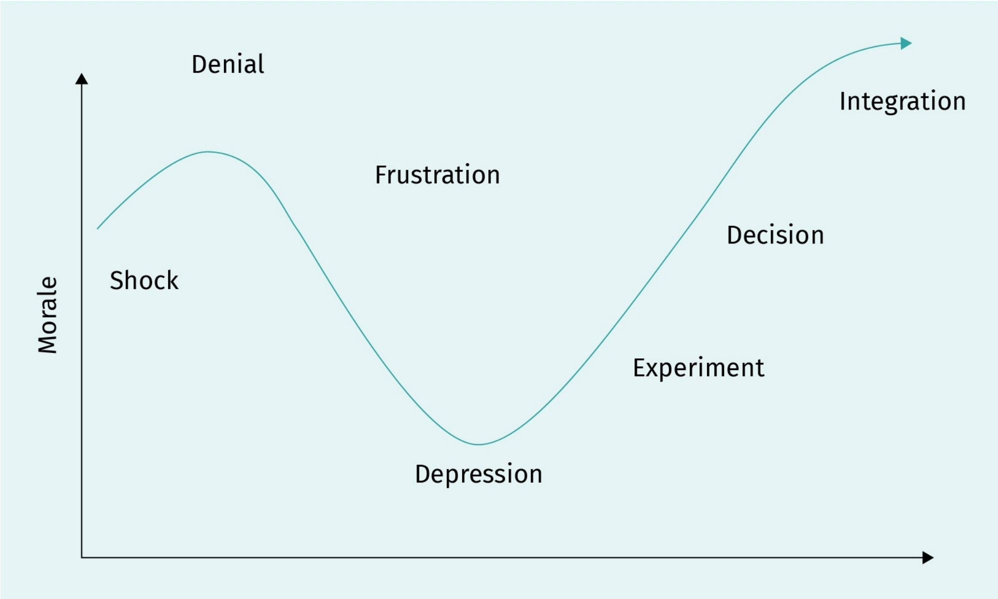
According to the level of commitment to a change project, an individual can move along the continuum upwards (progression) or downwards (regression); an exit is only possible after reaching the stage of resolution. This continuum helps to systematize change management actions according to the different motivational stages. In the first stages of the model, there should be an emphasis on creating awareness for the change, its urgency, and its positive outcomes. In the later stages, however, a more refined communication approach would be beneficial. This approach is focused on sustaining commitment, integrating the new procedures into the daily activities, and creating long-term acceptance for the change that leads to the resolution stage.

The buy-in continuum includes a certain developmental aspect, as it offers the paths of progression and regression through the buy-in stages. In doing so, it focuses strictly on the individual person and their state of intrinsic motivation. However, the buy-in continuum does not offer explanations for the direction of these movements, and it does not provide a context for the buy-in stages either.

A valuable approach to integrate the individual perspective with contextual factors (i.e., the phases of a change project) is provided by utilizing the metaphor of grief and the corresponding psychological model by Kübler-Ross (n.d.). It has been widely used in change management and is often labeled as the change curve. The change curve compares the reaction to change and its course to the typical reactions of grief following the death of a person. The variable added by this model is morale or—in the context of change management—perceived competence to handle the change. The number of phases and the terminology of the grief curve has been modified to adapt it to the specifics of change management. Nevertheless, the following basic ideas of the change curve have remained the same:

- The first reaction to an upcoming (fundamental) change can be compared to a shock. Employees are confronted with a new situation and feel overwhelmed.
- The following phase of denial is characterized by people overestimating their own mastery of the situation. Denying the change or its consequences creates the illusion of a high competence.
- When people start to realize that this perception is delusive, the next reaction is often frustration. Although this is a psychologically negative term, it can be the first step towards acceptance, as it includes the understanding that the situation cannot be reversed.
- This is followed by the phase of acceptance. Here, people fully accept the necessity and the implications of the change; however, the perceived competence to shape the situation is at its lowest point.
- Perception changes in the experiment stage when organization members pursue trial-and-error procedures with the new concepts. Members acquire competences to deal with changes and even experience first successes with the implemented concepts.
- This often leads to the insight that the new concepts work and thus the decision to adopt them.
- The final stage is characterized by the integration of formerly new aspects into the daily work life; consequently, these aspects cease to be novelties and the change process ends.

Figure 11: The Change Curve



Source: Dirk Steffens (2022), based on Kübler-Ross (n.d.).

The normal distribution of change resistance, the buy-in continuum, and the change curve are approaches to describe and explain individual resistance to the intensity of change. These approaches are quantitative and do not clarify the **forms of resistance** (i.e., the manifestations of resistance). For change managers, diagnosing resistance is vital to create strategies and measures to overcome opposing forces and enhance acceptance for the change effort. Based on their specifications on two different dimensions, forms of resistance can be classified into four groups. The dimensions are (1) active versus passive and (2) verbal versus non-verbal resistance (Lauer, 2021, p. 50).

Forms of resistance
Resistance can be active or passive, and verbal or non-verbal.

Figure 12: Forms of Resistance

Active	**Opposition** Counterarguments Accusations Threats	**Discomposure** Rumors Intrigues Arguments
Passive	**Evasion** Silence Ridiculing Trivializing Mock battles	**Listlessness** Inattentiveness Fatigue Inner emigration Absence
	Verbal	Nonverbal

Source: Dirk Steffens (2022), based on Lauer (2021).

It is obvious that active and verbal resistance are easier to diagnose than passive and non-verbal resistance, as the latter forms must be detected through the interpretation of behavior. The examples for passive and non-verbal resistance show that these forms might pose an even bigger threat to change efforts because of their indirect and subversive nature. Open accusations can be dealt with by reacting to factual arguments and leading an open and (maybe even) productive discussion about the change. Rumors and inattentiveness, in contrast, cannot often be traced back to the change as a cause. These symptoms can have many reasons and they are frequently spread under the radar.

4.2 Causes and Triggers of Individual Resistance

In some cases, there is no need to explain the reasons for individual resistance against change (Lauer, 2021, p. 48) because they are obvious: If a change project leads to the elimination of jobs or to the downgrading of hierarchical positions, affected employees will likely show resistance to the change. This reaction is not only foreseeable but also very rational and easy to explain and justify.

However, in many cases, resistance to change cannot be easily explained, and its causes are hidden and may be perceived as irrational. Thus, it is necessary to systematize causes of resistance to diagnose reactions of resistance and develop measures to mitigate negative consequences of resistance. In doing so, change managers are provided with the potential to overcome barriers by tackling the roots of resistance rather than merely treating its symptoms. Vahs (2019, p. 341) groups several different reasons for resistance in three categories: rational, political, and **emotional resistance** to change.

Emotional resistance
Resistance to change that stems from an individual's fears, personality, or experience is called emotional resistance.

Rational Resistance

This means the opposition to a change project based on a rational evaluation of the advantages and disadvantages of the change concept and its methods. This form of resistance stems from different views on the functionality of, for example, a new organizational structure. Since the organization of a company and its suitability for the company's competitive strategy is a rather complex matter, it is not surprising that criticism towards a specific concept arises amongst the organization members. However, these roots for change resistance also have a positive aspect, as they can be used to enter a constructive discussion with the concept's critics and thus improve the concept.

Political Resistance

This is not irrational *per se* because it originates from the realistic fear of those employees who may lose their status, job position, or certain privileges due to a change project. However, it can bear certain irrational aspects, as it evolves and spreads through corporate gossip, rumors, insider relationships, and so forth. Political resistance shows as non-verbal resistance and is therefore complicated to deal with.

Emotional Resistance

This is a collective term for all reasons for resistance that can be attributed to subjective, implicit, or unconscious mechanisms of the individuals faced with an upcoming change. Contrary to rational and political resistance, this form of opposition cannot usually be explained logically. In some cases, change managers have difficulties dealing with this kind of reaction. This is especially true when people who would benefit from a certain change strongly oppose the project without being able to explain their resistance. Since the manifestations and individual causes for emotional resistance are manifold, it is necessary to differentiate between them. Lauer (2021, pp. 54—56) distinguishes several causes of individual-level resistance that can be considered—to some degree—"emotional".

Specific Personality Traits

While reluctance to change seems to be a general human feature, there are personality traits that account for especially strong change resistance in individuals. For example, the trait of openness is one of the five factors of the prominent big five theory in personal psychology. Individuals with a lower openness to new experiences tend to show higher resistance to change than those who score higher on the openness scale.

Ignorance

Humans often fear everything that is unknown to them. This effect correlates with the education level. Better educated people are more confident and show lesser fear of the unknown. Generally, they can better predict outcomes of a change and value change advantages rather than overrate the advantages of the current situation.

Bad Experiences

Considering the increasing omnipresence of change and the high failure rate of change projects, it is not surprising that many employees have witnessed, or even personally experienced, the failure of change management efforts. Obviously, this will lead to skepticism towards new change efforts and thus cause resistance.

Social Dilemmas

Social dilemmas
Egoistic cost-benefit considerations in change projects can lead to social dilemmas.

Social dilemmas occur when a high number of employees are involved in large-scale and fundamental change projects. Often, the outcomes of such projects are generally viewed as positive but come with considerable personal investment (e.g., time and financial resources). However, when trying to maximize the individual cost-benefit ratio, employees may decide to withhold their contribution to a change project and only exploit its benefits. If a high number of employees decide likewise, the entire change project will fail. In game theory, this effect is known as the prisoners' dilemma.

4.3 Actions towards Resistance

Segmentation
To be effective, change management measures to overcome resistance must be tailored to target groups.

With employee resistance being the major cause for the failure of change projects, it is vital for change management to tackle resistance with targeted measures. As in every management cycle, the foundation for the development of such measures is the diagnosis of the status quo. This foundation consists of knowing and identifying the forms of resistance and analyzing their causes. Thus, actions towards resistance are built upon models such as the **segmentation** of employees into groups using the normal distribution model or the buy-in continuum. In this way, approaches for the description and analysis of resistance are also building blocks for the configuration of tools and methods to overcome these barriers. A prominent framework for such change management instruments was presented by Schlesinger and Kotter (2008). Although a lot has obviously changed in the world since this time, the framework is still valid and valuable for change managers because it does not refer to technological or societal trends, but rather focuses on people-related issues and is thus still applicable to a wide range of change efforts. With respect to overcoming resistance in change management, Schlesinger and Kotter (2008) suggest the following fields of action.

Education and Persuasion

When focusing on the rational aspects of humans and tackling rational resistance, information and education are key in creating acceptance. There is an especially wide range of research on the role of information and communication in change management (Kitchen & Daly, 2002). This crucial role of information and communication for change management success is not surprising, as the "fear of the unknown" is, of course, reinforced by scarce information. Hence, an early, proactive, and transparent **change communication** policy is mentioned in many studies as the most critical success factor of change management. Yet, this easily comprehensible requirement is often very difficult to put into action. In some cases—for example, in company mergers and acquisitions—it is almost impossible for the top management to communicate proactively and transparently because of legal reasons. Such change efforts are typically communicated to the employees and the public once the contracts are signed. At this point, however, rumors and gossip that lead to uncertainty have already been distributed among employees. One could say that this is the most difficult starting point for change management as "the milk is already spilt" (employees are already insecure and have lost confidence in the top management). This further demonstrates the significance of information and education for change management.

Change communication
Proactive and transparent communication is one of the most critical success factors in change management.

While education aims to overcome rational resistance through logical argumentation and information about a change project, persuasion focuses on emotional resistance and strives to build up affective commitment to a change effort. With respect to the buy-in continuum (Matthews & Crocker, 2016), the change managers' goal is to promote the employees' progression on the continuum towards change acceptance. Here, a lot of communication strategies based on psychological effects are utilized. For example, how information is framed is important. By stressing the advantages of a specific change project and creating a desirable image of the state after the change, emotional commitment and intrinsic motivation can be supported. In this context, leadership is also a powerful tool to establish emotional buy-in. In particular, transformational leadership to support change management has been strongly advocated in recent years, as inspirational motivation is one of its main concepts for aligning employees with the company's vision.

To establish an integrated education and persuasion concept, it is necessary to tailor communication tools and content to different target groups. Here, the normal distribution model and the buy-in continuum prove to be helpful as frameworks to segment the employees with respect to their change attitude. Compared with opportunists or open opponents, missionaries who fully support a change project require different information and respond to different communication tools.

