Change Management and its Influence in the Business Environment

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Abstract

The changes that are happening in businesses dictate the changes in all kinds of needed resources to develop the organization. The environment in which the organizations operate is in constant change and becomes more and more unpredictable. Managing these changes is a challenge that all enterprises face. The rapid changes that are happening in business are increasing the need to manage these changes. Enterprises have to develop and use different kinds of management models so that they can grow their performance in order to ensure a competitive position in the market. The changes in enterprises sometimes are not accepted by the organization employees, and seem to have negative effects towards them (exemption from work, reduction of working hours, reduction of income). Changes have negative and positive effects. Successful and rational managers can achieve having successful changes and minimizing the negative effects that come due to changes. Changes are vital for organizations so that they can replace the old plans and models with new and successful ones. In this paper we talk about the role and importance of managing the changes, the types of changes, models of changes, the resistance against changes and also the obtained results of the paper are introduced. Literature was used to support the research in the study field, and based on that to explain the role of changes in the business environment.

There are quantitative methods and an inductive analysis used in this paper.

Key Words: Managing the Changes, the Types of Changes, Models of Changes, the Resistance against Changes.

1. Introduction

Successful organizations don't develop and grow by accident, but through strategies that help the organization survive and flourish by using programs, projects and effective changes. The management of changes is an organizational process, in order to empower the employees to accept the changes in their actual environment. The change is a conversion of the environment, structure, technology or organization's individuals. If there wouldn't be any changes, manager's work would be very easy. The planning would be easier because tomorrow would be the same as today. The organizational design problem would also be resolved because the environments wouldn't be uncertain and there wouldn't be any need for adaption. Decision-making would be easier as well because the result of any alternative would be predicted with a pinpoint accuracy. Indeed, manager's work would simplify. Managing the changes is an integral part of every manager's work when we have to deal with the changes of structure, technology and individuals (Robbins and DeCenzo, 2008, p.194).

Another important thing during the process of changes is avoiding the resistance against changes. The management of changes isn't limited in a managerial level but it is present in low, medium and high levels depending on the circumstances and authority in every level. The management of changes could be defined as a process that affects the planning, organization, coordination, and the control of the internal and external environment. Through this paper we tend to explain that the management of changes is an inseparable process of business activities, and therefore businesses have to focus in those change's models that are more successful.

2. The meaning the management of changes in the business environment

The management of changes is a process of planning and implementing the changes systematically. In order to be able to manage changes, it is necessary to understand how the process of changes works. Conceptually, the process of changes starts with the need for change (Armstrong, 2010, p.325). Managing the changes means implementing strategic business plans and offering projects for changes, through the communication of the interested parties and partners, integrating multidisciplinary teams and managing the individuals. So, when we think of changes, we have to think about identifying the business objectives, business strategies, and transform them into programs of changes to achieve the wanted objectives and results (Crawford, 2013, p.8). The main change includes the initiation and the management of culture changes (the process of changes in a cultural organization in the form of its values, norms and beliefs) and the introduction of new structures, systems and labour practices. The purpose is to raise the organizational ability and effectiveness (Armstrong, 2012, p.562). The management of changes has a great importance for the leaders nowadays because they are a dynamic and positive force to create new strategies and put them to work, promoting creativity and diversity. The need for changes is huge, but we got to have in mind the resistance and the unpredictable consequences which should be considered during their planning and implementation. An effective leader achieves to maximize the possibilities of changes and minimize the risks. Unfortunately, many efforts for changes fail or are less successful and this is not surprising in unpredictable circumstances. Thus, changes require ongoing analysis of situations by planning the present and the future (Spiro, 2009, p.1). Managing changes makes it easier to exceed from present towards the future, which is an ongoing process and requires leadership that helps in having successful changes with no negative effects (McCarthy and Eastman, 2010, p.3). Changes have big influence on people. To implement successfully an initiative for changes, despite the scale of it, people have to understand and be involved in the process. An effective change requires a management program which provides tools and strategies for moving the people so that changes result with positive effects. The management of changes presents a fast-growing, great discipline which is being placed in a global scale from all kinds of organizations. It embodies a structured

approach that helps in the adaption of changes from groups and individuals inside an organization. The process of changing in organizations is based on a lot of disciplines such as psychology and behavioural sciences for engineering and thinking systems (Bourda, 1990, p.5).

