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Employees' resistance towards organizational change

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<p>The current business environment is extremely unstable and is evolving at a very high pace, making market players adapt and change rapidly and nearly continuously. Therefore the topic of organizational change and its challenges becomes crucial.</p> <p>The subject of this thesis is organizational change and employees' resistance to it. Among the questions raised are the circumstances under which change occurs, the purposes of change and its variations, the entire transformation process and what should be considered in order to achieve a successful result, the consequences of change implementation as well as mechanics of employee resistance, its possible reasons and solutions to mitigate the resistance.</p> <p>The main methodology to be used in this thesis is a theoretical descriptive survey on data from management theories in order to provide an accurate representation of employees' resistance phenomena towards organizational change and answer research questions on theoretical level.</p> <p>The study revealed that planned organizational change is a long-term process often associated with large investments and exposed to high risk. In order to be successful in this process owners of the business need to consider their human resources and work with employees' capabilities, motivation, loyalty and commitment levels as well as with their willingness to learn.</p>	
Keywords	Organizational development, resistance to change, change agent, change management

Contents

1	Introduction	1
1.1	Research methods and methodology	3
2	Organizational change	4
2.1	Categories of change	4
2.2	Organizational development	6
3	Change management	8
3.1	Creating culture for change	8
3.2	The process of change	9
3.3	Change agent	12
4	Resistance to change	14
4.1	Potential reasons for resistance to change	14
4.2	Goal conflict and behavioural theories	15
4.3	Principal-Agent theory	18
4.4	Stress	20
5	Overcoming resistance to change	23
5.1	Sources of resistance	23
5.2	Possible tactics to overcome resistance	24
6	Managing change	27
6.1	Lewin's three step model	27
6.2	Kotter's eight-step plan for implementing change	29
7	Conclusion	44
	References	46

List of abbreviations

ApAp	approach-approach conflict
ApAv	approach-avoidance conflict
AvAv	avoidance-avoidance conflict
CRM	customer relationship management
LMS	learning management system
OD	organizational development
PA	principle-agent theory
PC	process consultation
SSOP	specific standard operating procedures

1 Introduction

In a modern dynamically changing global market, international companies have to evolve rapidly, keep pace adapting their strategy and increase production efficiency continuously to be able to survive and compete. Therefore, they are themselves often unstable environments, experiencing frequent organizational changes and challenges tied to those.

There are various definitions for organizational change: for example Cawsey and Deszca (2007) describe organizational change as a planned alteration of such organizational components as mission, vision, strategy, goals, structure, process or system, technology, and people in an organization to improve the effectiveness of the organization.

Although firms are legal entities and market players, the employees driving their success and bringing profits are only humans. Thus it's important to consider not only the economic and market perspectives of business processes and optimization, but also think of human resource management and the way the company's decisions towards enhancing efficiency of the workforce affect individuals, their professional satisfaction and motivation. Humphrey, Nahrgang and Morgenson (2007) mention recent studies demonstrating that even when employees are showed data, which suggests they need to change, they rely on any other data they can find that suggests they don't. This study outcome illustrates that employees' resistance is a common human reaction and often becomes an internal obstacle in change implementation within the organization. Cawsey and Derzca (2007) draw our attention to the importance of management comprehension of the situation dynamics and key people positions in the team as often employees' resistance is based on differences in beliefs, needs and perception between them and the firm.

Wray and Fellenz (2007) stressed the importance of communication quality during the change period. Since communication and organizational change are strongly linked, both formal and informal communication play a significant role. In this sense a lot of attention should be drawn to the formation of an internal corporate message motivating the change and explaining the employees the benefits of its results.

Profit maximisation naturally is one of the major goals for any firm; whereas its employees also have their own individual goals. Usually employees' goals and the goals of the company are aligned by the corporate culture, mission, vision and values shared all across the company. Organizational change may become a reason for weakening of the corporate culture acceptance. When the employee starts doubting the company's vision and mission, and ceases to share common company goal, the goal conflict between the individual and the firm appears.

Schraeder (2001) in his study mainly focused on organizational commitment. He assessed potential resistance to a planned merger by examining the link between individual perceptions of organizational success, job security, and communication and organizational commitment. He found that the higher the commitment of the individuals was, the more likely they were to support the change, whereas individuals with lower commitment to the organization showed stronger resistance to the merger. The results of this work demonstrate a negative correlation between organizational commitment and resistance to change.

Organizational change is inevitable and is usually connected to additional investment, thus it is a costly and long-term process with direct and indirect effects on business. Therefore the deeper understanding of change mechanisms is essential for its success and for competitiveness of the firm in the market. The reasoning above led me to choosing an organizational change and employee's resistance towards it as a topic of the Bachelor Thesis, studying the theoretical side of the field and to make educated conclusions consistent with the essence of the scientific knowledge acquired.

1.1 Research methods and methodology

The purpose of this theoretical study is to understand the forces causing conflict between employees (individuals) and the firm (management/owners) in the process of organizational change; study how goal conflict may affect employees' motivation and attitude, describe possible solutions to overcome employees resistance and minimize negative effects of conflict between employees and the firm.

The main research questions can be summarised as follows:

- What are the main forces for organizational change?
- What causes employees' resistance towards this change?
- What are the possible solutions to decrease negative effect and intensity of this resistance?

The main methodology to be used in this thesis is a theoretical descriptive survey, where secondary data from a sample of management theories and studies is to be analysed to provide an accurate representation of employees' resistance phenomena towards organizational change and answer research questions on a theoretical level.

The theories to be considered are principal agent theory, goal conflict theory and theories to describe principals of organizational change and resistance.

The outcome for this work is an accurate generic survey study of theories behind organizational change and its causal connections: goal conflict theory, employees' motivation, attitude and resistance; analysis of possible solutions to mitigate employees resistance.

2 Organizational change

Swarnalata (2014) insists that organizations must develop adaptability to change otherwise they will either be left behind the competition, or be destroyed by constant inevitable change. Swarnalata refers to change as any alteration which occurs in the overall work environment of an organization, including adjustments of structural relationships and roles of people in organizations.

There are multiple alternative definitions to change: for example Rosabeth Moss Kanter (1983) defines change simply as a disruption of existing activities. She advocates change, arguing that change opens new opportunities for employees and creates their anxiety giving them a chance to start all over.

Fred Luthans (1998) gives a more complex and descriptive definition, referring to the term organizational development as a synonym of change. According to his view organizational development is a long-range effort to improve an organization's problem-solving and renewal processes, particularly through a more effective and collaborative management of organizational culture – with special emphasis on the culture of formal work teams – with the assistance of a change agent, or catalyst, and the use of the theory and technology of applied behaviour science, including action research.

2.1 Categories of change

Andrzej Huczynsky and David A. Buchanan in 2007 suggested that change types could be classified based on triggers. In particular, they define two large groups of triggers: external and internal, where external forces are linked to the general environment and can be economic, international, cultural political, legal dimensions. Whereas internal forces are developing within the company and are derived internally. Those are (corporate culture, organizational strategy, structural changes, innovations in technology, office relocation etc.).

Huczynsky and Buchanan give us a metaphor for change by Kurt Lewin (1951): Lewin suggests that there's a need to "unfreeze" the current state of affairs to move to a designed new state, then to "refreeze" and stabilize those changes, meaning that change can be more than just a reaction of the organization to the given

circumstances, internal or external. In fact it can also be a planned strategic action with a purpose to improve. This leads up to the idea of planned and unplanned change.

In planned change the direction of change is controllable. Unplanned changes are impossible to foresee, they occur independently. Later in this study we will only focus on planned change.

Looking closer at the organizational development definition by Fred Luthans given above, one can find that change can be used as a measurement or a solution to complex issues in the organization, or/and to improve and increase effectiveness of various processes in the organization.

Schein (2002) defines adaptive and proactive change. All day-to-day organizational transactions, when the organization is changing one of its core attributes to fit the environment, would belong to the adaptive type of change. Proactive change is an advanced development looking into the future, securing against future threats and potential problems.