The same principle applies to the chronological perspective of change projects: Education and persuasion efforts have to be aligned with the stages of the change curve to be effective. For example, in earlier stages—when employees are still in shock or denial—widespread communication and intense trust-building measures are required. In later stages (e.g., experiment or decision), employees need very specific support to reinforce the path they have already embarked on. Here, personal communication instruments such as mentoring or coaching are more suitable.

Participation and Involvement

Humans strive for autonomy and self-determination. Hence, it is only logical that employees who feel that change is something that happens "to" them become anxious, insecure, and consequently develop strong emotional resistance to said change. When people are involved in the change process itself, on the other hand, they feel valued and powerful, as they are a participant of the change rather than its victim. The basic idea of bottom-up involvement of organization members is reflected in the concept of organization development. Here, numerous tools and methods based on group dynamics have been developed to involve a high number of employees in change processes. Again, analytical models, such as the normal distribution of change resistance, can be used to identify target groups and establish different ways to integrate them in a change project. A key concept of **participation** is the role of a **change agent** (Klonek et al., 2014). Change agents are people who promote the change and serve as multipliers in the change process. Visionaries and missionaries of a change project are predestinated groups because their enthusiasm can be utilized to inspire other employees who, for example, are still neutrally positioned towards a change project. Conversely, open opponents must not be given the role of a change agent, as this bears the risk that their negative attitude would infect other employees and create more turmoil in the company. Rather, it is necessary to find ways to prevent them from spreading their views on the change effort (e.g., by offering them a termination bonus).

Participation
Involving employees in the change process promotes their commitment.

Change agent
A change agent is a key player in change projects because they function as a multiplicator and motivate others.

In addition to promoting acceptance of a change project, the involvement of employees into a change project also has advantages with respect to knowledge management. Predominantly top-down change projects do not involve the broad knowledge base of their employees' implicit knowledge on daily routines and their experiences. By involving the employees in the change process, this valuable knowledge is made accessible and can be utilized to enhance the project success. For example, as participants, the employees can provide their experiences with daily work routines and thereby examine rather abstract change concepts for feasibility. Besides, exclusively top-down oriented change approaches are only based on the knowledge of a relatively small number of individuals (e.g., the top management team, the organization department, and—possibly—management consultants). By expanding this group, both the quantity and the diversity of knowledge are increased considerably.

Facilitation and Support

This area of change management mainly aims at the emotional resistance due to fears and anxieties of employees. On the one hand, providing facilitation and support can consist in qualification activities for the individuals who are affected by the change. Increasing the qualification level reduces insecurity and consequently mitigates emotional resistance because employees feel empowered to deal with the new situation and thus gain confidence. On the other hand, it can also be advisable to address the underlying fears by openly talking about them—for example, in a group format. This approach bears the risk of accomplishing quite the opposite: Employees who are sorrow-stricken with the thought of the change might encourage each other in envisioning worst-case scenarios. For this reason, such support activities should be controlled closely and managed in a professional manner (e.g., by a professional change management coach).

Negotiation and Agreement

The approach of **negotiation** and agreement addresses rational rather than emotional resistance. The key concept here is to incentivize employees who are faced with (real or perceived) losses due to the upcoming change. Such incentives include monetary and as non-monetary offers, and should be tailored to the needs of different groups of organization members. Once again, it is helpful to refer to the normal distribution model and identify those individuals where incentives are most likely to have the desired impact. In particular, the large group of neutrally positioned employees can be won over by applying the right mix of incentives. For open opponents, however, such incentives can be used to encourage them to leave the company and not further damage staff morale.

Negotiation
Through negotiation and incentives, employee commitment to change can be enhanced.

Manipulation and Co-Option

This form of influence is often associated with political and rational resistance and repeatedly targets organization members with a level of power. Influencing the attitude of these members is important because they, by extension, influence others regarding the change project. Such influencing may include framed or even manipulated information and frequently consists of promising the influenced person desirable roles within the change process. Manipulation differs from voluntary participation because it can be considered as tricking people into doing something. This is also the biggest risk of manipulation; commitment to the change is merely extrinsic and thus not sustainable when employees feel tricked into a certain situation.

Explicit and Implicit Coercion

While manipulation and co-option are questionable from a motivational standpoint, they include at least some benefits for the involved employees. **Coercion**, however, is considered by many to be ethically inappropriate, as it involves the use of power over others to threaten them with undesirable consequences if they do not comply with change. As it is based on force instead of motivation, coercion is also not very productive for the commitment of employees. Nevertheless, mainly when the time for executing change is limited, this approach is sometimes applied.

Coercion
This approach is when force is applied to make employees comply with change. Hence, it has no positive long-term effects on commitment and is ethically difficult to justify.

Goal Setting

Along with coercion and manipulation, goal setting is a motivational approach. It focuses on the promotion of change acceptance through setting attractive goals connected with the change. Specific, measurable, attainable, realistic, time-related (SMART) goals—from goal theory in leadership—are particularly appropriate to promote the employees' commitment. This principle is, of course, also usable for change management. The harmonic connection between company and employee goals, however, is vital to the success of this concept. When employees receive incentives for a defined behavior, change management must ensure that this behavior also drives the change success. The complementarity between goals becomes more challenging if the change effort is more complex.

SUMMARY

Resistance to change manifests in different forms (e.g., verbal or non-verbal, active or passive). Ranging from enthusiastic commitment to strong opposition, there are different groups of people with respect to their reaction to change. The acceptance of change varies with the different stages of a change project. Reasons for resistance to change can be rational, political, and emotional. Emotional resistance has various reasons (e.g., social dilemmas and bad experiences with former change efforts). To overcome change resistance, it is necessary to address resistance with actions that are targeted to different groups. Actions include education, facilitation, and manipulation of employees.

UNIT 5

CHANGE AS A MANAGEMENT TASK

STUDY GOALS

On completion of this unit, you will be able to …

- explain the meaning of critical success factors.
- list and explain the critical success factors for change management.
- name the management tasks in change management.
- understand the different change strategies and their application areas.
- reflect critically upon the practical use of change activities in change management.

5. CHANGE AS A MANAGEMENT TASK

Introduction

By definition, change management aims at optimizing the path of corporate change from a status quo to a defined goal; thus, change management focuses on performance optimization for change projects. The resulting question from this approach is about how such an optimization can be achieved. Hence, the abstract goal of optimization must be broken down into specific tasks that managers can use to focus on aspects with the greatest impact on the success of a change project. Thus, change as a management discipline must be defined more specifically by stating what exactly change managers must do to successfully execute change projects.

Once it is clear how change can be defined, which forms of change exist, and what the most critical obstacles to change are, managers are equipped with the instruments required to analyze the status quo and decide on a plan for the desired goal. The next step is to define the specific actions that must be taken to reach this goal. Since all management activities consume valuable resources, such as time, money, and human resources, it is absolutely vital to allocate these scarce elements to tasks and activities that promise the biggest leverage for change success. Hence, success factors for change management must be defined. In turn, specific tasks of change management must be defined in accordance with these success factors.

There is a vast number of publications—scientific and practical—on the successful and unsuccessful execution of change management. Due to the heterogeneity of change reasons, forms, and conditions, a blueprint for successful change management cannot exist and is not a desirable goal. Rather, it is advisable to establish a broad spectrum of change management tasks and instruments to choose from when the need arises.

5.1 Success Factors of Change Management

Critical success factors
These factors are those areas that have the strongest impact on the success of a change project. They must be focused on by change managers.

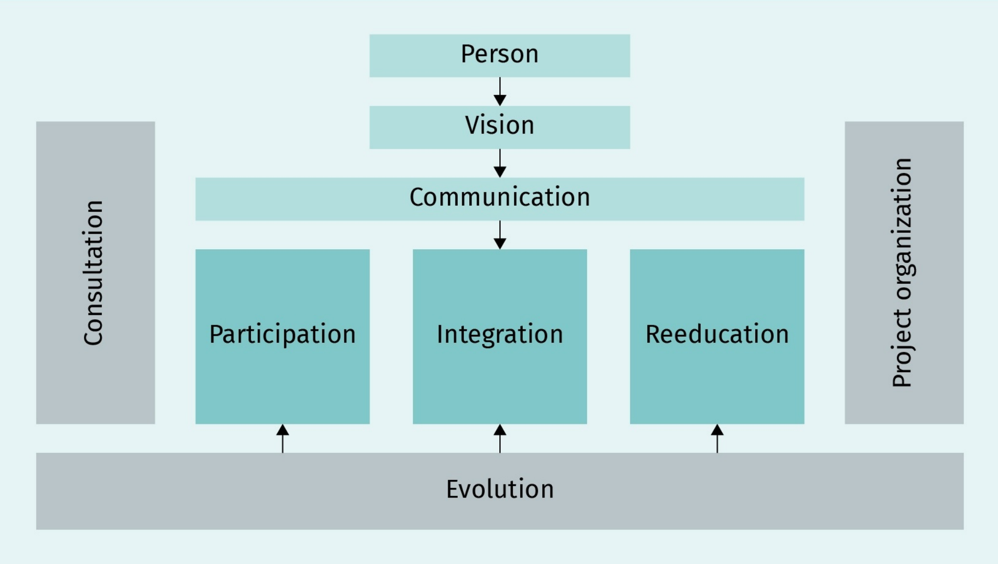
The idea of success factors in management—often also referred to as **critical success factors**—is as easily comprehensible as it is appealing. Success factors provide managers with a clear understanding of areas or activities that are especially important for management success. From a scientific perspective, the determination of critical success factors is valuable because they provide insights into correlations between the numerous variables that have an impact on the success of a company or a project. From a manager’s point of view, success factors provide guidance on the overcomplexity of theoretically possible actions and approaches by defining a manageable number of areas of activity. In view of these characteristics of the concept, it is not surprising that the idea of critical success factors originally stems from management consulting.Rockart (1979), a McKinsey consultant, developed the basic ideas of the critical success factor concept and defined them “as the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization” (p. 85). The transfer of this concept to change management delivers valuable benefits insofar as it focuses management attention on critical areas, sharpens the understanding of priorities, and provides guidelines to monitor and control organizational activities (Cooper, 2008)—all of which are well-known challenges of the management of change projects.

A well-established and widely accepted framework of change management success factors does not exist. Many approaches, often presented by consultants, lack empirical evidence, and are strongly biased by the change philosophy of the consultants who promote them. Hence, it is advisable to resort to a basic and general framework that does not reflect a specific philosophy, but encompasses a broad spectrum of success factors and is applicable for a wide variety of different change projects. Lauer (2021) builds his success factor model upon Lewin’s three-phase model (Lewin, 1947) by assigning all success factors to the phase in which they are most important. Lauer specifies Lewin’s three stages by renaming them with respect to their function within a certain change process. The main task of the first stage (unfreezing) is to initiate motivation for change; according to Lauer (2021), this stage is the initial situation. The second stage (changing) is the change process and is dominated by developing new ways of reacting for the organization. The third stage (refreezing) is characterized as the objective and includes all attempts to stabilize the new behavior in the organization. Lauer identifies nine different success factors for change management. Six of the success factors are distributed among the following three phases:

1. Initial situation: person, evolution
2. Change process: education, participation, and integration
3. Objective: vision

The three remaining success factors communication, project organization, and consultation are not phase-specific; they stretch across all three stages. Following the logic of Lewin’s model, as well as the inherent complexity of organizational change in general, the success factors are interlocked rather than independent from each other. Their mutual influence is depicted in the figure below.

Figure 13: Success Factors of Change Management



Source: Dirk Steffens (2022), based on Lauer (2021).

Hereinafter, all nine success factors will be defined and briefly explained. According to Lauer's systematics, the success factor "Person" refers to the individuals who have a leading role in a change management process rather than all the persons who are affected by the change. As the crucial function of leadership in change management is the creation of initial motivation for the change among the staff, the main contribution of this success factor is delivered in the first stage. Lauer (2021, p. 84) argues that there are several tasks for a leader in this starting phase that are also critical for the subsequent stages. For instance, a leader must create the willingness to change among the better part of the staff. Otherwise, a climate of change will not arise within the organization. As the first phase is characterized by unfreezing, it usually comes along with the loss of established routines and thereby creates a feeling of uncertainty among the employees. Hence, leaders must also provide orientation and maintain motivation for the change. While the three aforementioned tasks predominantly target soft factors, such as motivation, inspiration, and culture, a change project also requires the efficient management of the transformation process itself that, in turn, calls for a different set of activities and possibly for a different type of leadership. Hence, it is not realistic that all leadership requirements are fulfilled by one person. Assigning different roles to different leaders is a more promising approach. It is noteworthy that the concept of change agents takes on this observation by identifying several different persons within a company who can be deployed as multipliers for a change project. The people who take a leading role in change management are not necessarily the same as those with executive leadership roles in the company.

