CHANGE MANAGEMENT EMPLOYEES' RESISTANCE TOWARDS ORGANIZATIONAL CHANGE

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Abstract

The paper presents the results of a study carried out using data from the AnticrisisManager platform, in order to identify the Romanian economy areas that offer the biggest opportunities for change. The model used in this study allows ranking the economic sectors on a scale from 1 (low variation/ risk) to 10 (high variation/risk), each industry / sub-industry being correlated with a risk factor. Taking into consideration the high rate of failure for change projects, approx. 70% according to the published work in this area, the paper also identifies the main causes of resistance to change, the levels of resistance, as well as several strategies for overcoming resistance to change.

Keywords: organizational change, change management, resistance to change, risk of economic sectors

Change management is a comprehensive field that must be approached in a proactive and systematic manner to enable its integration in the development strategy of the company. It was designed to support the effective transition to a superior phase, supporting the management team to effectively conduct the process.

WHAT ARE THE ECONOMIC ACTIVITIES IN ROMANIA WHICH HAVE THE GREATEST NEED FOR AN EFFICIENT BUSINESS CHANGE PROCESS?

In an attempt to identify areas that demand the greatest need for change, it were used the results provided by AnticrisisManager platform, which conducted a research on assessing the variation of economic results of the major companies in the Romanian economy.

The above mentioned research reveals data on the variation coefficient of some representative economic indicators of the 155 sub-industries, grouped into 27 industries, analysing approx. 35,000 companies. The model condenses a set of relevant parameters for the situation of companies from each sub-industry (change in turnover, change in employees number, net profit margin, inventory turnover, receivables turnover) into a single indicator of risk (variation) expressed on a scale from 1 (low variation/risk) to 10 (high variation/risk), each industry / sub-industry being correlated with a risk amplitude. Risk status was calculated by weighting the evolution of the analysed parameters during the whole crisis period (2008-2012) and in the last reported year (2011-2012).

Overarching hypothesis is represented by the idea that, in economic sectors with the greatest dispersion of the parameters, there is:

- a big difference between management skills of the leading teams;
- limited understanding of the evolution of the economic sector, as a whole, and/or of the direct competitors;
- a different adjustment of the companies to current economic environment (in general) and to their economic sector conditions (in particular);
- a strong influence of some special factors that increase the performance gap in the respective sub-industry.

Under these circumstances, sectors where there is the greatest discrepancy– variation of the business parameters –are represented by the sectors with the highest risk, triggering the highest need for change. Simplifying, change can be done at two levels:

- from the less favourable zone to the average one (companies that need to improve the activity and bring the performance parameters close to the average of the sector);
- from the average to the most favourable zone (sector offers opportunities for obtaining exceptional results, fact proven by the existence of companies with very good results).

According to the results obtained in the research, industries with the highest degree of variation are: Glass &Ceramic (8.0), Real Estate (6.0), Beverage (5.8), Food (5.3), Machines&Equipment (5.0).
Ranking made for the 155 sub-industries revealed that the riskiest areas are: Manufacture of electrical &electronic equipment (9.8),Real estate agencies (9.6), Construction of utility projects for fluids (8.7), Retail in specialized stores (8.6), Manufacture of communication equipment (8.5).

HOW EASY IS THE IMPLEMENTATION PROCESS OF THE ORGANIZATIONAL CHANGE?

Planning of any major change in a company is much easier than implementing it. In 1995, John Kotter published a research which concluded that the success rate of the change programs was 30%!!!

Later on, in 2008, a study conducted among managers by McKinsey&Company shown that the success rate still remains at 30% level. According to a recent article on change management, published by Parker Avery Group, more than 60% of the planned changes are not implemented successfully, primarily because the company's employees and even managers resist change.

It seems that the "change management" has not changed much. An in-depth analysis on the causes of failure shows that the majority of programs are hindered exactly by the thing they are trying to transform: the employees' attitude and management behaviour.

THE CAUSES AND MANIFESTATIONS OF EMPLOYEE RESISTANCE TOWARDS CHANGE

"When a body acts on another body
with a force called Action Force,
the second body also acts on the first one
with a force called the Reaction Force,
with the same magnitude and direction,
but with an opposite sense."
(The third principle of mechanics
- John Newton)

By extrapolating Newton's Principle of action and reaction to the situation of an company, as an independent entity, it can be said that the application of a force or pressure on it, in order to generate a change towards a new situation, will generate an opposing force, called ***resistance to change***.

In the case of a company, the forces which generate change might be:

- ***external***: the emergence of new technologies on the market, legislative changes in the field, the appearance / disappearance of competitors etc.;
- ***internal***: organizational chart adjustments by hiring/layoff, launch of new products, obsolete equipment and/or processes etc.

The specialized literature shows various ways to express resistance to change:

- ***open or explicit expression***: strikes, reducing productivity, permanent disputes between employees, workplace negligence, subversion, sabotage etc.;
- ***concealed or implicit expression***: reduced level of employee motivation, delays and resignations, low morale etc.

Causes of employees resistance to change

Eugen Burdus proposes in his book “Organizational Change Management” various causes for individual resistance to change, which include:

- ***selective attention and memory***. People’s perception regarding the proposed change in the organization depends on their perspective on the world–given by the education, age, interests, available information. In this framework, people only take partial information on the change, filtering out elements that force them to leave the „comfort zone” and getting, in this way, an incomplete picture of the change process.
- ***employees’ habits***. Organizational changes which require changing habits of the employees will encounter resistance, because any change in personal habits requires effort and, therefore, getting out of personal comfort zone.
- ***dependence on other people opinions***. People in the organization will depend, from psychological point of view, on opinions, attitudes and behaviour of other people in the organization, informal or formal leaders. Dependence on other people’s opinions can lead to delays in implementing the change process, generating resistance.
- ***fear of the unknown***. Unrest, up to fear the unknown, can occur both among employees - who do not know or understand how the change will affect the organization - and among managers, who might avoid certain decisions that involve a degree of high accountability.
- ***economic reasons***. People oppose changes that lead, directly or indirectly, to lower personal revenues.
- ***lack of safety***. Any change requires, at the individual level, getting out of the comfort zone (known situations associated with the feeling of safety).