Rosabeth Moss Kanter (1992) and Burnes (2004) both describe incremental and radical change. Incremental changes are very small, mostly not noticeable and usually represent a slow long-term transformation. It is also known as the first order change, whereas radical change is known as the second order change or transformational change. Radical change is defined as short term, straightforward in action. Examples of radical changes are mergers, acquisitions and disposals.

Weick and Quinn (1999) suggest that change can be episodic and continuous. Episodic change is a disruption of the current static order and can often be dramatic. It usually has an external trigger and is seen as a failure to adapt to the changing environment. Continuous change is described as an on-going process that never starts because it has no ending. Definition of continuous change is closely connected to processes of constant development and organizational learning.

There are multiple points of view on concept of organizational change, therefore lots of definitions and classifications. For this study we will further define organizational change as a planned alteration of such organizational components as mission, vision, strategy, goals, structure, process or system, technology, and people in an

organization to improve the effectiveness of the organization. This definition was designed by Cawsey and Deszca (2007).

2.2 Organizational development

According to Robbins and Judge (2012) organizational development (OD) is a modern approach, which represents a collection of change methods that are meant to improve organizational effectiveness and employees' well being. This contemporary approach focuses on the value of employees as individuals and their subjective perception of the environment. Participative processes, collaboration, team spirit and inquiry take central place in their OD concept.

Below are the key values in most OD efforts:

- Respect for people

Individuals are perceived as responsible and caring, they should be treated with respect and dignity.

- Trust and support

Transparency and trust are key characteristics of an effective healthy organization. It's an open environment with a supportive climate.

- Power equalization

Effective organizations decentralize the management and minimise emphasis on hierarchy, control and importance of authority and subordination.

- Confrontation

Open confrontation of the problems for finding the best solution.

- Participation

Employees should be engaged in the decisions regarding change, which will increase their commitment to implement it.

Common OD techniques:

- Survey feedback

Sometimes held anonymously, it's a great tool to assess the attitude of each individual across the organization. Questions are usually formed to gather perceptions of the group members on the organizational processes such as communication flow, decision-making processes, general satisfaction with organization, working environment, level of tasks, coordination between units, management style. These feedback questioners help to identify existing issues and improvement areas, guiding the change direction to mitigate difficulties employees might experience within the organization.

- Process consultation (PC)

Often managers are able to sense a need for change, but not exactly sure what should be changed or how. According to PC in such cases the manager needs an outside consultant to coach and help understand what needs to be improved. Although consultants don't solve the problems of the organization, they guide a manager through the process of perception, understanding the situation, and acting on it upon process events. By the time consultants leave their clients (managers), the latter develop the skill to analyse the process within their teams and continue to use it long after the consultant has gone.

- Team building

If organizations are highly dependent on teams accomplishing their tasks, then the team building process becomes increasingly important. To be effective and able to achieve the best result, teams must act as one single well balanced mechanism. Team building uses intensive highly interactive group activities to live through group development phases in a short time and reach a productive group dynamics through increasing trust, openness among group members, improving interpersonal relations, coordinative efforts and team performance as a result.

3 Change management

3.1 Creating culture for change

Robbins and Judge (2012), when studying some recent organizational change scholarship, noted that the modern approach to change focuses not on adaptation mechanisms of the firm, but on creating environments for change and making change and innovation part of corporate culture. They introduce innovation, make it one of the organizational core values together with learning, and then translate it as one of the corporate advantages and qualities every employee should have.

There's no unified algorithm for a company to become more innovative. One of the definitions of innovation by Kanter (1998) tells us that it's a type of change, which is represented by the new idea, which is used to introduce or improve a new product, service or process. Innovation is always related to change, although not every change can be associated with innovation, since not all changes are linked to implementing new ideas or improvements. Some organizations are more receptive to innovation, whereas others avoid risk connected to it.

Christensen, Bohmer and Kenagy (2000) divide innovation into two types:

- Sustaining innovations

Such innovations improve existing products, services or processes, for example: new capabilities for a smartphone, or enhanced car engine.

- Disruptive innovations

Such innovations introduce something totally new, like a car engine or a smartphone when they were first launched onto the market. Disruptive innovation can be harder to manage since it is connected to higher risk and contains no algorithm for its implementation.

Innovative organizations tend to have similarities in corporate cultures. They cultivate and encourage experimentation, they reward any result, either success or failure, they don't punish mistakes. Within the human resource category innovative firms pay a lot of

attention to training their employees, offer high job security to mitigate employees' fear of being fired because of a mistake, and promote change, creativity and innovation as part of the corporate culture.

Once a new innovative idea is invented, (so called by Robbins and Judge) 'idea champions' get involved, promoting the innovation and serving as change agents: supporting change, helping to overcome resistance, assisting with implementation. Common personality characteristics for idea champions are: self-confidence, energy, and willingness to take risk, natural charisma and skills to inspire others. They also have some leadership qualities and easily gain commitment of others. Idea champions are especially helpful when taking decision-making positions.

3.2 The process of change

There are many approaches and theories looking at process and context of change from different angles and perspectives. For example Pettigrew (1987) argues that change can't be simple and there can't be just one single reason for it. Instead he suggests that the nature and outcomes of change are influenced by multiple external factors – political, social, organizational, group or individual. Considering change to be a mixture of individual perspectives, leadership vision, all combined with 'power plays' to pull certain ideas and create coalitions behind them Pettigrew points out that change analysis should take wider perspective in consideration and study the process of change in context.

Kotter (2010) points out that to be implemented change has to be supported by the head of the organization; besides he argues that prominently all management staff must be committed to support this change.

Kotter (2011) notes that many major change initiatives fail in implementation due to lack of understanding from the management side that change is not an event, but a process, sometimes a long term one and can take not months but years of consistent work. Being pressured by business goals, managers tend to accelerate the process of change, declare their victory too soon, therefore they lose the momentum for change and waste the entire transformation effort.

'Processual/contextual theory' is another well-known theory. It was created by Patrick Dawson (2008) and advocated by Colins (1998). According to this theory substance, context, process and organizational change outcome are directly connected. In fact the way first three interact influences and determines the outcome. The core idea which 'processual/contextual theory' was based on is that an organization's state is not static, it's constantly moving from one state to another during the process of change.

According to Dawson (2008), to better understand the process of change one needs to consider the following factors:

- Past, present and future context – just like Pettigrew (1987) Dawson was convinced that the context in which organization functions either external or internal is important to consider during the change analysis
- Substance of change – the process of change is not a standard algorithm and it will also depend on the type of change organization is going through (technological, change in organizational structure or other).
- The transition process – the timeframe given for change, exact steps and tasks related to it
- Political activity – internal (within the organization itself, meaning possible coalitions and power groups among employees; and external)
- Last but not least, interactions between all of the given factors.

Luthans stresses that history of past changes and decision making processes is often being neglected by the management when planning a new change, although it's a critical experience, which determines the way processes and reactions are shaped in the organization over time.

Dawson (2003) summarises 10 'general lessons' on change management and the process of change:

1. First lesson tells us that there's no universal algorithm for change or unified solution on change management

2. Context, either internal or external, is important to consider; people are the key and change strategies should be sensitive to that.
3. Change is usually a long term process
4. Perceptions and responses to change differ from one individual to another
5. Management can and should learn from past experiences and history of the organization
6. Learning processes in the organization must develop all the time, employees should be trained and looked over in new methods
7. Communication on change should be continuous and consistent on all levels
8. Change strategies should be adapted to specific organizational context and in consideration with the substance of change
9. Change is a political process
10. Interaction of all processes determines the outcome

Luthans (1998) claims that one of the advantages of a processual/contextual approach is that it's taking into account external circumstances in which change is taking place when looking at the process of change. This approach allows us to link the process of change with the organizational environment. It doesn't focus only on the momentum of change as a static event, but instead places change as a process on to the organizational development timeline, where there is past experience before change, change itself as a process and the future as an outcome. Given theory might seem overwhelmed with complexity and therefore seem confusing and unmanageable, besides they argue that influence of the circumstances and various external forces might be a little exaggerated, whereas the role of people involved in change otherwise underestimated. Also the processual/contextual approach is often criticised for being too general and not providing managers with exact tools for managing change.