When it comes to the right leadership style for change management, the call for transformational leadership seems obvious. While this approach is suitable for the creation of willingness to change, for orientation, and for igniting motivation, transformational leadership does not naturally foster the efficient execution of processes. With respect to this goal, a transactional leadership style promises better results. Again, the complexity and heterogeneity of change management tasks call for a set of diverse measures and a diverse team to be successful.

Evolution is assigned to the first phase because it refers to strategies and measures that are especially relevant prior to a specific change. Its effects, however, are long-term and shape the company as a whole rather than being focused on a single change project. Evolution in this context is used as a metaphor rather than a specific concept: For change management to be successful in the long-term, it is necessary to create continuous improvement and constant learning within a company. Hence, this form of evolution can be supported by the creation of a culture of learning and by tolerating failures. The contribution of such conditions to change management success lies in the foundation created for concrete change projects. When a company defines itself as a learning organization and embeds this idea in its company mission, the concept of change does not feel as a disruptive and threatening anymore. Instead, it becomes part of the company's daily routine.

Evolution
This change success factor refers to a culture that embraces learning and change and thus supports continuous improvement.

Education refers to the crucial role of employees' qualifications in change management. Employees must be qualified to deal with the new concepts being implemented in a change project (e.g., new information technology [IT], new organizational structures, or new procedures in human resources [HR] management). After employees acquire the necessary qualifications, they can then efficiently apply new concepts and their potential can be utilized. The competencies necessary to handle the new concepts on a technical basis are mostly professional skills. However, education also has another important function with respect to change management—it delivers competencies that put employees in a position where they can better cope with change in general. Versatility and the tolerance of complexity and ambiguity are examples of features that become increasingly important in a volatility, uncertainty, complexity, and ambiguity (VUCA) world. The competencies necessary to cope with these challenges are methodical, social, and personal competencies. Hence, education serves a significant purpose in terms of the specific skills needed for each change project, and it plays a major role in increasing general change readiness among the staff of an organization.

Participation has a very prominent role in the management of organizational change, as it is deeply embedded in the generic concept of organizational development, which is even older than change management. Participation builds on bottom-up processes that naturally involve a substantial number of the organization's members. From a motivational perspective, employees who are actively engaged in a change process are more likely to feel motivated. Being involved in a change process creates feelings of purpose and autonomy that, as self-determination theory claims, are genuinely human aspirations (Deci & Ryan, 2000). If they are not involved in a change, employees will likely feel overwhelmed by the change, as it is something that happens "to" them; consequently, this leads to several phenomena of resistance to the said change. In addition to positive effects on employee motivation, participation offers advantages with respect to knowledge utilization and development in an organization. As is known from knowledge management theory, a lot of implicit knowledge is wasted in companies because it is bound to the individuals who have acquired this knowledge over time. It is one of the main goals of knowledge management (Nonaka, 2007) to make this valuable knowledge accessible to compa-

Participation
This factor is when individuals who are affected by a change are also involved in the change process itself. By influencing and shaping the course of the change, these individuals feel motivated and committed to the project.

nies. Establishing connections between individuals who hold this knowledge is one method of making it accessible. By involving a high number of employees in a change process, employees' knowledge can be tapped into and utilized for the improvement of the change concept. The integration of hands-on experience exposes change projects to a reality check and promises especially valuable improvements.

Integration also aims at the soft factors of an organization and especially focuses on the cohesion of the company's members. As one of the basic functions of organization, integration pursues the goal to create commonalities between separated organizational units and teams to align them to the overall objectives of the company. Particularly in change management, integration plays an important role with respect to boundaries that can arise when changes take place only in certain divisions or levels of a company. Such dividing differences cannot only occur between separate organizational units; indeed, they are also relevant for international companies where members of the same team are often distributed all over the world (virtual teams). On the other hand, changes that affect an entire company also require integrative measures. For example, one culture, organizational structure, and common vision must be created when two or more formerly autonomous organizations merge into a single company during mergers and acquisitions (M&A). In the case of M&As, the most vital task of change management is post-merger integration.

Vision
By illustrating an attractive and relatable future state after the change, a vision provides orientation and direction.

Vision is very well-known from strategic management. A vision is usually aspirational and inspirational, sets a direction, and is defined as a future state of a company (Pitt & Koufopoulos, 2012, p. 106). This characteristic of a company's vision illustrates its significance for change management, as the goal of change management is inherently to reach a certain goal in the future. Hence, the formulation of a specific, comprehensible, and appealing vision for a change project is vital for two different reasons (Lauer, 2021, pp. 109—110). Firstly, it provides direction and orientation to the employees. By knowing the ultimate and overall target of a change project, employees better understand its purpose and can align their own contributions with this target; thus, the efficiency of the change process increases. Secondly, insights from goal-setting theory (Locke & Latham, 2002) show that individuals who are aware of the direction and vision that their tasks aim to support are also more motivated. Therefore, the formulation of a vision has a high potential for the promotion of both the efficiency of the change process and the commitment of the employees.

Communication is especially crucial for change management, as it is involved in almost all other success factors. For example, communication is the means with which a vision is formulated, it serves as a vehicle to resolve conflicts and create participation and integration, and it is at the core of leadership. Consequently, the effects of communication are equally important in all phases of a change process. Communication has a wide variety of forms of appearance, including informal versus formal, digital versus face-to-face, and personal versus mass communication. The importance and impact of this success factor are so enormous that change communication constitutes a field of research of its own (Proctor & Doukakis, 2003).

Project organization refers to the fact that change management is generally executed through project management. Hence, project management serves as the mechanism to turn the somewhat abstract and idealistic plans of change management into reality. In this role, project management can be a tipping point, as well as an enabler for change management that makes the project management abilities of a company decisive for the success of its change attempts. Like communication, there is a vast body of knowledge on project management—this includes different approaches, techniques, and organizational forms. Hence, project management must also be dealt with separately in a dedicated unit.

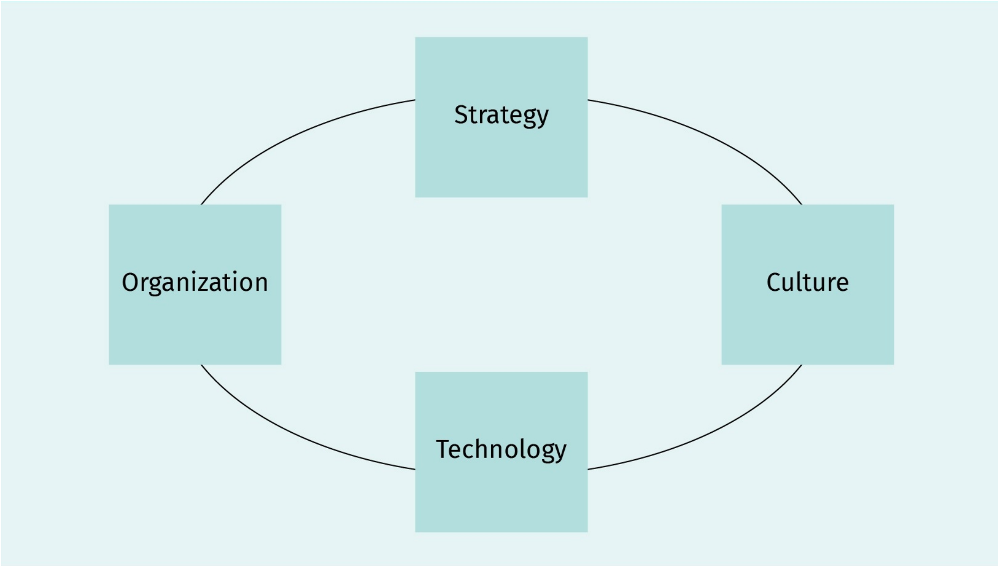
Consultation
Management consultants play different roles in change management; they support the definition of a desired change target, as well as the change process.

Consultation addresses the widespread approach of using external knowledge in change management. Consultancies can assume many different roles in change management (Lauer, 2021, p. 203)—they can either contribute to the content or the process of the change. With respect to the content, management consultants often develop new strategies, structures, or other concepts that they recommend to the top management in order to enhance the competitiveness of a company. With respect to the change process itself, the possibilities to deploy change consultants are even broader. For example, information technology (IT)-consultants are often needed to implement new software, coaches help to address acceptance issues, professional project managers contribute their Scrum competencies, and trainers help to build up the necessary qualifications among the staff. Due to the general trend towards core competency concentration, with over €35 billion revenue in 2020 (Bund Deutscher Unternehmensberater [BDU], 2021), the German management consulting industry is utilized by and has a huge impact on a multitude of other industries. As companies only seek advice from consultants when they intend to embark on a change, the high revenue of the management consulting industry can be traced back to the significance of change management.

5.2 Management Tasks in Change

The definition of management tasks in change management refers to the question of where (i.e., in what areas) changes occur and must be managed. Resulting from this definition, specific tasks for change management can be derived. Vahs (2019, p. 324) summarizes the multitude and diversity of organizational changes in four sections: strategy, structure, culture, and technology. Specific changes can, in theory, with respect to their desired outcome, be quite clearly assigned to one of these four areas. For instance, a change project that strives for the implementation of a hierarchy-free swarm model belongs to the organization management area, as it introduces a new form of organizing responsibilities and tasks within a company. In practice, however, such an organizational approach also requires changes in other areas. For example, swarm organizations heavily rely on efficient and responsive communication and frequently make use of new technological solutions (such as Slack) to support that goal. Furthermore, organizational structures with no or reduced hierarchical coordination call for a different culture than traditional work models. This example only represents a glimpse of the interconnectedness between the four areas of change management; therefore, an isolated view on these tasks would not do justice to the complexity of change projects. For this reason, the four areas will here be presented along with examples of specific interdependencies.

Figure 14: Management Tasks in Change Management



Source: Dirk Steffens (2022), based on Vahs (2019).

Strategy

Changes in the strategy of an organization are often major transformations as they modify the course of a company. While they do not necessarily include a changed vision or mission of the company, they at least influence the path towards this goal. Depending on the view on strategic management and development, the impulse for a strategic change can come from two different directions. According to the market-based view (Porter, 1979), a strategic shift can usually be interpreted as a reaction to external pressure. For example, new business models that are adopted by competitors may force an organization to change their value contribution to the customers as well. During the last two decades, although their original business models were based on the service they provided to customers in physical shops, many retail companies have felt the need to establish online shops to keep up with the increasing competition. The basic concept of the market-based view is the idea of differentiation from competitors.

Resource-based view
The resource-based view on strategy indicates that the strategy of a company should be developed based on what the company can do better than others (i.e., its core competencies).

A different view on strategy is the **resource-based view** (Prahalad & Hamel, 1990). This approach follows the idea of core competencies of a company as the starting point for strategy development. Strategic management in this theory does not focus on the competition and try to do things differently. This perspective is also called “inside-out” because strategies are not predominantly developed by differentiation from competitors. Rather, they are based upon a critical evaluation of the company’s most valuable resources and competencies to find new ways to deploy and make use of these core competencies. This frequently leads to new strategic businesses for companies because core competencies are not restricted to a certain industry. For example, the automotive company Porsche also utilizes the strength and recognition of its brand to sell fashion and lifestyle products under the name *Porsche Design*. As strategic changes cover a broad range of changes and have many triggers, they almost always have an impact on other management tasks of change management.

Structure

The organizational structure of a company is subject to change for several different reasons, including the pressure to lower costs, increasingly fierce competition, new technological developments, and crises (Vahs, 2019, p. 331). This diversity of change reflects the versatility of functions an organization has. The structure of a company serves to coordinate the activities of its members, increase the efficiency of the value creation, support the corporate mission and strategy, and so forth. Accordingly, the variety of organizational changes is equally high. They range from process improvements, restructuring, lean organization, and decentralization, to enormous change efforts that aim to eliminate hierarchical structures and replace them with new organization forms, such as swarm organization or holacracy. Consequently, organizational changes also mostly impact other change management areas, such as culture and technology. Indeed, changes in a company's organizational structure are often the result of interdependencies between the different areas. The prominent phrase **"structure follows strategy"** (Chandler, 1995) represents the view that an organizational structure acts as an enabler for the strategy. In the case of strategic change, this necessitates that structure must be adapted in alignment with the strategy. However, in the interplay between the different change management tasks, there are rarely unambiguous cause-effect relationships, but rather a network of complex linkages. For example, some authors even argue for the opposite effect: Strategy follows structure (Hall & Saias, 1980).