Levels of individual resistance to change

Rick Maurer, a well-known U.S. consultant specialized in change management, underlines the fact that two thirds of organizational change initiatives fail and that the majority of large companies' managers indicate resistance to change as the main cause of failure.

These statistics are soften by mentioning that the real problem is not necessarily resistance to change but the fact that leaders plan and implement changing plans in ways that generate inertia, apathy and opposition among people in the organization.

Resistance is a reaction to the way in which the change is managed, and people who resist don't intend or don't realize this - they are looking to survive. In essence, Rick Maurer proposed, as a starting point in overcoming resistance to change, the question "what causes resistance?" and identified **three levels of individual resistance to change**.

a) First level of resistance

First level of resistance or ***the rational level*** ("I don't understand") refers to the informational aspects of change - logical arguments, presentations, statistics etc. and it can be generated by:

- lack of information about the proposed change;
- disagreement with / disapproval of the interpretation of the information provided;
- ineffective or insufficient communication of the essential information about the proposed change;
- confusion about the meaning of change - due to lack of clarity in communication.

Among the strategies applied to overcome the first level of resistance to change there are:

- ***highlight the need for change***: communicating clearly and providing accurate and precise reports on the need for change may be sufficient to overcome this type of resistance;
- ***use appropriate language***: presenting the change ("why?" and "how?") in a clear and simple language, in order to be fully understood by all employees;
- ***adapt (to the audience) the messages regarding the change***: presenting information in more alternatives because people take information in different ways, depending on their interests and their understanding.

b) Second level of resistance

Second level of resistance or ***the emotional level*** ("I don't like IT") is the emotional reaction to change and is rooted in fear, generated by the desire to survive. At this level the communication becomes difficult.

Most of the times the working environment doesn't encourage emotional expression, so the majority of the employees leave unexpressed these issues or simply aren't aware of them and are limited to express opposition featured to level I. Even though the emotions generated by the change are not visible or expressed, they should not be ignored in the process of change management.

Overcoming this resistance level is possible by **recognizing its existence and providing a favourable communication climate**. Also, bear in mind that resolving these issues is done in slower and / or unpredictable rhythm than other aspects of the change.

Among the strategies applied to overcome the second level of resistance to change there are:

- ***emphasize the benefits of change***: at *organizational level* (increase in market competitiveness, increase in sales etc.) and at *individual level* (improve in labour relations, increase in job security, improve in career opportunities, higher wages etc.);
- ***ensure employee involvement in the process of change***: people tend to support initiatives in which are directly involved and have a contribution;
- ***have honest communication***: if the change affects employees in a negative way this should be communicated clearly and honest from the beginning, thus avoiding rumours and creating respect and trust towards leaders.

c) Third level of resistance

Third level of resistance or ***the relational level*** ("I do not like YOU") refers to employees' personal trust towards leaders. In this case people understand the idea proposed (level I), accept and look positive to change and results (level II), but resist to the person who proposed the idea due to lack of confidence.

Among the strategies applied to overcome the third level of resistance to change there are:

- ***take responsibility***: leaders take personal responsibility for actions and situations that led to tense working relations, earning the respect of the employees;
- ***meet the commitments***: leaders meet personal commitments regarding strategies, actions, timelines, results, etc.;

- ***act for mutual knowledge***: leaders are responsible for creating conditions, in terms of time and opportunities, for mutual understanding between employees and managers;
- ***use communication and negotiation***: leaders can assimilate the ideas and suggestions of employees, ensuring constructive communication and improving labour relations.

Beyond classical approaches related to resistance to change, Romania has a specific feature of the problem, given the mentality of our people; it is well-known over trust, overvaluation of self-skills over other persons skills ("I'm more capable/better trained, more ... than the rest"); in our country this is dangerously paired up with the underestimation and lack of confidence in the "rest" (other colleagues, other people, society - in general). This can only hinder the acceptance of different opinions and increase resistance to change...

CONCLUSIONS

The paper starts from the results of a study carried out using the AnticrisisManager platform on a sample of 35.000 Romanian companies from 155 sub-industries, grouped into 27 industries, by analysing economic parameters during the financial crisis (2008-2012), in order to identify the areas that offer the biggest opportunities to change. The economic sectors are ranked using a single indicator of risk (variation) expressed on a scale from 1 (low variation/risk) to 10 (high variation/risk), each industry / sub-industry being correlated with a risk level.

According to published data, the rate of failure of change programs is approx. 70%. Most authors agree that the main cause of failure is the opposition against change from the people in the organization, both employees and leaders.

The employees' resistance to change can be generated by internal or external causes and can manifest openly (explicitly) or concealed (implicitly). Some of the causes of individual resistance to change are: selective attention and memory, habits, dependence on other people opinions, fear of the unknown, economic reasons, lack of safety, etc.

Three levels of individual resistance to change are identified: rational (informational aspects of change), emotional (emotional aspects regarding change) and relational (relationship aspects between employees and change leaders). Each level has its own strategies for overcoming resistance, the common element being good communication between employees and leaders: honest and transparent, inclusive and constructive.

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