Cyert and March (2002), working within the paradigm of the behavioural theory of the firm, highlight the flexibility of the nature of the firm and its adaptability, which depends

on standard operating procedures and decision rules. Standard operation procedures can be divided into general choice procedures and specific operational procedures.

General choice procedures are linked to a concept of uncertainty avoidance and simple rules maintenance. They are learned through the firm's past environmental conditions and internal constraints. General choice procedures tend to be extremely stable and change slowly in the long-term perspective and only under considerable pressure.

Uncertainty avoidance is related to an effort of the organization to possibly minimize its dependence on the future perspectives and expectations, which are by nature unclear. Firms try to establish rules and best practices in the market to minimize future uncertainty and make the market, competitors and their future behaviour more predictable. They tend to react to change fast and adapt their environments accordingly. In order to fight internal organizational uncertainty they establish internal policies, planning routines and budgeting.

Specific standard operating procedures (SSOP) are unique characteristics of the firm; they are specific for each organization. They can be adjusted more easily via change mechanisms. Specific standard operating procedures influence reactions of the organization to spontaneous situations and stimulations. SSOP can be classified by 4 subcategories: task performance rules, continuing records and reports, information handling rules and plans. Those rules and procedures determine how an organization will be receiving external information and which of that information will be perceived. This significant capability allows organization to filter the information flow and to recognize potential opportunities and threats; make decisions on resource allocation for both short and long term budgets.

3.3 Change agent

Buchanan and Huczynski (2001) suggest that a change agent is any member of the organization who is willing to promote, continue, support, sponsor, initiate, implement or help to deliver change.

According to Stratford (1995), a change agent can either be an internal resource or a hired external consultant. Robbins and Finley (2000) also argue that a change agent

doesn't have to have a managing role and is not necessarily an internal employee, but instead an external consultant.

Kanter (1989) identifies some skills that define a suitable personality for a role of a change agent. First of all they should be self confident, independent and able to work without management supervision and support, besides they should be able to work across organizational divisions and roles, multitask and adapt, be ambitious for achieving success and stake rewards, gain satisfaction from accomplishments. Other than that they should not only be able to cooperate effectively in a team but also compete in a way, which would initiate collaboration. In addition to that they should have a sense of humility, be able to build relationships based on trust and high ethical standards. As for the process of change it is essentially important that they support and respect the idea of change as such, as well as the content of particular changes.

Boyett and Boyett (1998) translate the idea by Kotter, who suggests that it would be much more effective if instead of one person there were several change agents who would form a change team since change event is too significant to depend on just one person. On the other hand a change team representing different roles from management and employees could be a great mechanism to drive change.

Buchanan and Huczynski (2001) point out that in large organizations the role of a change agent can be quite lonely and vulnerable. However as mentioned above such personalities are motivated by achieving success, therefore career rewards for change agents can be significant. They also mention that participation in strategic organizational change can make a very fast management career for the change agent, where as small and slow incremental changes really give rapid career boost results.

The main goal of change agents is to overcome potential resistance to change from other employees of the organization and encourage them to adopt new practices (Kanter, 1983).

4 Resistance to change

According to Keen (1981) resistance is the result of employee's reaction to organizational change. Buchman and Huczynski (2007) define resistance as employee's reluctance to change or inability to accept it since change is perceived as harmful or intimidating for the individual.

Robbins and Judge (2012) explain that since human egos are fragile, people tend to see any change as something threatening; therefore they try to find any data proving that change isn't needed. They specify several types of resistance. Among them are explicit and implicit, immediate and postponed resistance. They claim that for management it's easier to deal with instant open resistance such as complains or a strike threat. Hidden postponed or implicit resistance is a lot more challenging to identify and manage. Examples of such resistance can be an employee's loss of loyalty to the management and/organization, decreased level of motivation, increased errors or lack of concentration. Weeks or even years can pass before postponed or deferred resistance can show its signs.

Consequences of employees' resistance to change vary. Resistance can slow down or fail the change implementation process, decrease productivity, cause high employee turnover, urge employees' corruption; in negative scenarios it can even destabilize the organization and lead to its breakdown (Bryant, 2006; Coetsee, 1999). Therefore it's important to overcome resistance to change and mitigate possible consequences. To be able to cope with resistance it's important to understand its reasons in each and every case.

4.1 Potential reasons for resistance to change

David A. Garvin and Michael A. Roberto (2011) discuss that people are reluctant to change because they tend to hold to their habits and to their past experience. What worked well in the past is good enough for the future as well because they've always done it that way. They mention that resistance to change can be even stronger if leaders in the organization hold to their past success.

Robert Kegan and Lisa Laskow Lahey (2011) draw readers' attention to the problem of internal competition commitments employees might be dealing with. They suggest that

resistance does not always mean opposition to change. Competing commitment is a hidden side goal, which might contradict with the stated commitments. Although such behaviour can be unintentional, it serves as an obstacle for an employee to change. Kegan and Lahey also mention that even best and valuable employees might be caught with such inner commitments and get disrupted.

In order to eliminate consequences of such behaviour managers need to notice it first. That means to be more attentive to the employees and team members, sense change in their attitude. If there are noticed signs of any kind of work related competition commitments, take time to discuss and find out what exactly is happening together, act supportively helping such employees to become more effective and overcome the struggle and not search for his or her faults in their work or character instead.

4.2 Goal conflict and behavioural theories

A goal can be defined as a desired future state of business, which the organization attempts to achieve. Firms are guided by goals, they give direction, provide meaning and structure to the business processes. Goals of the organization can be divided into primary and secondary, where secondary goals are supporting the primary goal's attainment. The owners often see profit as a primary goal for the business entity since being profitable is essential for any business survival in the long term. In this case examples of secondary goals could be cost minimization, quality control, increase of productivity, innovation and product development, etc.

Goals of the organization tend to change over time via inner modifications of motivation, values and purposes by demand, new requirements and needs, or per market request.

There are two basic forms of goal change that can be found in literature:

- Goal succession, where when the current goals are achieved, the new goals are set up to follow.
- Goal change, on the contrary means that current goals are not to be achieved, but instead are to be replaced with the alternative goals. This type of goal change has two subtypes:

- Goal diversion occurs when there is an alternative goal which is to replace the current one
- Goal displacement occurs when the current goal is to be abandoned with no replacement.

Beside the company goals employees follow their personal goals. Personal (private) goals are those they desire to achieve as individuals. Goal conflict can shortly be defined as the process when two or more motives block each other.

Goal conflict occurs when the goal of the organization is incompatible with the employee's personal goals. In such case company goals are seen as inhibiting the personal goals' achievement. Personal goals will drive the actions of the employee, serving as a strong motivation factor.

Conflicting goals often become a source of employees' resistance holding back the attainment of organizational and personal goals, causing frustration and procrastination.

Luthans (1998) defines three separate types of goal conflicts:

1. Approach-approach conflict (ApAp), where an individual is motivated to approach two or more positive but mutually exclusive goals
2. Approach-avoidance conflict (ApAv), where the individual is motivated to approach a goal and at the same time is motivated to avoid it. The single goal contains both positive and negative characteristics for the individual.
3. Avoidance-avoidance conflict (AvAv), where the individual is motivated to avoid two or more negative but mutually exclusive goals.

All three types of conflict might in certain ways benefit the organization. ApAp conflict can be quite upsetting for a person, however it represents the better of two worlds. ApAv conflict arising over organizational goals may influence the planning and forecasting, forcing to make it more prudent. Even AvAv conflict may stimulate the person involved to examine and try to solve the problems causing the conflict.

In general to keep the balance management should get involved in resolving any kind of conflicts except those of ApAp type. According to a research conducted by Locke and Latham (1990) goal conflict may have a negative influence on employees' performance. Based on such findings some managers enhance computability and try to avoid any tensions between employees' interests or within the company goals.

There may be several possible reasons for the goal conflict phenomenon:

- One of the company goals is an obstacle for a personal goal achievement
- Dissonance between levels of the goals (personal and organizational)
- The organization is not considering employees' personal goals when setting up the company goals or compromising on them.
- Difference in needs and requirements between the firm and individuals and as a result dissimilarity in the grounds the goals are based on.