Structure follows strategy
The organizational structure of a company must fit its strategy.

Technology

In the age of digitization, technology has evolved from a mere supporting factor in the value creation process to an enabler and driver for organizational, strategic, and even cultural changes. In some cases, the introduction of IT can provide a company with opportunities for strategic developments that would otherwise be out of reach. For instance, platform strategies often build upon digital technology (Bughin et al., 2019) and have famously led to revolutionary economic developments during the past three decades, including the business models of Amazon, Google, and Facebook. Hence, technological changes have ceased to be downstream tasks that serve to further enhance strategic or structural changes. In turn, they are often an integral part of fundamental and comprehensive transformations of a company.

Culture

With the VUCA world increasingly challenging individuals to stay flexible and adapt to constant changes, stability and purpose have become even more important as values to attract and retain qualified staff. A strong corporate culture can serve as the cement to provide such a feeling of cohesion in volatile environments. Therefore, companies have increasingly put emphasis on the significance of corporate culture for business success. This is by no means a new insight (Ogbonna & Harris, 2000), but has gained additional momentum through recent economic and social trends. Again, the task to change a corporate culture can be the starting point, as well as a by-product of a change effort. In most cases, culture plays a crucial role as an enabler of change or a barrier that prevents change management success.

5.3 Change Management Activity Plans

While change management tasks refer to the content and question the “what” of a change, change management activities represent a process-based perspective and ask for the “how” of change management. In other words, when the task of a change project is to implement a new organizational structure in a company, the activity plan defines the path towards this goal. For this reason, change management activity plans include different change management strategies. The term “strategy” can be viewed from different angles within the change management context. On the one hand, it relates to the question of how changes are implemented in an organization with respect to its characteristics as a social system. On the other hand, change management strategies can be distinguished according to the origin of the change process across the hierarchical levels of an organization. The first characterization of change strategies relates to the actions towards resistance but goes beyond this perspective as it classifies change management strategies in terms of generic approaches rather than the application of a set of distinct tools. Chin and Benne (1969) created a framework that has widely been used and further developed by several authors. They differentiate between three generic change management strategies.

Empirical-Rational

This strategy is based on the idea of rational and self-interested individuals. When changes are rationally substantiated and provide a benefit, affected individuals will accept and adopt these changes. Two basic tasks for change management can be derived from this perspective on change. Firstly, change must be planned and shaped in a way that not only benefits the company, but also as many employees as possible. In some cases, this is manageable by integrating the stakeholders’ interests in an early stage (e.g., through performing a stakeholder analysis prior to the project start). However, it is unlikely that all individuals who are affected by a scheduled change project will personally benefit from the change. Secondly, benefits and advantages from a change project must also be communicated in a manner that suits the target group and can convince them of these advantages. As is known from considerations on change resistance, even beneficial changes are often not embraced by those who would experience direct benefits. This simple reason for this is that changes are frequently associated with the loss of control and security. According to the **empirical-rational strategy** in change management, however, these reservations can be overcome by effectively communicating the substantiated positive impacts of a change project.

Empirical-rational strategy
The empirical-rational approach aims to overcome change resistance by convincing the affected persons of their personal advantages from the change.

Power-Coercive

This strategy is based on the use of power; for instance, a change agent with a high position in the hierarchy has power and can impose their will on others by utilizing incentives or threats. Compared with the rational strategy, the advantage of the power-coercive approach is clearly its efficiency. Convincing people with well-prepared facts and lines of reasoning is time-consuming, whereas the exertion of power unfolds the desired impacts immediately. Hence, this strategy is especially favorable when speed is vital for a change project. On the other hand, this strategy does great damage to social relationships and trust among the staff of an organization; both relationships and trust take long-winded efforts to build but can be destroyed within a short period of time. Consequently, the use of power and force to reach compliance with a change project should not be the strategy of choice when there are other options.

Normative-Reeducative

This change management strategy views individuals from a holistic perspective by not only focusing on rational considerations of pros and cons of a change but also considering the emotions, values, skills, and relationships of employees. In this approach, individuals cannot be convinced simply by stating beneficial facts of a change; instead, as every organizational change is accompanied by changes in habits or culture, they have to be coached and guided through a long-term process. Thus, the deployment of change agents, such as trainers, coaches, or mentors, is heavily relied on in a normative-reeducative strategy. In practice, change management strategies are typically combined and rarely applied in a pure manner. For example, a generally normative-reeducative approach may reach its limits when specific employees aggressively and publicly speak out against a change. In this case, the additional utilization of a power-coercive strategy can be advised.

As previously mentioned, there are two different perspectives on change strategy, and the second perspective focuses on the hierarchical level where changes are initiated. Since organizational change cannot start across the entire company at the same time, starting points for change must be defined. With respect to the hierarchical structure of companies, five different procedures can be distinguished (Vahs, 2019, p. 367). It is worth mentioning that these different strategies do not only represent different techniques or methods to approach a change, but they are also manifestations of different underlying change philosophies.

Top-Down Strategy

With this strategy, changes are initiated at the very top of an organization and are then cascaded down the hierarchical pyramid. This change management approach is in line with the traditional understanding of management where overall strategic goals are defined by the top management and are then executed and concretized, step-by-step, by the intermediate and lower hierarchical levels. Especially for fundamental transformation, which affects the whole company, a top-down approach seems logical and almost inevitable because only the top management is authorized to make such company-wide decisions. Due to this argument, the top-down strategy for change management is widely used in management practice. However, from an employee's point of view it can lead to mistrust and a feeling of being left out because they are not involved in the first stages of change. Thus, resistance in top-down change projects is to be expected among the lower levels of an organization.

Bottom-Up Strategy

The opposite to the top-down strategy is the bottom-up strategy. Changes start at the lowest levels of an organization and spread upwards to the higher management levels. This approach is especially instrumental for changes in the everyday work and routines of the operational personnel. For instance, process improvements in manufacturing or service provision require the hands-on knowledge of those who perform these tasks. Unless companies explicitly invite employees to take on their own change projects and provide them with a budget for such initiatives, a pure form of bottom-up change is unlikely to be found because change projects usually need support and funding from higher management levels.

Bipolar Strategy

This approach acknowledges the resistance problems of the top-down strategy and the lacking management support of the bottom-up strategy, and combines both strategies to overcome these issues. From a knowledge management point of view, it offers the advantages of integrating two very different forms of knowledge: the strategic foresight of the top management, and the practical experience from workers who are part of the concrete day-to-day value creation of the company.

Center-Out Strategy

This strategy takes a different angle than the bipolar strategy. The starting point for changes is the middle management, which serves as the linkage between the top level and the low level of the hierarchy. Thus, it can provide information flow in both the top-down and bottom-up directions. Thereby, changes that start from the middle management are supposed to be neither too abstract and far-fetched nor lack the strategic foresightedness necessary to create long-term benefits.

Multiple-Nucleus Strategy

This strategy simultaneously initiates changes in different parts of a company. This is especially relevant for complex and connected organizations that are not very hierarchical (e.g., international networks of relatively autonomous units). The underlying idea of this strategy can be compared with seeds that are sowed in different spots. These various spots where changes take place are supposed to grow together and thus eventually lead to a comprehensive transformation of big parts of the company. For example, such a strategy can be well-suited for the introduction of new methods, technologies, or management techniques. The introduction of Agile methods may serve as such an example. By trying out these methods in different departments, on different levels, and in different regions of an organization, extensive experience can be gained. In turn, this can be utilized to inspire and motivate other members of the organization to adopt similar approaches. The diversity and versatility of this approach also produces its main challenge, as all these scattered initiatives must ultimately be converged into one concept.

SUMMARY

Success factors are those areas of activities with the highest impact on change management. Nine success factors for change management can be identified. Some of these factors include vision, motivation, participation, and integration. Managers must pay special attention to these factors. In change management, four management tasks can be identified: strategy, organization, technology, and culture. For most change projects, these tasks must be considered simultaneously because they are closely connected and influence each other.

Change management strategies focusing on social aspects include empirical-rational, power-coercive, and normative-reeducative. Each of these strategies follow a different approach to overcome resistance and create compliance among employees. Depending on the hierarchical level where a change is initiated, five different approaches—including top-down and bottom-up strategies—can be applied.

UNIT 6

LEADING CHANGE

STUDY GOALS

On completion of this unit, you will be able to …

- describe the difference between change leadership and change management.
- explain the two different approaches of transactional and transformational leadership and their meaning for change management.
- name different leadership roles in change management.
- outline the application of the different roles in a change process.
- identify and distinguish different requirements and forms of change communication.

6. LEADING CHANGE

Introduction

Since change management is a discipline dominated by soft-factor challenges, such as resistance and employee motivation, leadership unsurprisingly plays a major role as a success factor. This is substantiated by numerous theoretical and empirical studies. For example, the Capgemini study on change management and the path to organizational dexterity revealed that 64 percent of the study participants considered leadership as a crucial lever to achieve the change goal of Agile transformation. This identified leadership as the second most important factor after culture (Capgemini Invent, 2019, p. 30).

Transformational leadership
This leadership style aims to create excitement and intrinsic motivation for the company's goals; thus, company goals are turned into personal goals for each employee.

In recent times, leadership is a much-discussed topic in management science, as there are various new developments that imply changes in the understanding of leadership and its role in modern, digital-era organizations. With hierarchies being dismantled and control over employees being reduced, leaders have been challenged to create a new self-conception of their purpose in a company. **Transformational leadership** is a specific style of leadership that has gained a lot of attention during the last few years and is propagandized by many as the paradigm for modern leadership. If only because of its wording, transformational leadership suggests proximity to and suitability for change management. While it is plausible to assume that transformational leadership supports organizational transformation, this equation falls short of acknowledging the complexity of the change process. Hence, the role and contribution of leadership in change management must be reflected on critically and encompass the multitude of requirements that arise from multi-faceted and multi-staged change projects.

6.1 Success Factor: Leadership and Manager

Before focusing on the special role leadership plays in change management, it is necessary to consider the complex requirements of leadership that are caused by the strategic duality of ambidexterity (Tushman & O'Reilly, 1996). Companies must pursue the exploitation of existing business, technologies, and competencies to create efficiency gains while also exploring new business opportunities, technologies, and competencies to stay competitive in the long term. Each of the two strategic tasks calls for a fundamentally different leadership style. Exploitation focuses on standardization and process improvement; thus, exploitation requires leaders to create consistency, reliability, and constant motivation for repetitive tasks among their team. Exploration, in contrast, calls for creativity, innovation, and open-mindedness among the employees.

While it seems obvious to associate change with exploration, a duality of change and exploration can be found in change management. There are phases in a change project when leaders must create initial motivation for the change and inspire employees to embark on new paths. In Lewin's model, this phase is called unfreezing (Lewin, 1947). When it comes to adopting company-wide changes and integrating them into the daily activities (refreezing), however, a different form of leadership is needed. Here, the major challenge is to efficiently perform the new tasks and to set up the newly implemented concept as the accepted standard in the organization.

To clarify these different concepts, it is helpful to refer to the distinction between **management and leadership**. There are many contemplations with only minor disagreement on this distinction. In general, there is a consensus that management is mainly about "achieving results by effectively obtaining, deploying, utilizing and controlling all the resources required" (Armstrong & Stephens, 2005, p. 5). Leadership, however, includes "developing and communicating a vision for the future, motivating people and gaining their commitment and engagement" (Armstrong & Stephens, 2005, p. 5). As illustrated in the table below, John Kotter specified the differences between management and leadership in more detail. With respect to change management, John Kotter has also comprehensively elaborated on the distinction between change management and **change leadership** (Kotter, 2011).

Management and leadership
The term "management" refers to the efficient coordination and execution of tasks. Leadership focuses on the soft factors and aims at creating motivation and cohesion among followers.

Change leadership
Leaders in change management must provide initial motivation for change among employees.

Table 5: Distinction between Management and Leadership

Management	Leadership
• Manage complexity by planning and budgeting, and aim to produce orderly results, not change. • Develop the capacity to achieve plans by creating an organization structure, and aim to implement plans precisely and efficiently. • Ensure plan accomplishment by controlling and problem solving, and aim to identify deviations between the plan and results and solve problems.	• Produce change by developing a vision and strategies for the future. • Align people by communicating the new direction, and create coalitions. • Use motivation to energize people by satisfying human needs for achievement, sense of belonging, recognition, and self-esteem.

Source: Dirk Steffens (2022), based on Armstrong & Stephens (2005) & Kotter (1977).