Organizational changes happen as a result of external and internal changes, in many cases the organizational change is seen as a direct result of external changes. Among external forces that cause these changes, we mention: political, technological, cultural, demographical and economical changes etc. (Alvesson and Sveningsson, 2008, p.14). Most of the successful efforts for changes start when some individuals or groups see that the company is having a competitive meltdown, bad positioning in the market, technological tendencies and financial performance. The transformations usually start when the organization has a new manager whom is a good leader and sees the need for a big change (Kotler, p.3).

The management of changes is the art or science to make systematic changes with certain methods. In some organizations, it happens that the employees don't like the word 'changes', because for them this word has a large number of terrible meanings, such as being fired, wage cuts, displacement in various sectors etc. For a lot of people, the perspective of changes produces stress or tension in the workplace. The appearance of new technology, new products and the increasing global competitiveness has made these changes necessary for the organizations so that they can be competitive in the market (Ledez, 2008, p.111). The management of changes is defined by many definitions; according to the task of change's management it is a term that has at least two meanings; in the first meaning the management of changes refers to making changes systematically and in a planned way, having the purpose to implement continuously and successfully new methods and systems for the organizations. According to the second meaning, the management of changes is a response against changes over which the organization has a little or no control at all (for example in legislation, social and political unrest, actions of competitors etc) (Nickols, 2010, p.2).

2.1 The types of changes

According to Armstrong, we have seven types of changes: incremental changes, transformational changes, strategic changes, organizational changes, changes in systems and processes, cultural changes and changes in behaviour.

1. Incremental changes are gradual changes that develop in small steps
2. Transformational changes are an insurance process so that an organization can develop and implement programs in order to respond to changes in the dynamic environment in which it operates. Transformational changes can include radical changes in organization's structure, culture and processes.
3. Strategic changes have to do with organization issues, also strategic changes are made in the external competitive, economic and social environment context and internal sources of the organization, skills, culture, structure and systems. To implement successfully organizational changes a deep analysis of these factors is required in formulating and planning through stages.
4. Organizational changes has to do with how the organizations are structured, and, in broad terms, how the function and their need for revaluation of the formal structure of organization.
5. The changes in systems and processes affect the work operations and organization's practices. These changes happen when operative methods have been reviewed, when new technology has been put to work or when the existing technology has been modified.
6. Cultural changes tend to change the existing culture of an organization by accepting behaviour ways that strongly influence the members of the organization.
7. Changes in behaviour include taking measures to encourage people in being more effective in the ways they perform their work. Organizations depend on how people behave by contributing in high performance of values by giving them essential support so people can be free in how they do their job (Armstrong, 2009, p.162-167).

The three types of changes in organizations according to Anderson and Anderson are: developmental changes, transitional changes and transformational changes.

Developmental changes show the improvement of existing skills with performance methods and standards. The main focus is to strengthen or correct what already exists in the organization, by providing the improvement of performance, continuity and greater pleasure. Developmental changes mostly have to do with communication trainings, managerial skills and new processes to realize organization's goals.

Figure 1: Developmental change
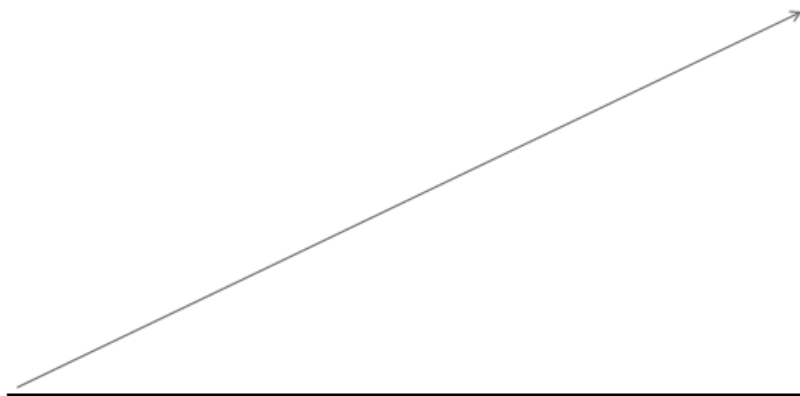
Source: Anderson and Anderson (2001).