Often goals set by the company during the transformation process have negative impact on employees. When it comes to change the firm usually puts an emphasis on the business side of the goal-setting process. This can lead to an increase in intensity and amount of goal conflicts in a workforce and thus stimulate natural employees' resistance to alterations.

It is worth mentioning that goal conflicts are mutual struggles since for the company management looking from the business perspective it is as hard to acknowledge and accept employees' personal goals if they contradict with the company vision as for the employees is hard to accept and follow the company goals when they challenge an attainment of their personal objectives.

Cyert and March (2002), looking at goal conflict from the behavioural perspective in their study, also address a few concepts concerning the nature of conflict within the organization.

First they mention "quasi-resolution conflict", the idea that firms function with considerable latent conflicts of interests but do not necessarily resolve these conflicts explicitly at all. Cyert and March (2002) saw economic organizations as involving actors

with conflicting interests and identities not entirely resolved by employment contracts and organizational rules.

Secondly, they speak about the “uncertainty avoidance concept”, which explains how organizations naturally try to minimize their dependence on future expectations, and make the upcoming prospects more predictable. Thus firms attempt to control and manage the future outcome by monitoring feedback, reacting to change rapidly and negotiating their environments. Besides, on the market level they try to establish rules of best practices in order to reduce uncertainty in competition. To avoid uncertainty in the internal affairs organizations establish a budget, invest their effort in planning.

To stay competitive firms are not only obliged to follow the market trends but also to generally update their understanding of the world and follow the opportunities it can offer. As the world is changing constantly firms need to adapt. Their tastes and aspirations adjust, their management style and business goals shift. Transformation is an on-going process. However organizations need to be attentive to the effects changes put on the individuals that populate their divisions.

Companies that are unable to effectively learn and innovate will be slow in adapting to the changing environment, therefore losing their market position.

4.3 Principal-Agent theory

Principal-Agent (PA) Theory is based on the relationships between the employer (principal) and employees (agents). The basic structure of this relationship assumes that principal and agents are engaged in cooperative behaviour, though employees operate on lower-responsibility levels than the owners of the business, therefore have different exposure to risk and attitude towards taking it. The agency relationships can be generally described as those where the principal (firm) engages an agent (employee) to perform a service on behalf of the principal. (Jensen and Meckling, 1976)

According to PA theory there is a phenomenon called an “agency problem”. This problem focuses on two aspects. Firstly it refers to a goal conflict that occurs between principals and agents due to divergence of interests between them. Secondly, the

agency problem draws attention to a struggle of the principal to measure the effectiveness and output produced by the agent. (Eisenhardt, 1985)

The roots of the interests' divergence between the owners and the employees lie in the goal-setting area. Owners are assumed to be profit maximizers. Whereas employees are interested in having interesting job tasks, being granted power, being guaranteed a high job security; besides workers are concerned with a decent work/life balance ratio. Therefore the perception of every situation and its outcome differs between agents and principals. The divergence in perception and interests serves as a source for a goal conflict and an agency problem.

There are several variations to principal-agent theory. One of the most popular PA theories is described by Quinn and Jones (1995) as just an "agency theory" and it describes agency relations where employees are seen as agents who invest their efforts in the profit maximization for the principals (owners). In other words the goal conflict does not occur.

In this agency theory higher management is perceived as principals together with the owners, and middle management and lower represent the labour (agents). In such case senior management performs on behalf of the firm. Agents are expected to act in a way that supports the main goal of maximising value of the firm and its profit. According to Shankman (1999) this would work out only under the scenario of efficient markets.

Hill and Jones (1992) suggest three possible solutions to the agency problem. First, incentives are a great way to influence the productivity and motivate employees to prioritise the goal set by the employer among others. It definitely serves as one of the ways to eliminate the conflict between agents' and principals' goals. However incentives when set up right are extra costs to company. Otherwise if incentive is done at the expense of employees' salaries decreasing their income, they have a destroying effect for the motivation, cause resistance and lower the productivity and job satisfaction levels in general. Incentive should serve as motivation for an additional effort in exchange for an extra benefit.

Second, monitoring is also a way of measuring employees' performance. It is a mean of the analysis of the current working process mechanics and of the employees' motivation level towards the employer's goal. It can be realized with the help of the self

monitoring tools like LMS or CRM systems, project planning software etc. which requires an upfront investment and often annual maintenance costs. Another way to monitor the activities and outcomes of employees' work requires a lot more managerial effort. It includes one-on-one meetings with questions and answers on the working process and the results, extra reports requested from the employees to fill in manually if no tracking software is used; occasional managerial visits to the common working areas in order to observe the working process. Often it is a combination of tools that depends on the management resources and software budget size. The problem with monitoring and all the information that comes from this process is how to read and interpret the data. Especially in case of the software monitoring tools a lot of data comes in and requires a clever analysis in order to be useful.

A third solution lies in the contracting area and cooperation enhancement between the employers and employees. The more clear the expectations of both parties from each other from the very beginning the easier it is to fulfil them.

4.4 Stress

Gaining stress at work caused by extra workloads, longer shifts or change of the working environment etc. is common among the employees in a modern corporate world.

Although stress is a universal condition, reasons for it vary and depend on age and cultural background of the person. For example the generation of our parents would be more worried and stressed about job stability, whereas our generation is more concerned with work and life balance and can be more stressed of extra working hours than a changing company structure. Cultural aspects are also important.

According to Chen, Silverthorne and Hung (2006) there has been research showing that people with a cultural background in collectivist societies of Asia and Latin America tend to experience less stress from working longer hours than more individualistic societies of the west such as United States of America, United Kingdom and Canada. It can be explained with the fact that in collectivist societies working longer shifts is seen as an obligation and a sacrifice to provide family welfare, whereas in a more individualistic societies working extra is seen as taking the time from family.

Robbins and Judge (2013) give an adapted definition of stress originally given by R. S. Schuller in 1980. They identify stress as a sort of a physiological condition in which an individual can be confronted with opportunity, demand, or resource related to his/her desires and for which the outcome is perceived to be both uncertain and important.

They also argue that stress doesn't only have the negative side but also may lead to a positive outcome. Recent research results by Podsakov, LePine, and LePine (2007) show that there are different types of stressors. Challenge stressors are those associated with workload, pressure to complete tasks, and time urgency. They produce less strain and help in achieving results. The other type is hindrance stressors. Those are stressors that cause frustration and prevent individuals from reaching their goals.

Stress influences people's physiological and psychological state as well as their behaviour. Some often occurring symptoms of stress are change in appetite habits, inability to take small routine decisions, anxiety, irritability, rise in blood pressure volume, absent-mindedness, procrastination, accident proneness and the like.

The positive side of stress is used in sports where performers turn the energy and emotions stress brings into concentration in order to achieve the best possible result. The same applies to the professionals who use deadlines as pressure factor and a positive challenge that enhance their productiveness and increase satisfaction level from the completed task.

Another remarkable research finding by Diener and Seligman (2004) shows us that the way stress situation will influence the employees' performance depends on the motivation level loyalty to the management and company of each individual employee. It appears that employees with higher loyalty to the company and motivation level are able to transfer physiological stress into higher performance achieving a better result at their job whereas employees with low motivation and loyalty levels being under stress only demonstrate decrease in their productivity.

Although moderate stress can become a trigger for a productivity boost, employees and managers tend to judge differently on the job stress level deemed acceptable. The employee can perceive a stress level, which is seen as a booster by the employer, as an extensive pressure.

There are ways to reduce stress at work. The employee can use some techniques individually; others lie in the employer's responsibility field. Individual approaches to reduce stress level at work include using time-management techniques in order to structure workload and prioritise urgent and important tasks. Besides relaxation and meditation practise is helpful as well as sports. However it is worth mentioning that it is better to choose some non-competitive sport such as cycling, running or swimming. It will help to release the physical and emotional tension created by stress and since there would be no competition involved additional stress is not going to follow the exercise.