Figure 15: John Kotter on Change Management versus Change Leadership

I am often asked about the difference between "change management" and "change leadership," and whether it's just a matter of semantics. [...] Change management, which is the term most everyone uses, refers to a set of basic tools or structures intended to keep any change effort under control. The goal is often to minimize the distractions and impacts of the change. Change leadership, on the other hand, concerns the driving forces, visions, and processes that fuel large-scale transformation. [...] There is a difference that is very fundamental [...] between what is known today as "change management" and what we have been calling for some time "change leadership." [...] If you look around the world right now and just talk to people, it's not just seman tics. Everybody talks about managing change and change manage ment because that's what they do. If you look at all of the tools, they're trying to push things along, but it's trying to minimize disruptions, i.e., keep things under control. [...] And change leadership is just funda mentally different—it's an engine. It's more about urgency. It's more about masses of people who want to make something happen. It's more about big visions. It's more about empowering lots and lots of people. Change leadership has the potential to get things a little bit out of control. **—Kotter, 2011, paras. 1—4**

Source: Kotter (2011).

As they include numerous and complex challenges, changes require both management and leadership. For example, executing projects as part of organizational transformations includes several management tasks, such as resource planning, time management, and documentation; at the same time, the creation of initial motivation for a change project belongs to leadership. It is debatable whether it is realistic and/or advisable that one person fulfills such opposite roles simultaneously (i.e., management and leadership, as well as exploitation and exploration). It can be argued that it is more effective and more authentic to distribute the roles among different people.

While the differences between management and leadership are quite clearly defined, it must be noted that the use of these terms is not always consistent. For example, traditional leadership styles (e.g., directive leadership) meet the definition of management rather than leadership. Yet, these styles are still labeled as leadership. Hence, in a dynamic and evolving field of research, such as leadership, some degree of terminological inaccuracy is inevitable and must be accepted. With respect to the ways leadership can be executed, there is an extensive number of different theories and models concerning leadership styles. For application in change management, we focus on the differentiation between transactional and transformational leadership.

Transactional Leadership

This leadership style is based on an exchange between the company and its employees. The transactional leader assigns certain tasks and rewards the achievement of objectives or sanctions employees for non-performance. The transactional leader is provided with the required instruments to exert power, and employees are required to follow the leader to achieve their objectives. Hence, management by objectives is a characteristic pattern for transactional leadership. In fact, this leadership style is far from being innovative or special. On the contrary, starting with Taylor's scientific management, it is the type of leadership that is inherent to all traditional concepts of management. Transactional leadership has many varieties, depending on how objectives are defined (directive versus participative) and how incentives are granted (positive reinforcement versus management by exception). The common factor of the variations is that the personal goals of each employee are linked with the company's goals through incentive schemes.

Transformational Leadership

This leadership style follows an approach that differs significantly from the transactional model insofar as it strives to transform the employees' personal goals in the direction of the company's goals. In doing so, the ultimate objective is that individuals internalize the goals of the organization and turn them into their personal goals. In this model, leaders are role models who convey connection, challenge employees to think critically, coach them to encourage good performance, and strive to align employee goals with organizational objectives. Employees are aware of their contribution to fulfilling the organization's mission and experience pride, appreciation, and confidence. Transformational leadership is a type of leadership style that can inspire positive changes in those who follow (Avolio et al., 1991). With respect to the execution of transformational leadership, it is necessary to specifically describe the behavior of transformational leaders to enable leaders to act in accordance with the high expectations of this model. This operationalization is mainly based on the 4Is suggested by Avolio et al. (1991). They encompass four aspects of the leader's behavior and concretize them through the description of typical behavioral patterns of transformational leaders (Avoli et al., 1991).

Idealized influence

When idealized influence is a part of their approach, leaders

- behave in a way that leads them to be considered as role models by their followers.
- are admired, respected, and trusted by their followers.
- are identified with by followers, and followers want to emulate them.
- are perceived as competent, skilled, and determined.
- take risks and behave in a consistent manner.
- are trusted to make the right decisions.
- have high moral and ethical standards.

Inspirational motivation

Leaders engaging with inspirational motivation have the following attributes:

- As role models, leaders provide their followers with motivation and inspiration.
- They contribute to perceiving the work as meaningful and challenging.
- They help to create team spirit.
- They demonstrate enthusiastic and optimistic characteristics.
- Leaders create shared visions for the future and support their followers to be involved in, understand, and embrace these visions.
- Leaders clearly communicate goals and the shared vision.

Intellectual stimulation

The following factors are associated with leadership that utilizes intellectual stimulation:

- By questioning assumptions, reframing problems, and approaching old situations in new ways, leaders stimulate the effort of their followers to be innovative and creative.
- Leaders encourage creativity.
- Leaders do not publicly criticize mistakes made by individual members.
- New ideas and creative problem solutions are solicited from followers, who are included in the process of addressing problems and finding solutions.
- Followers are encouraged to try new approaches and, even if their ideas differ from those of their leaders, they are not criticized.

Individualized consideration

When individualized consideration is included in leadership, the following characteristics are present:

- Leaders pay special attention to each follower's needs for achievement and growth by acting as a coach or mentor in their personal development.
- Followers and colleagues are developed to successively higher levels of potential.
- Along with a supportive climate, individualized consideration is practiced when new learning opportunities are created.
- Individual differences in needs and desires are recognized and accepted by the leader.
- A two-way exchange in communication is encouraged, and "management by walking around" is practiced.
- Interactions with followers are personalized.
- The leader listens effectively and delegates tasks to develop their followers.
- Delegated tasks are monitored, but followers don't feel they are being checked on

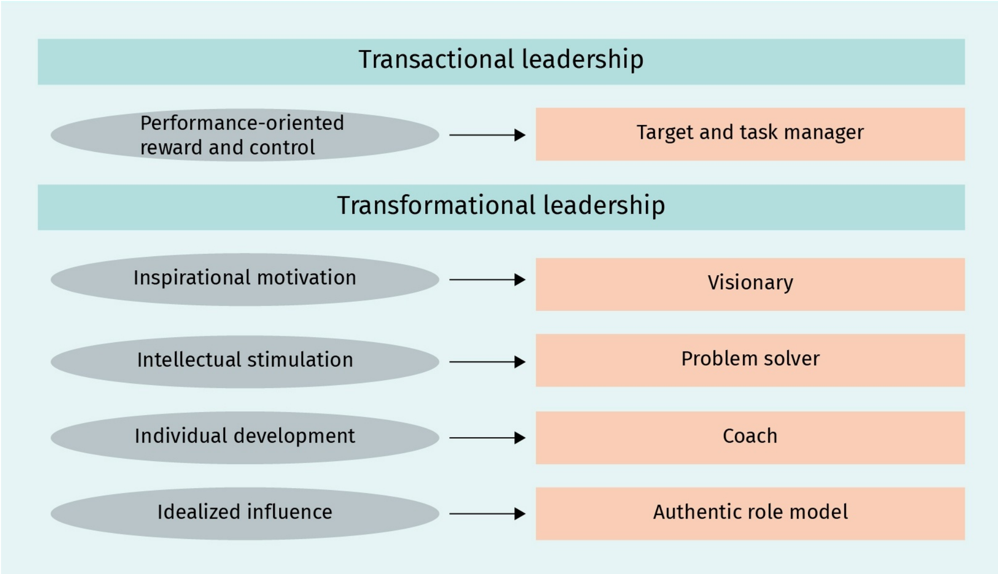
With respect to the applicability of this leadership style in change management, the described behaviors of transformational leaders are obviously well-suited to tackle several challenges of change management. For example, the focus on the individual needs and skills of the followers clearly supports the idea of involving employees in change processes. The factor of inspirational motivation and the concept of leaders acting as role models helps to create initial motivation for a change among the staff. Many more characteristics of transformational leadership imply that this style is a perfect fit for change management.

However, as already indicated, this conclusion oversimplifies the complexity of change processes. While transformational leadership helps to promote motivation, overcome resistance, lead to buy-in, create a sense of involvement, and tap the knowledge of employees, there are other change management tasks that require different leadership activities. When referring to Lewin's three-stage change model, it can be argued that transformational leadership is especially important in the first and second stages (unfreezing and changing), whereas transactional leadership seems more appropriate when it comes to the third phase (refreezing) that handles the challenge to convert the new concept into everyday routines and standardized processes. By this last phase, the initial enthusiasm for the new ideas has often faded and been replaced with mundane operational issues. Here, a less emotional approach, such as transactional leadership, proves to deliver better results because it creates predictability and a sense of stability rather than excitement and chaos.

6.2 Leadership Roles and Functions

The complex requirements towards change management call for equally complex solutions. For instance, this is reflected in the multitude of diverse approaches to change project management, communication, organization, and leadership. There is no universal concept independent from the specific context in any of these change management tasks. The best solution in one change project may be the absolutely wrong one in another context. Hence, the objective of management science is not to deliver the right approach, but rather to present a toolbox from which change managers can pick their individually appropriate selection. This is especially relevant for leadership. Namely, as illustrated by the two different styles of transactional and transformational leadership, change leadership has to fulfill several diverse tasks. This leads to the requirement that change leadership includes a set of different leadership roles. It is important to recognize that a role is represented by a set of requirements and expectations and is an abstract concept. In other words, role and person are not necessarily congruent—one person can play several roles, and several people can play the same role. As already established, in most cases it is beneficial that leadership roles are distributed to several people rather than one leader. In change management, leadership roles can be derived from leadership styles. In fact, the four aspects of transformational leadership can be converted into four typical roles (Lauer, 2021, p. 90).

Figure 16: Leadership Roles in Change Management



Source: Dirk Steffens (2022), based on Lauer (2021).

While transactional leadership involves mostly all the typical tasks of a manager, the roles arising from the 4Is of transformational leadership are quite different from each other.

Visionary

In strategic management, a vision is defined as a desired state of the company in the future. While the vision is supposed to be attractive, it is also hard to reach and requires a lot of effort. Hence, the visionary's duty is to paint a picture of this vision to motivate followers and drive them towards this vision. This leadership role includes two crucial subtasks. Firstly, it is the visionary's goal to address the need for meaning and purpose of the employees. People expect to be intrinsically motivated by a meaningful job, an appealing mission, and the purpose of their employer. In the same context, to address their need for achievement, it is vital to clarify the employees' contribution to the achievement of the company's vision. Secondly, so that employees do not feel overwhelmed by the uncertainty of the change and can picture the future state for themselves, the vision must be specifically communicated in a manner that presents the change as appealing, easily understandable, and inspiring for all employees.

Problem Solver

Although transformational leadership mostly focuses on rather abstract concepts (e.g., motivation, engagement, and inspiration), another part of this concept is that the leaders involve themselves in the change process and support the employees in finding creative solutions for issues along the course of a change. This is reflected in the intellectual stimulation requirement of the transformational concept. That is, change leaders must help their followers to overcome change obstacles. This can be achieved either by giving followers tools and autonomy to solve problems themselves or by the leader overcoming these obstacles on behalf of their employees. The notion that it is the leader's responsibility to clear the way for their followers is also reflected in the currently much discussed concept of servant leadership (van Dierendonk, 2011).