Transitional changes start when leaders accept that a problem exists or that an opportunity is not being realized, or that something in the current operation should change. Samples of transitional changes are reorganizations, the creation of new products, services, processes, policies or procedures that have to be replaced with new ones.
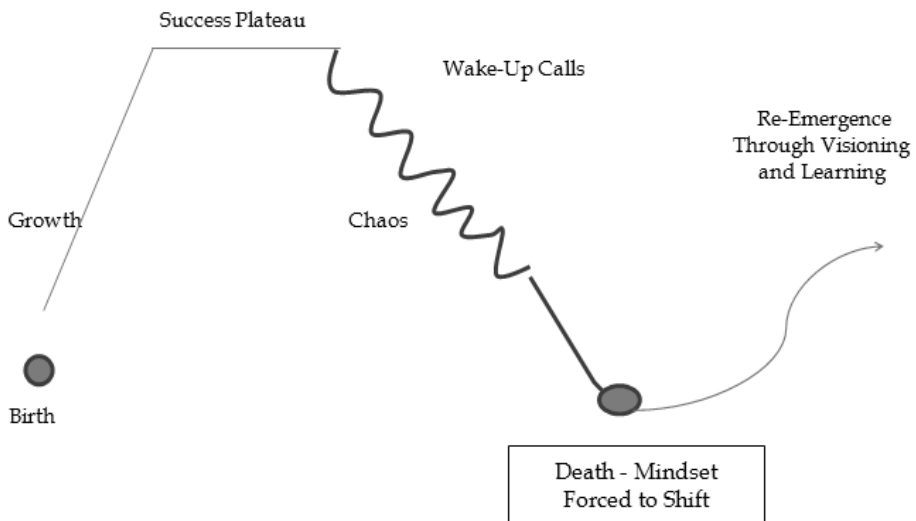
Figure 2: Transitional change
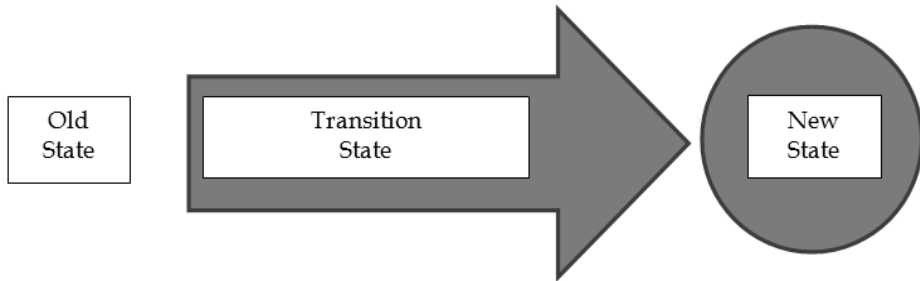
Source: Anderson and Anderson (2001).

Transformational changes are radical changes and require changes in culture, behaviour, human's consciousness that fully changes the way of organization in the enterprise (Anderson and Anderson, 2001).

Figure 3: Transformational Change

Source: Anderson and Anderson (2001).

2.2 The models of change

There are a lot of change's models where their implementation has a particular importance. The models of change explain the mechanisms for change and the factors that affect their success. The most popular models of

changes are the ones developed by Leein (1951) and Beckhard (1969), but another important contribution was given by Thurley (1979) and Birra et al (1990).

The basic mechanisms for managing the changes according to Leein (1951) are:

1. Melting – the existing balance breaks and there's the need to replace old behaviours with new ones
2. The change – where we have the development of new answers based on new information
3. The adoption and stabilization in new conditions

Beckhard (1969) proposed a program of changes including the following processes:

a) Set goals and define the future in the wanted organizational conditions;
b) Diagnose the actual condition regarding to the goals that are set;
c) Define the activities during transition and be committed to fulfil the changes;
d) Develop strategies and plans of action for the management in transition by analyzing the factors that can help the change.