From the organizational point of view the best ways to reduce stress levels among employees is to provide them with the clear up to date information on the company, division goals, implementation plans with the milestones and the exact involvement of the employees in this process. The more clear the job responsibilities and goals are for the employees the less stress they are about to experience. Empowerment is a good example of stress reduction techniques that can be implemented by the company management. It is also believed that an employee with a little experience would experience higher stress levels than a more experienced one. Employers might consider this when hiring for a position that is believed to be stressful. That doesn't mean that only experienced labour should be hired though. Besides there are training programs that aim to train employees dealing with high stress level situations at work.

Although all the techniques for employers and employees are well-known we should keep in mind that employers still would be interested to keep stress levels acceptable at work on the moderate level and not eliminate it completely since they are concerned to move forward, adapting their way of doing business along the way according to the changing market, and that requires employees to be able to step out of their comfort zones in order to achieve a better result.

5 Overcoming resistance to change

5.1 Sources of resistance

The process of change creates conflict, tensions and pressure for individuals as much as for the group conformity, causing resistance. Sources of resistance can be classified as the following:

Individual:

- Habit – According to Robbins and Judge (2013) people naturally tend to rely on habits or programmed responses to simplify everyday duties. In a process of change when we can't use our habitual behaviour to accomplish a familiar task an inner conflict occurs. In other words stretching the habit causes resistance.
- Security – change seems unsafe since we never know the outcome and can't predict whether it will be successful or not and what it will bring. That is the reason why people with low tolerance to the new and unknown, and with high need for security are likely to resist change since it threatens their sense of security.
- Economic factors – when the nature of usual job tasks changes, employees might feel not skilled enough or not able to keep the same task performance level in the new conditions, especially if their salary depends on their productivity level.
- Selective information processing - this is one of the brain's mechanisms and not a fault of individual. Perception process can be tricky. People tend to hear what they want to hear or in other words they tend to interpret other people's words in their own way distorting the meaning or simply ignoring any information that might confront their beliefs, opinions or persuasions.

Organizational:

- Structural inertia – companies lean to stability encouraging the automation of processes. In the situation of equilibrium this works, but in a process of change it works as ballast, counterbalancing towards the stability.
- Limited focus of change – organizations consist of interlinked constituents. All together they are part of the system. When change occurs in one of the subsystems, its influence to the system in total is limited. Such change tends to be rejected by the larger system.
- Group inertia - the power of the group can't be underestimated. Even when members of the group are ready to accept the change, group norms may become a valuable reason for resistant behaviour.
- Threat to expertise – changes in job tasks and patterns may cause a loss of expertise of separate specialized groups.
- Threat to established power relationships – this threat relates to fear of managing power loss due to decision-making redistribution in the new organizational reality or loss of long-established power networks within the company.

5.2 Possible tactics to overcome resistance

In most of the reviewed literature sources on the topic it is suggested that in order to overcome resistance to change managers should work on its reasons.

Kanter in her work "On the frontiers of Management" (1997) for example suggests that to overcome insecurity of the employees about their employment, due to change of the work description or the skills needed for the job, the management should replace the employment security concept with the employability security concept. According to Kanter an employability security concept advocates the constant change and learning in the workplace and rests on the idea that adjusting to the new challenges and

developing new skills set today prepares employee for the new professional challenges in the future whether with the current employer and with another company.

Dexter Dunphy (2000) is referring to Employee Participation Management. He is speaking of power of the group, the importance of loyalty of the team members to the change success, and the critical importance of building capability of the team to succeed for the time when the change comes. Dunphy is comparing employees to the military troops that need to be well selected and afterwards are systematically trained to build capability for the possible future battles as well as being morally motivated and committed to their leader. In this comparison change implementation and general development could be seen as a battle that forces or corporate team is preparing for.

Robbins and Judge (2013) introduce several more detailed tactics that are all based on increased attention to the change process and loyal employees' involvement in the decision-making processes. Some of the tactics they offer are:

1. Change should be well communicated and motivated on all levels. Flaws in the information flow cause misunderstandings, besides lack of understanding can boost resistance based on fear of unknown. Dedicated information sessions and Q&A sessions on the changes are key and can also help to justify the need of change to the stakeholders.
2. Involvement of champions in the decision-making processes can lower employee resistance. With the experience and their authority towards the rest of the team champions can serve as early adopters of the changes and as examples of a positive employee attitude towards the upcoming enhancements. It's hard to resist when the opinion leaders advocate the decisions they also took part in making.
3. Emotional commitment to the new goal achievement is essential. Team members should be emotionally driven to the implementation process and gaining the result. Building support and commitment spirit in the team will help to overcome fear and anxiety towards new.
4. Group dynamics in general and attitude towards team leader plays an important role as well. It's a lot easier for the team members to accept changes if they

trust their manager, appreciate and value his or her opinion. Therefore it is important to work on the cooperative relationship development within the team.

5. One of the possible existing tactics to cope with the group resistance is manipulation or threatening of the stakeholders. For example promising to shut down the entire division in case they fail to accept change. Other way to manipulate is called co-optation. That on the contrary means buying off the opinion leaders or the opposition leaders by assigning key roles to them or asking for their advice.
6. Selecting the right people will help to reduce possible resistance to the new. The ability to accept the change depends on personality. Some people who have higher tolerance to risk tend to have a more positive attitude towards the new and towards the process of change.

6 Managing change

6.1 Lewin's three step model

Kurt Lewin is an author of one of the organizational change models created in 1950s, which is still valid today. In his model Lewin suggests that state of the organization before change can be compared to status quo or the equilibrium.

According to his model, as described by Robbins and Judge (2013), the first step for a successful change implementation is unfreezing of the existing status quo. The second step is to move to a desired state and the third is to fix, or refreeze the change achieved as permanent.

Employees' resistance occurs in the very beginning when the organization is trying to make a move from status quo and the equilibrium starts shaking. Therefore it is key to be able to overcome the resistance from the start to be able to move forward with the change implementation.

Unfreezing

The main purpose of this stage is to communicate the core need for change to the employees, challenge and motivate them to abandon their comfort zones and prepare them for the upcoming alterations. Successful messaging will also help to decrease future resistance levels in the next stages.

Movement (Change)

Transition from unfreezing stage to a movement stage is a process and it takes time. Employees need to understand the new direction, find a way to act according to the new circumstances and in line with a new master plan.

Besides, to support change and contribute to its successful implementation some employees will need to find personal motivation, look for the benefits they might gain in case of success since wellbeing of the organization may seem not rewarding enough or not as appealing for them.

Those employees who benefit from the current organizational state and might be harmed by change may naturally demonstrate higher resistance levels as well as those employees who can't foresee their benefits in change therefore struggle to accept it. Time and communication transparency are the key in this stage.

Understanding the importance of resistance mitigation in this stage Lewin also suggests three solutions to this problem. He refers to forces that drive organizational behaviour away from equilibrium, suggesting increasing them, whereas forces that restrain behaviour must be decreased. These approaches can be used either separately or in combination. Robbins and Judge (2013) mention that rather successful companies or companies with strong corporate cultures are more likely to face restraining forces since employees might doubt a need for a radical change.

Refreezing

There are some signs showing that the movement stage can be closed and organization is ready to refreeze the current state. The checklist would include the following:

- Change is implemented and is used at all times across all the business units
- Stable organizational chart
- Consistent job description
- The new way is incorporated into the new sense of stability
- Employees are accustomed to the change and feel comfortable and confident implementing it in their day-to-day tasks

Although in a rapidly changing business world we often speak of a constant process of change the refreeze stage can't be skipped, otherwise employees lose security, direction and confidence in their organizational core values, mission, vision overall and their job content in particular. Therefore this stage serves as a fixation in people's minds on the end of the particular communicated change, helps to sustain it. Besides, if more changes are planned, they can't be implemented before the previous change is successfully implemented and fixed with refreezing.

6.2 Kotter's eight-step plan for implementing change

This model was created by John Kotter and is based on Lewin's model. In his model Kotter is taking a more detailed view on implementing change taking in account not only all necessary steps and stages to go through, but also considering existing experience and analysing common mistakes made by managers when following Lewin's model. Kotter's model consists of 8 steps aiming to overcome the common issues when implementing change. The logic of this model repeats Lewin's unfreeze, move and refreeze, but each split into several sub stages.