Coach

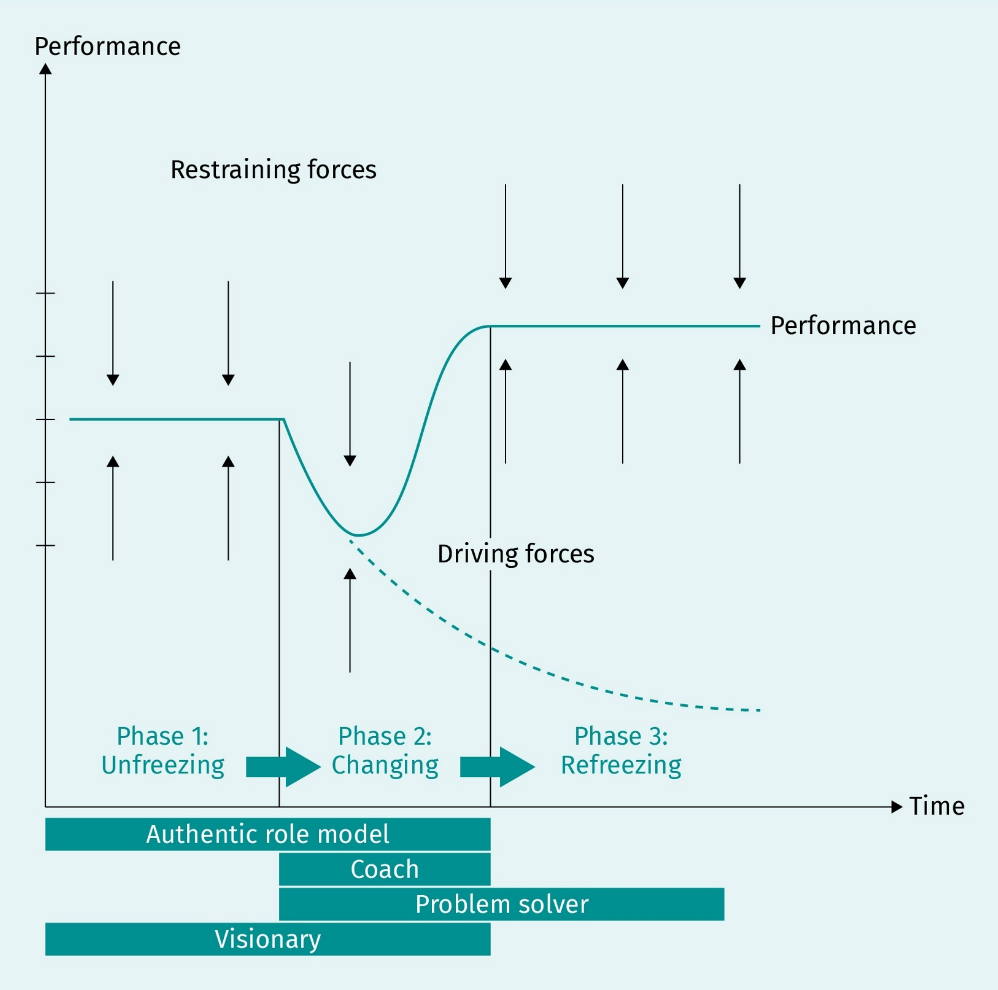
The basic idea of modern leadership to empower employees to act autonomously leads to a different definition of leadership. Instead of ordering employees to perform specific tasks in a certain way, transformational leaders guide and accompany their followers in their own way. The implications of this role sum up what the typical tasks of a coach are. These include, among others, regular constructive feedback, individual evaluation of the employees, helping employees to learn and develop, and extensive communication.

Authentic Role Model

This role can be considered the core of transformational leadership. It includes the idea that leaders behave in an exceptional way that inspires their followers to emulate them. Thereby, role models function as multipliers for the change and produce motivation and excitement among the staff. In some concerns, the concept of the leader being a role model can also be found in the charismatic leadership approach. Behaving as a role model involves being authentic, admitting mistakes, communicating openly, and being earnestly committed to the change.

As previously stated, besides transformational leadership, transactional leadership is also required in change management. The role that is deduced from the definition of transactional leadership can be simply labelled as "manager". In detail, the target and task manager in change management is responsible for the efficient handling of the implementation of the new concept and for the transfer of this new concept into the everyday routines of the company. Depending on the phase of the change process, the relevance of the different leadership roles changes.

Figure 17: Leadership Roles in Different Change Phases



Source: Dirk Steffens (2022), based on Vahs (2019).

6.3 Change Communication

All leadership activities include communication because it is the vehicle to transport messages, give feedback, motivate, discuss problems, etc. Since communication is involved in all other change success factors, its function can be described as a catalyst, and it cannot be replaced or balanced by other tools. Hence, communication plays a central role in change management. In particular, communication serves several purposes (Lauer, 2021, p. 122).

Create Transparency

The biggest risk for failure lies in insufficient information being provided to those who are affected by the change. Through a lack of communication in the first stages of the change, damage to the trust and motivation of the workforce can occur that cannot be repaired. The creation of transparency encompasses openly communicating the reasons for the change to argue for its necessity and explaining the vision and goals of the change.

Mitigate Resistance

Resistance has been identified as the major obstacle to change success. Communication is the only way to tackle this challenge and convince those who oppose the change or are undecided about the advantages. However, persuading those who try to actively sabotage the change may not be feasible. Yet, it is still important to communicate with these groups in an open and fair manner to find solutions and send signals to the other employees.

Reinforce Change

Acceptance issues should not be viewed as hurdles that are vanquished at a certain point in the change process. On the contrary, resistance can reappear later in the process. Thus, constant communication during the whole change process is needed. For example, commitment and buy-in can be reached through the communication of “quick wins” of the change (i.e., positive outcomes). By promoting these small successes and communicating them to a large number of employees, the change motivation can be sustained.

Support Integration

As a success factor, integration aims to create a sense of togetherness among the employees and strengthen the identification with the organization. Since many change projects transcend department boundaries and bring people together who do not know each other, communication is even more important as the social cement of such diverse groups. A forum to exchange one’s apprehensions and sorrow is also helpful to support integration and provide a means of communication.

Conditions for Effective Change Communication

Change communication is an extensively researched field that can only be briefly touched upon here. However, research has produced several results concerning the effectiveness of change communication (Lauer, 2021, p. 123).

Target group orientation

Change communication must be specifically adapted to the recipients of the communication. This means that content relevant to the respective group is communicated in a way the group can relate to. As in marketing, messages must be tailored to the target group to be heard and accepted. Therefore, defining the target group in a segmentation process is required first. Target groups can be defined depending on the department, hierarchical level, or degree to which the individuals will likely be affected by the upcoming change.

For change managers, these conditions lead to the realization that a centralized mass communication (e.g., through the intranet) can only make up for one small part of the comprehensive change communication concept. Many different strategies and techniques must be developed in accordance with the needs of the diverse target groups.

Personal conversation

While clearly not the most cost-efficient form of communication, personal face-to-face conversation has advantages that can rarely be substituted by other forms. Personal communication is the richest form of communication, as it includes all aspects of communication (Watzlawick et al., 2011). For obvious reasons, not all change communication can be done in personal conversation. However, no change communication concept should completely neglect this aspect. This requires the utilization of multipliers who take on this role. These can be executives, team leaders, or other change agents.

Timely and inclusive communication

Proactive communication to all those who are affected by the change can prevent the biggest pitfalls in change management. If a planned change project is only communicated to the inner circle, rumors will inevitably spread among the staff and lead to demotivation and even frustration. This damage is challenging to repair. Conversely, open, simultaneous, and early-stage communication to all those who are affected demonstrates appreciation and helps to prevent acceptance barriers among the employees.

High-level communication

Changes need the support from top management to be widely accepted by the staff. By communicating the reasons, content, and consequences of a change, the executives demonstrate its relevance, as well as their appraisal for the staff who they address directly via streaming a video, through a message on the intranet, or even within a public speech at a company-wide event.

Quick communication of success

Many change projects, especially fundamental transformations, take an enormous amount of time until they reach their ultimate goal. To maintain motivation for such long-winded processes, it is crucial to communicate the accomplishment of intermediate steps and the benefits that they bring. For example, a new concept can be implemented in a pilot project in a small part of the company. When pilot project members report their (positive) experience with the new concept at an early stage, they can sustain the motivation of others.

Different Forms of Change Communication

Ultimately, all change communication serves identical purposes—to support the change project, create acceptance, promote commitment, and so forth. More specifically, however, the following are three different ways of supporting these goals (Hodges & Gill, 2015, p. 286).

Persuasive communication

As a form of direct communication that aims to convince neutral or skeptic individuals of the advantages of a change project, persuasive communication is especially effective when it comes from the top management; indeed, this lends credibility to the change vision and demonstrates the project's significance.

Active participation

Another facet of the acceptance-building approach of involvement, active participation aims to use different measures to integrate those who are affected by the change project into said project. These include workshops to discuss and envision the change, learning through best-practice sharing, and (reverse) mentoring. An even higher degree of involvement is reached when the employees are involved in the decision-making processes and thereby influence the course and content of the change project.

Managing information

This is an indirect form of communication, as it focuses on the generation and management of a knowledge base around the change project. The sources of the information include internal sources (e.g., experienced experts from the company), as well as external sources (e.g., coaches, consultants, and academic experts). By developing change-specific knowledge among the staff, both the acceptance for the change and the ability to deal with the change increase.

SUMMARY

The management of change includes a focus on efficiency and coordination, whereas change leadership aims at soft factors like motivation, commitment, and inspiration. Both transactional and transformational leadership are required in change management. Leaders in change management must fulfill different roles, including visionary, role model, and coach. Their relevance differs, depending on the phase, throughout the course of the change. Change communication serves several purposes in change management and is the vehicle to execute leadership. Change communication should be target group-oriented, transparent, and timely to support acceptance for the change project.

UNIT 7

MANAGEMENT OF CHANGE PROJECTS

STUDY GOALS

On completion of this unit, you will be able to …

- identify and describe the stages of John Kotter's change management model.
- name typical pitfalls in change management and explain how to overcome them.
- explain different forms of change management organization.
- assign the different organization forms to application fields.
- summarize the basics of Agile project management.
- clarify the challenges around the performance measurement for change.

7. MANAGEMENT OF CHANGE PROJECTS

Introduction

Organizational changes are almost always executed in the form of a project, with one important exception: If a company defines itself as a learning organization (i.e., a constantly evolving organization where change is part of the everyday routines and is deeply embedded in its self-image, culture, and organizational structure) then the definition of a project is not fulfilled. By definition, projects are characterized by a specific period, limited resources, and the pursuit of novel aims and objectives. In the rare cases where organizational change is considered a standard activity of the company instead of an exception, this ongoing organizational change cannot be considered a project because a project has a specific starting point and a defined ending. While this may be the case in innovative organizational structures like swarm organization or holacracy, most companies have not yet reached such a futuristic state. Hence, in most organizations, changes are tasks that come on top of the daily business and therefore must be organized in the form of projects.

However, projects as part of the value creation of an organization have become increasingly important in many disciplines. For example, the phrase “projectification” illustrates that most businesses are affected by a high volatility and adapt to this by investing in a professional infrastructure for project management. By utilizing the knowledge and professionalism in project management many companies and consultancies currently have, change management can build upon an existing infrastructure. In comparison to, for example, product development projects, change management bears specific features that account for an adjustment of general project management methods to change management.

7.1 Change Management Models

To understand the requirements of project management's approach to change, it is first necessary to establish a general understanding of how a change process can be managed. It must be remarked that, although they are connected, a change model and a change management model are not the same. The former describes the reasons and typical patterns of changes from a theoretical and observational perspective; however, the latter includes specific actions that must be taken by managers and focuses on the execution of change rather than its explanation.

A change management model that includes specific recommendations for change managers is John Kotter’s eight-step change management model (Kotter, 2007). Kotter’s prominent and practice-oriented model shows a typical change process by structuring it into eight phases. Each phase includes a set of tasks for change management, as well as typical errors that occur frequently in this phase. These pitfalls have been empirically observed by Kotter and his colleagues through a multitude of studies on change processes. A central claim of Kotter's model is the obligatory sequence of the phases and the realization that skipping stages will ultimately lead to failure.