Thurley (1979) describes five methods to manage changes:

1. Guidelines imposition of change in crisis situations or when other methods have failed, this happens due to the lack of consulting during the practice of managerial power.
2. With cooperation – this approach accepts that the power is divided between the employer and employees and that changes require negotiation, compromise and agreement before they are implemented.
3. Hearts and minds – a comprehensive stroke to change the attitudes, values and beliefs of the labour force.
4. Analytical – a theoretical approach to the process of changes by using models of changes, by designing processes of changes, evaluation of results.
5. Basic actions – the differences between managerial thoughts and managerial actions tend to blur the managerial practice.
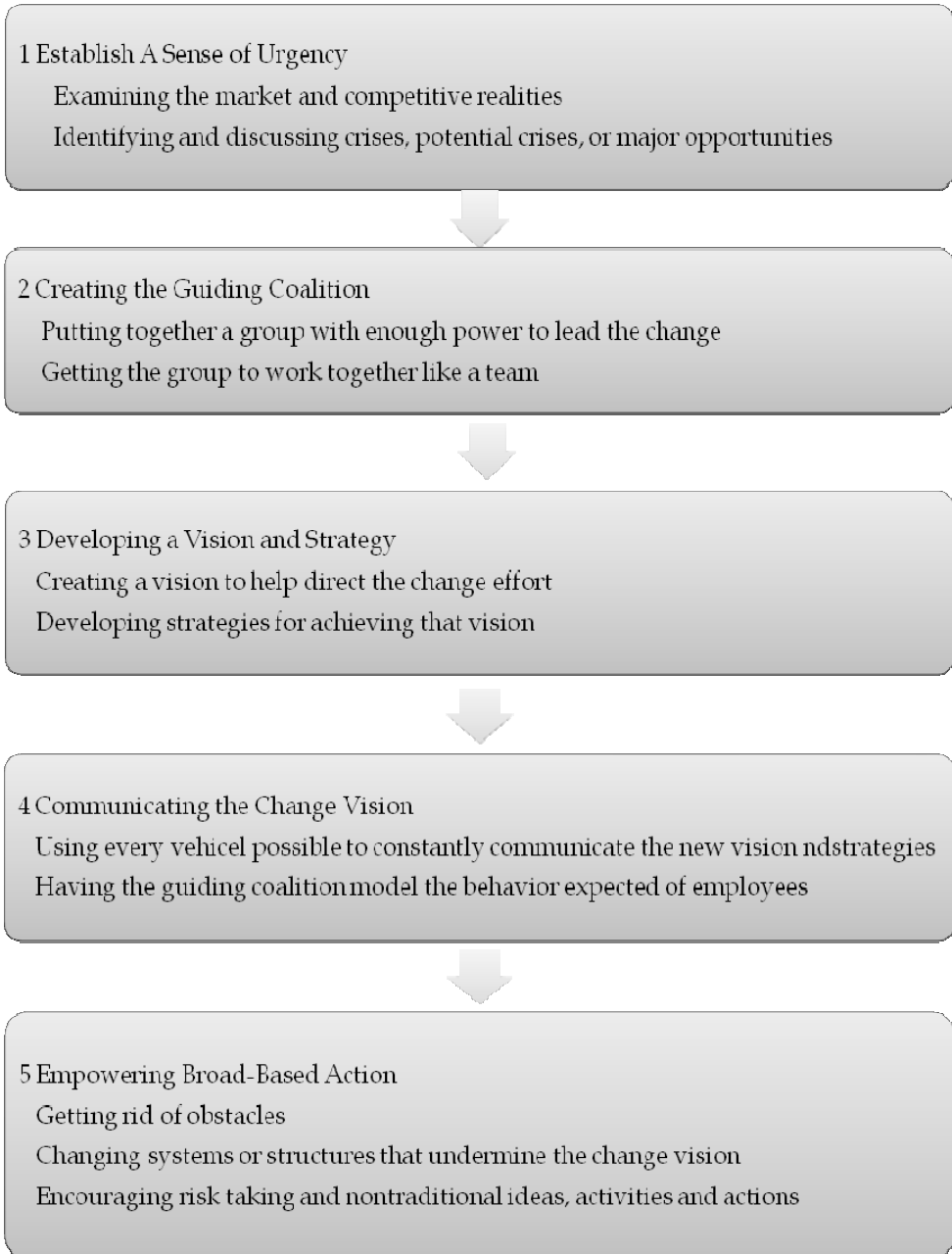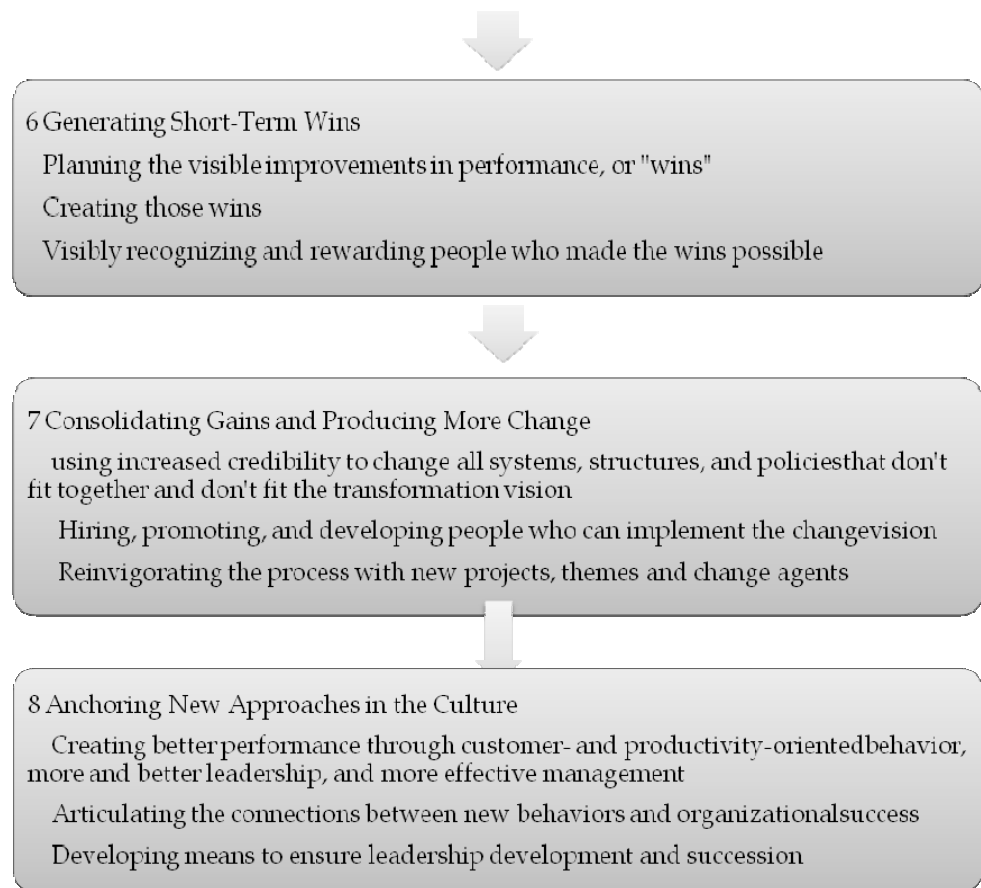
According to Birra, Eisenstat and Spector, changing the attitude leads to changing the behaviours. The authors describe six steps for effective change regarding the reorganization of employees, the roles, responsibilities and relations to solve special business problems where goals and tasks have to be clear and defined. The six steps according to the authors mentioned above are:

1. The mobilization and engagement in change through mutual analysis.
2. The development of a mutual vision about how should we manage to achieve our goals.
3. Achieving a consensus for the new vision, the competence to approve the vision and cohesion to move together.
4. Revitalization of all departments.
5. Institutionalization, formal revitalization through policies, systems and structures.
6. Monitoring the problems during the process of revitalization (cited: Armstrong, 2012, p. 563-565).

Another model of changes is the eight-step model of Kotter (1995) that is one of the most known models for managing the changes. The Kotter theory is expressed visually in Figure 1 where every phase includes two or three critical elements that have to end before we continue to the next phase. Kotter (1995) noted the 'critical mistakes that can have a devastating impact in one of the phases, by slowing down promotion and by denying the profits that were generated with difficulties" (p.60).

Figure 4: These are the eight steps according to Kotter that have a great importance in making big changes in the organization.

1 Establish A Sense of Urgency
    Examining the market and competitive realities
    Identifying and discussing crises, potential crises, or major opportunities

2 Creating the Guiding Coalition
    Putting together a group with enough power to lead the change
    Getting the group to work together like a team

3 Developing a Vision and Strategy
    Creating a vision to help direct the change effort
    Developing strategies for achieving that vision

4 Communicating the Change Vision
    Using every vehicel possible to constantly communicate the new vision ndstrategies
    Having the guiding coalition model the behavior expected of employees

5 Empowering Broad-Based Action
    Getting rid of obstacles
    Changing systems or structures that undermine the change vision
    Encouraging risk taking and nontraditional ideas, activities and actions