1. Establishing the sense of urgency

As Kotter mentions in his book "Leading Change" (2010) establishing a sense of urgency is essential for achieving better cooperation in the organization. People need to be motivated to participate in change and mobilised for it.

No transformation is possible with only few people supporting it, thus in order to use the momentum for change implementation executives should be able to question the current situation in the organization, in other words complacency level should not be high. Without a high urgency it's harder to form an executive group who are capable of devoting their energy and effort on forming a change vision and translating it to other individuals inside the organization and even if one succeeds to do this, without believing in the real need for change they would probably move forward very slow until the momentum for change is lost eventually. According to Kotter (2010) regardless of how the process of change started, in order for it to reach a successful ending at least 75% of management and majority of employees overall should truly believe in the inevitability of the upcoming change and in it's great importance.

In fact for an organization complacency of the executives can be a real problem causing lack of objectivity and loosing a sense of credible judgment on the situation. Reasons for complacency can differ. Either management is looking at the internal measurements that focus on the wrong data, or get insufficient performance feedback from the external source. Also the level of complacency depends on the senior management, employees might get too much appreciation from the seniors, lacking any critics that are healthy for everyone from time to time. Besides overall performance standards accustomed in the company could be too low since there never was a visible crisis using them. Besides those reasons, human factor also plays it's significant role. If

people are already stressed and tired it can be hard for them to seek additional motivation for an effort to change since stress is a very energy consuming state of mind.

Kotter (2010) also suggests several ways to raise the urgency levels. Among them are:

- Creating a visible crisis;
- Removing access to luxurious benefits that show company wealth;
- Setting up tangible targets on revenue, income, productivity and other key performance indicators;
- Allowing a broader scope of responsibility for managers in the overall business performance and not only in their subunit functional success;
- Openly and frequently communicating customer satisfaction level and customer feedback to more employees;
- Enchasing regular direct contact between employees and unsatisfied company stakeholders;
- Taking an outside opinion from third-party consultants and discussing it during the management meetings, arranging a more transparent information flow regarding company's problems in internal newsletters and discussions in intranet;
- Reducing praise and happy talks from the senior management side;
- Arming employees with the ideas on the future opportunities that are rising, motivating and challenging them to takes them, mentioning how important the change would be in order to pursue them.

2. Creating the guiding coalition

There is a common saying that a fish begins to stink at its head, meaning that leaders determine the future and either success or failure for the organization. Hence, a company's rise or fall is usually associated with one visible individual who stands on top of the organization. The change process is no exception. Some ambitious CEOs might even fall under the impression that one inspired, talented leader can actually handle an implementation of change from the start to the very end being all alone at the helm.

The success of change indeed very much depends on the leaders pushing it forward. However, no individual is capable of developing the change vision, message, implementation plan, communicating all of those to the entire organization, considering and eliminating all possible obstacles and problems, meanwhile managing teams and concentrating on short-term success. Therefore any big leader needs an executive team to distribute tasks within and achieve all the goals. Each of leaders gathered and all together as a team they need to have enough power and authority run the process of change. That is why it's so important who would become a part of this very group. Another key step is to transform a gathered group into an effective team able to perform and achieve results together.

First of all team members must share same vision, truly believe in the need and possibility of what they are about to achieve and be therefore motivated and dedicated to put all of their effort in it. Otherwise the executive group would run for a while based on the enthusiasm of the change initiator, but never become an effectively functioning team. In case group members are not working on change to their full capacity, progress is moving too slow demotivating the group even more. Usually trust levels in such groups are quite low since people don't believe in what they are gathered for hiding it from others.

Such committees with their low energy, slow implementation phase and lack of effectiveness could lead organizations through change only in a slow changing stagnating world, where technology stands still, or is developing slow enough allowing them to make their move and adapt over time. However in a current fast moving and constantly changing business world where don't question a need for change but discuss a continuous change instead time is something companies don't have a luxury of. Today's business environment demands faster decision-making process, rapid and effective adaptation to the constantly changing market conditions, and therefore more

large-scale change via innovative strategic decisions, technological outbreaks and automation, new product and market development etc.

In order to gather an effective team of adherents it is important to consider the following characteristics they should obtain:

- **Position Power:** the majority of managers should be on board to make sure that those left behind wouldn't be able to form a powerful opposition
- **Expertise:** the group should be diverse in backgrounds and experience to make sure that all relevant perspectives are represented for the informed and intelligent decision-making.
- **Credibility:** members of the group should be trusted by other employees and have authority among peers in order to be taken seriously
- **Leadership:** leaders push the change process forward and get it down to the teams. Leadership is an essential quality for representing something new.

3. Developing a vision and strategy

As a great Roman stoic philosopher said, "If a man does not know to what port he is steering, no wind is favourable to him." Change management in the organization is no different. Vision is a fundamental part of the process of change. It's something everything begins with. Vision is a clear picture of the point future where the company is heading, sets the light in the end of the tunnel, shows where point B lies and what it looks like.

A well-combined vision should answer three main questions: where do we go? Why we need to go there? What each of us needs to do to get there together?

The importance of vision and sharing general understanding of the situation with other people is often underestimated. Some leaders just try an authoritarian approach, giving orders to head towards the chosen direction without any further explanations. That is obviously an ineffective way to lead people anywhere, since most likely only very few would follow, or only pretend to follow. Needless to mention that resistance levels in this case are tremendously high.

Another extreme is so called micromanagement where managers give excessively detailed instructions on what needs to be done and check up on every single step taken. Such instructions usually are too specific and complex to follow and require significant amounts of reporting and check-ups. None of the mentioned approaches are able to overcome resistance and pass the status quo barrier.

Absence of well described shared vision results in every team member following their own direction, lack of cooperation and difficult decision-making process since it's hard to agree on anything that people don't have a single opinion about, and causes low motivation since no one is sure what they are trying to achieve and why they should perform.

A well-composed detailed vision on the contrary gives everyone a general direction for change, motivates team members to take action the direction set, help coordinating actions of each team member and eases the decision-making with one simple question: "Is this in line with the vision?" If so, the topic deserves attention and debate if not, it should be out of the task list. The same question helps to eliminate resource spending on other projects if they are not in line with the picture of the future desired, and it helps to sort out activities dividing them into first and second type priority.

Let's look into discussed three purposes of the vision in a greater detail:

Direction:

Clarification of the direction is one of the key priorities when forming a vision as that is what people mostly argue and debate about, either are confused with or doubt.

Motivation:

Implementing change usually requires people to get far beyond their comfort zones, requiring a significant effort and is often associated with learning new skills, adapting to the new behaviour patterns, tasks, operating with less resources or under the fear of being fired. A good vision helps people to find reasons to do that. It addresses people's personal short-term goals, at the same time acknowledging the need for some sacrifices as well as highlighting future benefits and personal satisfaction they would get in return. In other words an effective vision helps to overcome people's natural disinclination for change.

Cooperation:

Vision eases the process of coordination between the team members. If no clear bottom line is set the process slows down significantly due to endless meetings, discussions and never ending conflicts between interdependent roles.

Vision needs to be clear and simple because it's only a part of the successful transformation scheme, an important element of the bigger system, which also includes strategy, plan and budgets. With a single vision established the rest comes with less effort since it becomes a starting point or the base line for the rest of the planning. Besides unlike budgets and strategic planning vision also inspires the people involved to take a great action required to move the change idea forward.

Six key characteristics of an effective vision:

- Imaginable: describes the future in a way that one can easily imagine a picture of it
- Desirable: appeals to employee's self interests
- Feasible: goals formulated in the vision seem achievable and realistic
- Focused: vision is clear, leaves no room for misinterpretation, provides guidance for the decision-making
- Flexible: however flexible enough to allow people initiative and space for ideas
- Communicable: can be explained fast and easy

4. Communicating the change vision

Shared understanding of the vision and goals is key to a successful change process. Thus it's not only important to create an effective vision but also to spread the

information about it across the company. And it can become a harder task than it seems especially within large corporations due to several reasons.