Table 6: Kotter's Eight-Step Change Management Model

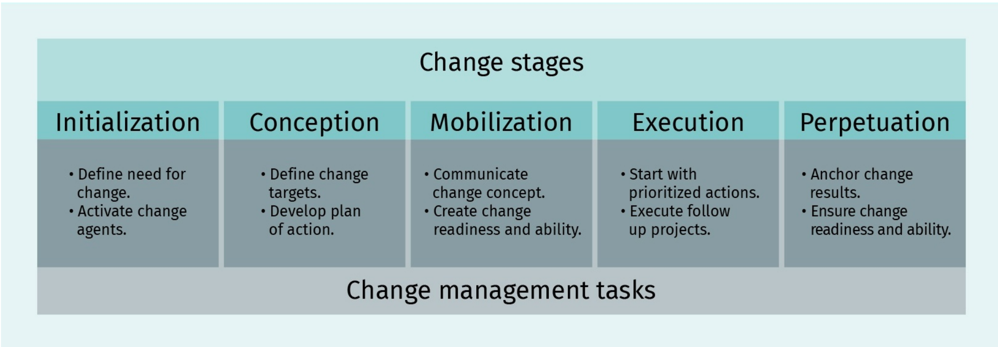
Stage	Actions needed	Pitfalls
Establish a sense of urgency.	• Examine market and competitive realities for potential crises and untapped opportunities. • Convince at least 75 percent of your managers that the status quo is more dangerous than the unknown.	• Underestimating the difficulty of driving people from their comfort zones • Becoming paralyzed by risks
Form a powerful guiding coalition.	• Assemble a group with a shared commitment and enough power to lead the change effort. • Encourage them to work as a team outside of the normal hierarchy.	• No prior experience in teamwork at the top • Relegating team leadership to human resources (HR), quality, or strategic planning executive rather than a senior line manager
Create a vision.	• Create a vision to direct the change effort. • Develop strategies for realizing that vision.	• Presenting a vision that is too complicated or vague to be communicated in five minutes
Communicate the vision.	• Use every vehicle possible to communicate the new vision and the strategies for achieving it. • Teach new behaviors by the example of the guiding coalition.	• Under-communicating the vision • Behaving in ways antithetical to the vision
Empower others to act on the vision.	• Remove or alter systems or structures that are undermining the vision. • Encourage risk-taking and nontraditional ideas, activities, and actions.	• Failing to remove powerful individuals who resist the change effort
Plan for and create short-term wins.	• Define and engineer visible performance improvements. • Recognize and reward employees contributing to those improvements.	• Leaving short-term successes up to chance • Failing to score successes early enough (12—24 months into the change effort)
Consolidate improvements and produce more change.	• Use increased credibility from early wins to change systems, structures, and policies undermining the vision. • Hire, promote, and develop employees who can implement the vision. • Reinvigorate the change process with new projects and change agents.	• Declaring victory too soon (e.g., with the first performance improvement) • Allowing resistors to convince "troops" that the war has been won
Institutionalize new approaches.	• Articulate connections between new behaviors and corporate success. • Create leadership development and succession plans consistent with the new approach.	• Not creating new social norms and shared values consistent with changes • Promoting people into leadership positions who don't personify the new approach

Source: Dirk Steffens (2022), based on Kotter (2007).

The clarity and straightforwardness of Kotter's model, while embraced by change managers because of the practicability, can also be used as a point for criticism. In management science, universal truths and one-size-fits-all approaches can be viewed with skepticism because the existence the volatility, uncertainty, complexity, and ambiguity (VUCA) world argues for an increasing individuality and specificity of companies and their assets. Thus, it would seem more logical that change approaches must be tailored to the specific situation of each company. However, despite the justifiable criticism, Kotter's model experiences widespread recognition and is often used as the basis for the planning of change projects, particularly because it acknowledges not only the hard facts, but also soft factors, such as motivation and acceptance. The eight stages and the actions they include are also labeled by Kotter as **accelerators for change**. This gives change managers the opportunity to focus their resources on activities where the leverage is expected to be the highest. This is a challenge that is especially important for project management where resources are, by definition, limited. A different change management model that is often used as the basis for change projects is Krüger's five-stage model (Krüger & Bach, 2014).

Accelerators for change
In Kotter's model, the tasks of the stages help to overcome change pitfalls and thus serve as accelerators for the change.

Figure 18: Krüger's Five-Stage Change Management Model



Source: Dirk Steffens (2022), based on Krüger & Bach (2014).

Krüger's model shows some similarities and differences to Kotter's approach. For example, both models put the activation of central players at the beginning of the process and emphasize the importance of integrating the new concepts into the daily routines of the company. Kotter calls this task institutionalization, whereas Krüger labels it as perpetuation. One difference between the models is that Krüger starts with the diagnosis of change needs, whereas in Kotter's model, this diagnosis is not included in the change management process. It is important to keep in mind that models are always merely a simplified representation of reality. Hence, a deviation of an actual change process from the change model does not mean that this model is somehow wrong. As a general framework for executing goal-oriented change processes and for avoiding typical pitfalls, both models contribute valuable insights and guidelines for change managers (Krüger & Bach, 2014; Kotter, 2007).

7.2 Organization of Change Management

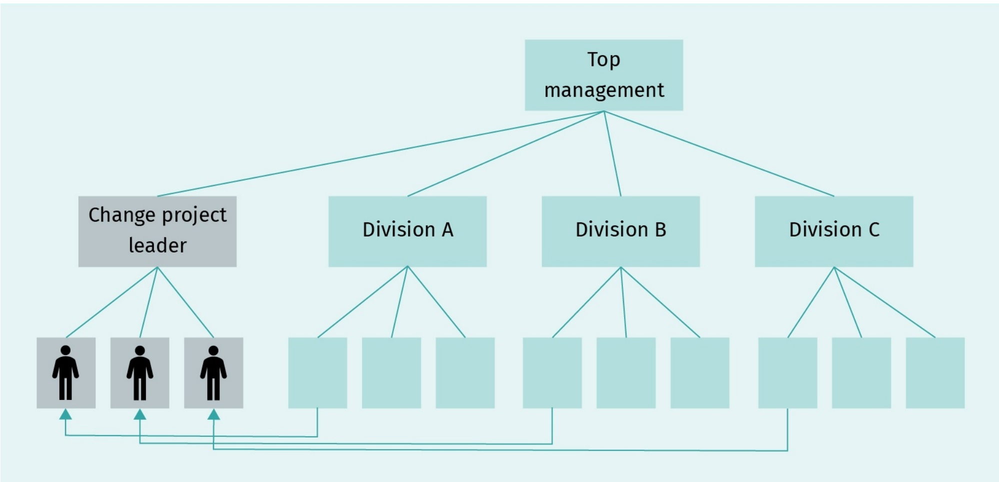
As with all organizational tasks, the organization of change management can be viewed from two different angles. First, with respect to the responsibilities for change and the position of this function in the organizational chart, the hierarchical placement of change management must be defined. This matter addresses the decision about the realization of a change management task through an organizational structure. As with every other function of a company (e.g., HR, manufacturing, marketing, or purchasing), organizational units with resources, capabilities, and responsibilities for change management must be defined. Secondly, the process for change management must be defined. This refers to the question how changes are executed (i.e., in what sequences activities take place); which process standards must be met; and what interdependencies exist between those activities. In other words, the project management approach for change must be defined. For the hierarchical placement of change management projects, there are three common options (Vahs, 2019, pp. 188—192). These options do not only apply to change management projects, but are also drawn from theory and practice of the organization of projects in general.

Line Project Organization

This organizational form of **line project organization** can also be called pure project organization and emphasizes the fact that resources for a certain change project are made fully available for the duration of the project. The basic idea is to release all project members from other responsibilities to make them focus entirely on the change project. For the period of the change project, to avoid conflicts of interest that are typical for multiple reporting lines, their only supervisor should be the project leader.

Line project organization
In this project organization, the project members are fully available to the change project and liberated from other obligations.

Figure 19: Line Project Organization



Source: Dirk Steffens (2022).

Based on this distinct assignment of responsibilities and resources, line project organization has the following advantages (Vahs, 2019, p. 191):

- clear responsibilities
- the ability to react rapidly and flexibly
- reduced lead time
- increased efficiency

However, the following disadvantages also arise from the concept of a line project organization:

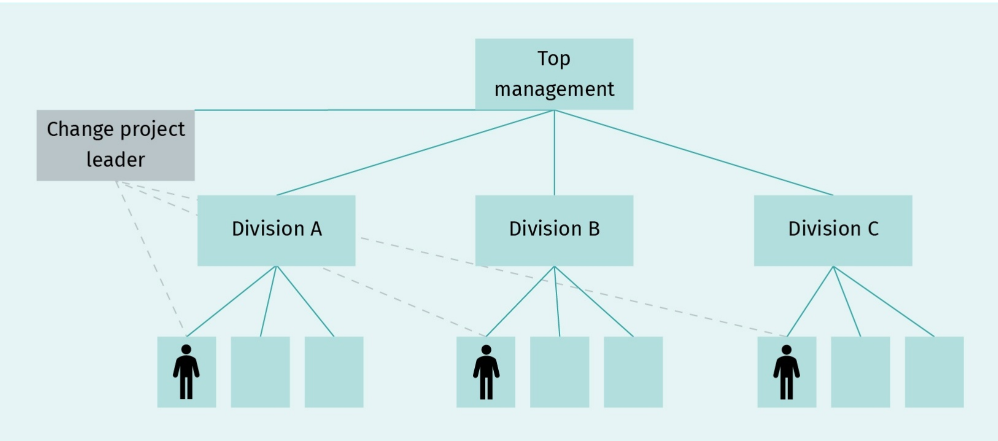
- difficult reintegration of employees in their original positions
- high consumption of resources
- little connection between the project and rest of the organization
- high costs

Staff Project Organization

Staff project organization
In this project organization, the project members only work part-time for the change project and remain in their usual position in the hierarchy.

In **staff project organization**, the position of the change management project leader is like that of a staff position where the employee reports directly to the top management and supports them with their expertise. Contrary to line project organization, project members are only partly available to the project and otherwise remain in their line positions. Hence, the project leaders have significantly reduced power, as they do not have disciplinary control over their project members. Even the project leader may not work for the project full time and is likely involved in several other tasks and projects. Due to their limited decision-making power, although project leaders are typically responsible for reporting results to the top management, they cannot be held accountable for the project results. This is typical for a staff position where the experts have a lot of knowledge and in-depth experience but are only allowed to make decisions after consulting their superiors.

Figure 20: Staff Project Organization



Source: Dirk Steffens (2022).

The following are the typical advantages of staff project organization (Vahs, 2019, p. 189):

- departmental structure remains untouched
- reduced complexity

- reduced HR costs
- reduced transaction costs (lightweight organizational form and only small organizational measures necessary)
- synergies (due to a high connection between the project and departments/divisions)

However, the following disadvantages also arise from the concept of a staff project organization:

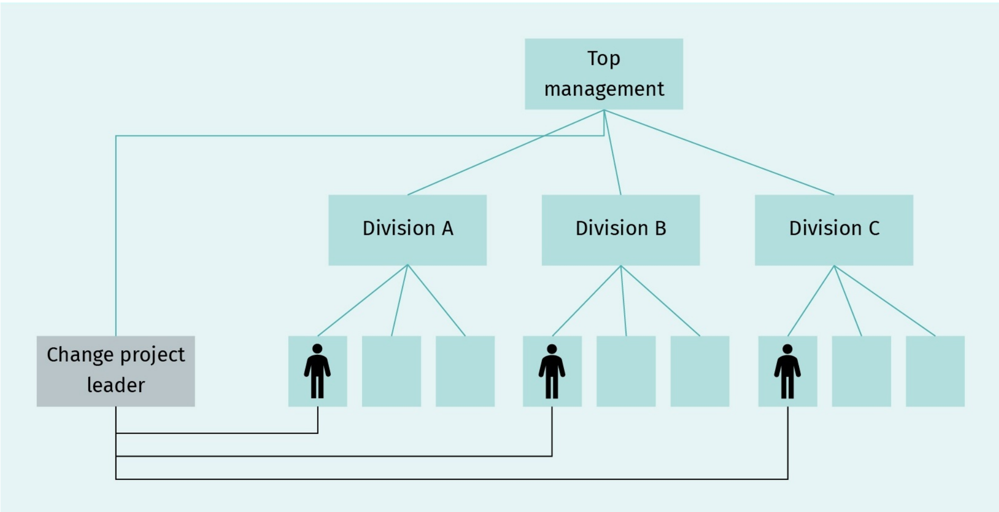
- conflicts of interest between project leaders and other supervisors
- competition for resources (prioritization rules may be required)
- long-winded decision-making processes
- little focus on and identification with the change project (due to the part-time integration)
- lack of accountability for the change project

Matrix Project Organization

Matrix project organizations are two-dimensional organizations that have (at least) two different reporting lines. One of the reporting lines goes to the change project leader, while the other leads to the regular supervisor within the primary department or division structure. Similarly to staff project organization, the employee is a member of their department or division, as well as a limited-time project member. In contrast to staff project organization, the project leaders in a matrix structure represent an equally disciplinary reporting line and have significantly more power. However, conflicts regarding the use of resources can also occur in a matrix project organization.

Matrix project organizations
In this type of project organization, the project leader has disciplinary power over the project members. Thus, the employees have two superiors at the same time.

Figure 21: Matrix Project Organization



Source: Dirk Steffens (2022).

Matrix project organization includes the following advantages for change management:

- better utilization of employees

- clear responsibility for the change project
- conflicts and negotiation between supervisor leading to innovative solutions
- department structure remaining unchanged

Nevertheless, matrix project organization also includes the following disadvantages:

- high potential for conflict
- conflicts and contradictions through two reporting lines
- extensive communication processes
- threat of information loss
- cost-intensive and bureaucratic structure

It is necessary to establish some criteria for the suitability of these three different forms of change project organization for specific situations. While it is important to keep in mind that universal rules do not exist and that many additional organizational solutions exist, several guidelines can be enunciated. The figure below shows a selection of decision-making criteria for selecting the organizational positioning of a change management task.

Figure 22: Criteria for Organizational Forms of Change Management

Criteria	Line project organization	Staff project organization	Matrix project organization
Interdisciplinary change			✓
Short project duration		✓	
Medium project duration			✓
Long project duration	✓		
Small change project		✓	
Medium change project			✓
Large change project	✓		
High strategic importance and/ or economic risk	✓		

Source: Dirk Steffens (2022), based on Vahs (2019).

The other dimension of organization refers to the process rather than the hierarchical position. This can be summed up under the project management approach of change management. As project management is a discipline with a long history and a broad field of application, a multitude of different theories, philosophies, techniques, and instruments could be mentioned here. For example, the large number of different approaches to project management becomes apparent in different project management standards, certificates, and study programs. All of these knowledge bases can be applied to change management projects, but this leads to a variety of options that is confusing rather than supporting. The extensive range cannot be covered here, so we will focus on an example of a project management approach that is as popular as it is versatile—Agile project management. We will also briefly discuss an example of an Agile method: Scrum.

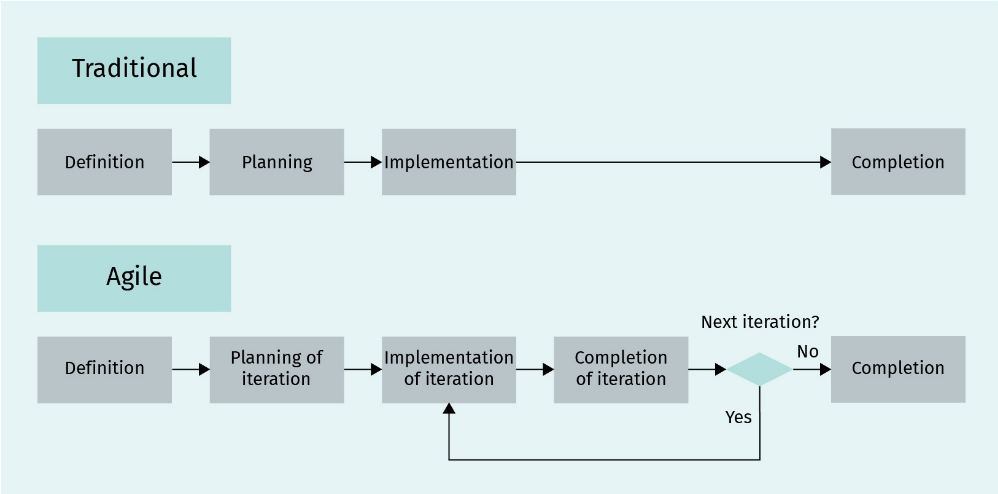
Agile Project Management

Traditional project management is often associated with the waterfall approach. While project management methods belonging to this approach are planned exactly, well-documented, and often highly standardized, these advantages come with several downsides that are especially unfavorable for change management: they are considered bureaucratic and inflexible. In 2001, several critics of these traditional project management styles published the *Manifesto for Agile Software Development*. The following are the core principles of the manifesto (Beck et al., 2001):

- individuals and interactions over processes and tools
- working software over comprehensive documentation
- customer collaboration over contract negotiation
- responding to change over following a plan

While the manifesto was originally conceived solely for software development projects, its basic ideas and general philosophy have widely been adopted in project management outside the software industry.

Figure 23: Traditional versus Agile Project Management



Source: Dirk Steffens (2022), based on Wysocki (2019).

Agile project management
This type of project management is flexible and adapts to changes during the project. It was originally developed for software projects to allow for modifications because of changed customer requirements.

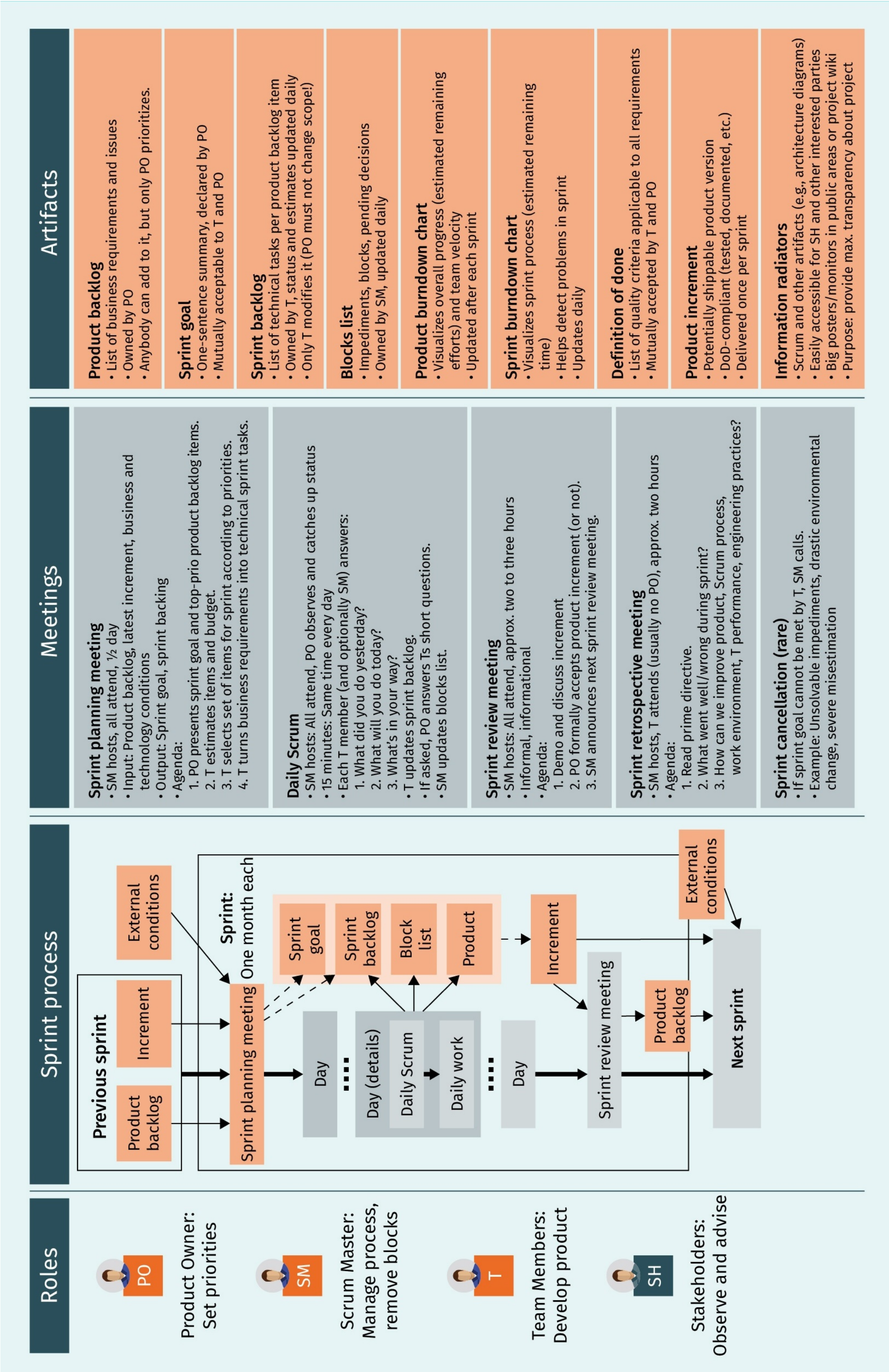
Substantial differences between traditional and **Agile project management** are, for example, the different ways of planning (Wysocki, 2019). In traditional project management, objectives for the project are defined first, and then plans are derived from these objectives. These are operationalized in project steps with milestones. Each milestone can represent the decision of whether to carry on with or stop the project. Results for the milestones are defined in advance. This comprehensive, proactive, step-by-step planning is also called incremental.

In contrast, Agile project management follows an iterative approach. The individual steps are not defined in advance, but only after the completion of an iteration. Thus, the project can flexibly adapt to changed circumstances. In traditional project management, quality and features of the project outcome are determined in advance; cost and timeframe are estimated afterwards based on these determinations. In Agile project management, costs and timeframe are determined in advance, whereas quality and outcome can only be estimated, as they are constantly subject to negotiation during the entire project. Agile project management is not a set of well-defined methods and tools; rather, it consists of a general attitude and basic values. Hence, to operationalize Agile project management, several methods have been developed to provide project managers with specific instruments.

Scrum

One of the most prominent Agile methods is Scrum. The term originally stems from rugby where “scrum” describes a huddle of players at a certain point in the game. The rules of the game clearly define when the players should huddle and what the purpose of “scrum” is. The Scrum project management method takes on the idea of relevant team members regularly huddling together as a central part of the project. Scrum has a number of clearly defined roles and activities that are depicted in the figure below.

Figure 24: Overview of Scrum



Source: Wake & Kriegisch, (2010).

7.3 Controlling and Evaluation of Change Projects

The famous phrase "If you can't measure it, you can't manage it" can be applied to change management. As with other functions and disciplines that focus on complex and qualitative goals, this is a major challenge for change management. In principle, performance measurement relies on the measurement of input and output of business activities and the determination of their proportion. For change management, this means that the input of a change project should be put into proportion with its output. Whereas the input of a change project can usually be measured by its costs, this does not apply to the measurement of output for most change projects. For a process improvement project in manufacturing, the output of a change project may be quite easily measurable by metrics such as savings, reduced cycle time, or reduced waste. For a culture transformation project, however, the effects of the change cannot be directly quantified by similar variables. Even if the financial performance of a company increased after implementing a culture transformation project, such as a new purpose-based culture, the notion of a direct cause-effect-relationship would be naïve. Claßen (2010, p. 51) established the following challenges of performance measurement for change management:

- The costs of change management are easier to measure than its benefits.
- Costs of change management occur earlier than the benefit, and a cost-benefit analysis can only be made at a late stage.
- Benefit is often only emotionally and qualitatively measurable.
- The isolation of a change project as the single or predominant cause for a supposed effect of a change is not possible. The cause-effect relationship cannot be undoubtedly proven.
- The measurement itself causes significant costs and is not always justified by the gained insights.
- For projects that seem to have gone smoothly, a retrospective cost-benefit analysis is often not made; this hinders learning effects.

In general, there are two approaches to change controlling: quantitative and qualitative. The proponents of the quantitative approach favor financial measures for the change success. This preference is substantiated by an empirical study by Rehn (2014), which demonstrates the preference for quantitative metrics in change management. When managers were asked about the efficiency criteria they use in change management controlling, the following ranking order was produced (Rehn, 2014, p. 14):

1. Cost efficiency
2. Financial indicators
3. Progress versus implementation schedule
4. Sales data
5. Operational data
6. Customer satisfaction
7. Depends on the change project
8. Qualitative description of the situation
9. Periodic qualitative description of the situation

10. Informal comments from customers
11. Employee survey

Performance measurement for change management would ideally result in the determination of a measure **return on change**, which determines—just like the return on investment (ROI)—the exact ratio between costs and benefits of a particular change project in financial terms. There have been several attempts to determine such an indicator. For example, the already existing measurement tool of a balanced scorecard can be adapted to the particularities of change management (Vahs, 2019, p. 407). Advocates of a qualitative approach to change evaluation argue that the objectives of most change projects are non-quantifiable (e.g., motivation, engagement, and culture change). Hence, their line of reasoning is that qualitative goals can only be measured and monitored with accordingly qualitative measures.

Return on change
The idea to measure all costs, as well as the benefit, of a change project and put them into proportion is called return on change. It is similar to the concept of ROI.

An example of a qualitative approach is change monitoring (Rank & Neumann, 2017). This approach is based on the qualitative research approach. By determining deviations from the original plan with qualitative measures, such as surveys and interviews, it measures change and its success in a formative evaluation. The emphasis is on the process of change management rather than the results.

SUMMARY

Change management can be modeled in several stages that are characterized by change tasks and potential mistakes. Skipping stages is not advisable, as it will likely result in project failure. The organizational forms for change management are line, staff, and matrix project organization. Line and matrix project management are best suited to complex and extensive projects. However, staff project organization is less costly and adequate for smaller change projects with a limited scope.

Agile project management is an appropriate approach for change projects: Its flexibility during the project means that altering requirements and conditions can be incorporated. However, Agile change projects are not automatically faster than traditional projects. As it is hard to quantify the outcome of a change project, the evaluation of change success is a challenging management task. Hence, qualitative approaches to change evaluation are often used.