First of all sometimes managers might lose some information bits presenting the vision and sometimes those could be the essential bits. Secondly, message itself could unintentionally be confusing and leave a room for interpretation. And thirdly, information about the new vision could easily get lost within the information flow. Kotter (2011) mentions that on average vision messaging takes only 0,58% of all the communication flow an employee receives.

Considering the factors above we can conclude that in order to make vision messaging effective companies need to pay attention to the following key elements.

Effective message needs to be simple for understanding excluding any special technical terms or slang words. Instead it is more useful to include metaphors, comparisons and examples; they concisely draw a picture of the vision. Since we live in a high-tech world where communication sources are so diverse and accessible it is important to use as many of them as possible: besides emails, memos and wallpapers one could use intranet walls and forums, social media, various messengers if they are commonly used in the organization, CRM systems, online and physical meetings, recorded vision sessions, internal news channels and newspapers or magazines, in other words any source of information used within your company, the more the better. Another important step is to repeat that message over and over again, making sure that one way or another everyone noticed, understood and remembered it. Continuous repetition will also help the message to get deeper into the employees' minds. The next communication step would include a change in leaders' behaviour. They need to act in the way that supports the new vision providing others with the new role model example. Leaders play an essential role in the communication of the vision. They should be supportive, receptive for questions and feedback, to be able to clear the confusing parts of the message if such situations occur.

Feedback in the process of change is the essential source of information for the management since it could give the understanding how change is received and if the process is moving in a right direction, moreover it gives an understanding whether the team is ready for moving forward to the next phase of change implementation or not. In case employees don't accept the message the next two stages of change will fail and

moving forward would not bring any success and more work needs to be done on the communication and previous level discussed.

5. Empowering employees for broad-based action

Major change is very hard to implement unless employees in the organization actively participate and assist during the transformation process; and it's not only about acceptance of the upcoming change but more about being initiative inspired. Hence people need to feel empowered enough.

In case the first 4 stages were well planned and successfully passed employees should already be familiar with the new vision, understand and accept it, however people might still feel irrelevant in the process of change implementation. Therefore stage 5 is about taking off the barriers, inspiring new ideas that correspond to the new vision. However the execution team might face some obstacles at the empowerment stage.

Kotter (2011) mentions at least 4 possible common issues to consider. Among those are: strict formal structures conflicting with the new vision; faults in the internal communication system, ineffective feedback communication and complicated approval process; discouragement of any participation attempts by the line managers. Below is a short description for each of those most common problems and possible ways to solve them.

Structural barriers

The existing organizational structure might not be ready for a change implementation, contradict with the vision core principles and slow down the whole transformation process. Structural barriers consume a lot of energy, cost the effort of the team to overcome obstacles, frustrate and discourage the employees. For example according to the new vision company should be customer oriented, empower lower-level employees, cut production costs by improving production efficiency and speed, although in reality the organizational structure responds in the opposite way since resources in the organization are product/service oriented, middle-managers doubt their employees' power and simply demotivate any activity, corporate headquarters spends huge budgets on staff and other procedures instead of cutting the costs and internal communication level is so low, that nothing can be done fast enough.

This is only a possible scenario and structure should not always be a barrier for transformation, but it is something to examine in advance and analyse its capacity to facilitate change. In case structural barriers are not removed the organization may still pass through the transformation, but the energy spent by the employees fighting the obstacles on the way could be spent much better and be well used after the transformation is complete.

Providing needed training

Today managers understand that they need to invest in their employees in order to keep developing the company and raising production quality. However a big question a lot of managers fail to find a correct answer to is what to teach, or how or what would they like to achieve with the education provided. Sometimes the education focus isn't right, or management expectation from a few days' training is too high, or the initial training is not followed-up properly and the teaching program is not systematic enough. All or any those problems might occur in any organization.

In order for any education process to be successful managers need to set the goals they pursue, plan the learning outcome they desire and understand what new behaviour, skills or attitudes they would like to initiate as a result of the training.

Aligning systems to the vision

Before starting the transformation process it is essential to examine all organizational systems on their compliance with the new vision and ability to support the change. It is especially important to do with the HR system since this is a core system linked to people who would be participating in the change process – employees. Everything starting from job descriptions to compensation, promotion mechanisms, and recruiting and hiring systems and further needs to be evaluated. No smooth change is possible when something needs to be fixed during the implementation process.

Dealing with troublesome supervisors

Some managers resist changing more than others by ignoring the new vision, discouraging the change initiatives from the employees they lead and supporting the "old way of doing business". It doesn't mean that they aim to harm the company. Usually these are people with their leadership habits that are linked one to another,

they used to work fine in the past and are hard to get rid of since one is connected to the other and in order to abandon any of them a person needs to quit other behavioural patterns too. Besides, such supervisors often truly believe in efficacy of change relying on successful past experience. What is worse quite often they are not pushed to change or replaced with other managers even if their position clearly harms the process. Based on short-term successes they might even out-win the change agents. In case they are not confronted early on, their behaviour also discourages the rest of the team and supervisors. Such supervisors are true blockers of the entire transformation process. The reasons why they are not dealt with early on can usually differ, among possible reasons are recent high results, which help such supervisors defend their behavioural patterns, they might be friends or previous mentors for some of the higher-managers, besides sometimes no one even tries to convince them since it is believed that some people just don't change. As a result if no direct action is taken on them executives try to manipulate and apply some hidden strategies on them, that takes effort, it isn't very effective and in the end very unfair to the person. Kotter (2011) suggests an open conversation as a solution, highlighting the importance of starting such dialog as early as possible to minimize the consequences described above. Either a person would agree to assist and make an effort to adopt the new vision or he/she needs to be replaced to save everyone's time, energy and the transformation process in general.

6. Generating short-term wins

Usually major transformation process is a long path with a barely visible spotlight in the end of the tunnel. Sometimes people need to get reassured that the goal is achievable, they are moving towards its achievement and to be shown evidence that it is truly so, otherwise they start doubting the choice of the direction. That is the reason why small achievable milestones are so crucial to the large long-term transformation goal. They help to highlight improvements achieved and underline short-term success along the way motivating the people to continue mitigating frustration and avoiding tensions between the employees involved and the guiding coalition.

Short-terms wins help to build trust and credibility of the transformation project to sustain efforts of the guiding team and maintain support of the higher management. In order to serve as a booster a short-term win should be visible to all the stakeholders, explicit and be clearly related to the change efforts. Some examples of a good short-term wins would be meeting the forecast given or optimizing production results in a

short time, or getting positive feedback from the business press on a recent change outcome. Also it is best when the short-term win is planned for in advance, therefore predictable and speaks for the entire project.

The managers and leaders often underestimate the importance of short-term wins. Sometimes they are too busy with the long-term planning and mechanisms of change implementation that don't even think what would happen in a short-run. Often managers don't even try to focus on short-term results since they don't believe long-term transformation process could be combined with short-term-achievements. Many of them were taught that putting urgency on short-term wins has a negative outcome in a long run and it is better to plan far ahead. In other cases short-term wins don't happen due to lack of commitment from the guiding coalition or poor management of the guiding team. Other possible scenario is that a win is not noticeable since there was no metrics implemented to follow it or significance of the result was underestimated during the data analysis.

Short-term wins are important part of a larger transformation since they help the reinforcement and remind everyone that the project is alive and is moving forward. They give a small relief and reward to the change agents proving they are doing a good job, therefore strengthening the spirit and rising motivation in the team. Moreover smaller goals and wins give a chance to test the vision against the reality and actually either prove the attainability of a larger goal or provide essential feedback for adjustments early in the change process. Last but not least small wins serve as triggers. They help to convert people's attitude towards the change process. Those who were neutral start to support the idea. Supporters turn into active participants, whereas resisters get undermined and lose their opposition power.

The smaller the business is the earlier short-term results are expected. Sometimes even if previous stages are not completed yet, some positive outcome that could be called a win in terms of the entire project should occur to maintain the spirit. However that would possibly make the guiding coalition manage transformation across several stages at the same time. Kotter (2011) insists that that is how successful cases of major change appear.

In order for a transformation process to be successful long-term vision and short-term successes need to go hand in hand. Long-term responsibility lies in a leadership area. Having a charismatic, ambitious, forward thinking leader with long-term vision of the

company's future is essential for the organization that is going through a transformation process, however a structure-minded, organized manager who would be able to plan exact short-term steps, aim on milestones achievement and look into the details of change implementation is also needed. Only a combination of two of these approaches guarantees a successful transformation goal attainment.

7. Consolidating Gains and Producing more change

Change implementation can be hard in launching; especially first steps can take significant time and energy. The moment when the process of change becomes more familiar, smooth and less intense, once first progress appears, it can serve as a lure for giving up. When first results come some people may desire to quit. Therefore while celebrating short-term success it is important to remember that irrational and political resistance never disappears completely.

Opposition is always looking for an opportunity for a come back. A celebration break could possibly open one of such opportunities. Being rewarded for an effort and great achievement with a feast, thankful speeches that are summarising the goals that were fulfilled, employees might start losing the sense of urgency.

Taking a break in the middle of the job lowers the motivation to continue. Opposition might use this chance to underline how significant the effort and sacrifice was compared to relative mediocrity of the outcome. Even if people know that this is only a milestone on long way they are celebrating, but feel tired or exhausted they will tend to listen and agree somewhere deep down that they've done enough so far and it's time for someone else to make the main effort.

In case the guiding coalition misses the momentum to use the credibility built by this recent win to push the team forward keeping the pressure and urgency levels high inevitable and rapid regress of all efforts will follow.

Regardless of the time and energy invested into the change process in the past before the new equilibrium is attained, new state of the organization is frozen and all changes have been incorporated into the organizational culture the high risk of a rollback exists.

Another complication to the transformation process is internal interdependence of the processes inside the company. No department or division in a modern company is

isolated. Cross reporting between the departments, resource sharing, and co-dependency in the decision-making. All those and a lot of other linkages make it hard to make a change in one part of the company without influencing all the others. Therefore in the process of transformation leaders usually need to initiate lots of projects simultaneously.

That would be impossible for managers to handle all of those projects on their own that is why management decentralization project and task delegation and empowerment play key role at this stage. Responsibility should be spread among the project-management team with one person responsible for each of them. The role of the leader should be shifted to maintenance of the entire vision and spirit and general guidance of the entire transformation process. Such approach helps to avoid endless meetings and raises efficiency of the entire transformation proses.

Absence of delegation of both managerial and leadership activities in stage seven could lead to chaos and failure of those simultaneous projects bringing up doubts regarding the entire transformation.

Since interdependencies create barriers and complications in order to ease the change implementation at least all unnecessary interdependencies need to be eliminated or reduced in influence.

Successful stage seven brings more change as an outcome, eliminates the post short-term win outbreak decays by keeping the urgency levels high and putting emphasis on the importance of moving on. Moreover when successful it motivates more people to support the change process actively assisting the transformation development among the other employees.

8. Anchoring new approaches in the culture

Before a transformation project is over change has to be profoundly incorporated into the organizational culture. Otherwise once the change efforts, reinforcements and new vision supporting activities are ended relapse will happen. Sometimes not all the corporate values totally match the new vision principles. However in case they don't contradict with the vision completely such small dissonance can remain unnoticed and untouched during the change process. Due to the transformation activities new vision will dominate the culture and the conflicting value, thus only as long as the total energy

spent on new vision implementation is greater than the cultural influence on people's behaviour.

Corporate culture includes values shared by the employees and norms of behaviour adopted in the organization.

Shared values are generic company goals, or common important concerns that determine organizational behaviour of the majority of the group members. They are usually universal, less obvious and lie deeper in people's minds. Therefore they are more difficult to change.

Norms of behaviour are everyday behavioural patterns inherent in the organization. Such norms usually are passed from more experienced employees to the new-hires, mostly unconsciously, thus they are quite stable, besides together with the shared values they influence the headhunting process as well. Corporate culture works in a way that those who fit the culture the most will get promoted. Later on when selecting the new hires among the applicants those promoted managers will choose those who potentially fit and then teach them the culture with their own example. Some employees who work in the company the longest will become a culture themselves representing all the core values with their very behaviour and mind-set.

Corporate culture is a very powerful and needs to be considered and analysed in the transformation process. It influences the employees all through the company starting from the selection process and on boarding spreading even unintentionally across thousands of people within the company. Since it's hard to distinguish and start a discussion about it is therefore difficult to change.

New practices are easier to incorporate to the old culture if the core values of the culture don't conflict with the new vision and only specific elements need to be adjusted. Such smooth change only requires connecting the replacement to the core values and causes less resistance and effort.

However the process is more complex in case the core values of the organization need to be shifted as well. One of the possible smooth strategies would include the following steps:

- Acknowledgement of the existing values importance and past success of the old culture.
- Introduction of the recent data proving why the old culture with all the respect is not applicable in a current situation
- Introduction of the recent successful results delivered by the adopted new practices
- HR-scan: offering an attractive early retirement program to those employees who wouldn't adopt the new vision since they represent more experienced generation who built the previous culture and deeply support its norms of behaviour
- Manage the promotions, no one who supports the old culture should be promoted, only those who have adopted the new vision.
- Manage and adjust the new hires selection process, make it consistent with the new values and vision
- If needed, CEO and executive team also need to be replaced with those who are new vision-minded

Consideration of all those sides of the cultural spreading stream should help the corporate culture to turn around. However, such process still can't be easy or fast since it refers to changing the deep basics of the group behaviour.

Some managers might fall under the impression that culture is the main obstacle for change and start the transformation process with revision of the norms and values and their rapid replacement efforts. However Kotter (2011) states that culture transforms only after people's behaviour has been changed successfully, and then brought some visible benefits to the group and only people have noticed the linkage between the new practices and improvements. Therefore, changing corporate culture should be a final step in the transformation project and not the one to begin with. Before the last stage culture needs to be followed and analysed in order to build a strategy for changing or adjusting it according the new vision.

7 Conclusion

Any organization goes through the change process in one way or another, in other words change is inevitable for any business. Whether to be competitive in the market, or due to internal changes of the company goal, or due to any other seen or unforeseen factors companies come to the point when they need to adapt and develop.

Various change classifications were covered in this study, to sum them up we can underline that change can be either planned or unplanned. The planned change has more chances for success since it's less chaotic and can be and must be prepared in advance and it usually aims for improvement. Also change can be episodic, when changes are made to a static environment, it's believed to be hard to implement since static environments are very resistant and not adapted to change; and on the contrary change can be continuous, it applies to rapidly growing and evolving modern organizations, which were born innovative and see organizational development as part of their corporate culture.

Even if change process was fully planned, managers should be ready to cope with the employees' resistance, although it's level and intensity depend on the change implementation quality. Resistance is protective human mechanism based on the fear of new, unknown or on unwillingness to be part of the process that doesn't correlate with their goals. Moreover resistance gets more intense in case employees are lacking trust for their employer.

Change is important to be implemented in stages. Each stage needs to be profoundly planned in advance, implemented accordingly and checked upon precisely. The next stage can't be started before the previous stage is complete. There are a few theories expressing the exact steps to follow. The two major ones are covered in this work. They are Lewin's three-step model and Kotter's eight-step plan. Kotter based his theory on Lewin's three-step plan and took it further taking a more precise and detailed approach. According to Kotter it's not only about how we enter and end the change process itself (unfreeze, change, refreeze), but also about the key milestones each change process needs to fulfil in order to achieve a successful result.

Based on all the theoretical findings described it can be concluded that resistance level and change process success depend on motivation of the employees, on their risk tolerance and openness to new and unknown, on their loyalty and commitment towards

the manager or owner of the company, on their willingness to learn and develop new skills, last but not least, communication quality during the change process is key. In case of communication inconsistency or disruption misunderstandings, misinterpretations occur, information gap is growing and strengthening employees' vulnerability and fear of the new. Besides, sometimes change can be a political issue, in which case informational inconsistency gives room for rumours and strengthens the political opposition in the team.

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