6 Generating Short-Term Wins

Planning the visible improvements in performance, or "wins"

Creating those wins

Visibly recognizing and rewarding people who made the wins possible

7 Consolidating Gains and Producing More Change

using increased credibility to change all systems, structures, and policies that don't fit together and don't fit the transformation vision

Hiring, promoting, and developing people who can implement the change vision

Reinvigorating the process with new projects, themes and change agents

8 Anchoring New Approaches in the Culture

Creating better performance through customer- and productivity-oriented behavior, more and better leadership, and more effective management

Articulating the connections between new behaviors and organizational success

Developing means to ensure leadership development and succession

Source: Kotter, J. (1996).

2.3 The resistance against changes

The opinion that there is a resistance against every change is unstable, because a lot of people want changes, but even the opposite opinion is not valid, neither logically or philosophically because there are also a lot of people that refuse changes (Ramosaj, 2005). The resistance can sometimes be seen as a devastating force that runs contrary with the organization's interests. However, in many cases, when managers encounter a resistance and their goals are not achieved they become frustrated and it happens that they blame the employees. Resistance is often understood as a form of rejection to do what is necessary for the organization (Smollan, 2012, p.12). If the staff demonstrates strong resistance against changes, it is

recommended to make a combination of rigorous forms in work with adaptive and communicative forms (Jansson, p.48). Negative reaction of employees can be harmful for the organizations, to those employees that are usually connected with harmful results, for example attracting employees (Armstrong – STASSEN, 1994) and the reduction of working hours (Weeks et al. 2004). However, as Ford et al. (2008) note, it is important to expand the discussions that are related to the resistance against changes, their negative impact and their positive one as well (cited: Peus, Frey, Gerkhardt, Fischer, Traut-Mattausch). Based on organizational changes towards the diffusion model it is usual to point out the forms of resistance that can slow down and hinder the progression of plans and ideas. The focus here is about how can people oppose or deviate from the planned managerial change. This is seen as deformation or resistance, according to the diffusion model (Callon and Latour, 1981; Latour, 1986). The resistance was often seen as a result of (Dawson 2003) substantial changes in work (the changes in competence and skills requirements);

- The reduction of security as a result of economic job loss (loss of employment);
- Psychological threat (real or perceived);
- Social disagreement (new working conditions);
- Lowering of status (redefinition of labour relations) (Alvesson and Sveningsson, 2008, p. 31-32)

For most people changes are unpleasant and can cause pain (Abrahamson, 2000; Kegan and Laskoe, 2001). The reason is that they give us a feeling of insecurity, by not knowing where we will go, what awaits us, or how the future will be. Most of us are afraid from changes because we are afraid of losing the control or that we will enter an unknown territory and an unpredictable future. Therefore, a process of changes is extremely personal and involves our emotions (Duck, 1993, Quinn, 1996). So, it is understandable that people are afraid of changes. However, if people don't change then the organizations won't develop and we will remain with old and dysfunctional plans (cited in: Stadtlwnder, 2006, p. 19). There were several strategies suggested for managers or other changing agents to face the resistance against them. These methods include education and communication, participation, help and support, negotiation, manipulation and constriction (Robbins and DeCenzo, 2008, p. 201).

3. Research results

To realize this paper primary data was used, collected through questionnaires by questioning directly the managers, directors and owners that have a wide knowledge about their organizations. The questionnaires are standard and the same for all the involved entities in this paper.

Figure 5: Which gender is more committed in making changes in your organization?
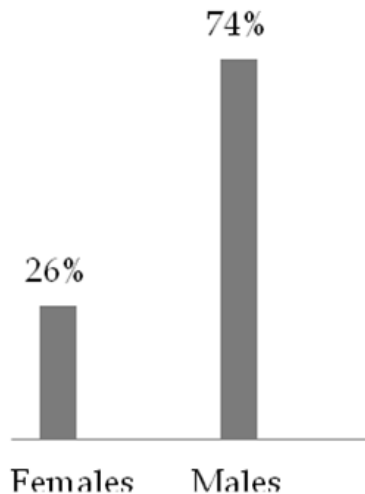
Source: Calculations of the authors based on the results of research

It is seen that 74% of the respondents said that males are more committed to make changes and only 26% of them said that females are more committed to make changes, but here we have to emphasize that in Kosovo organizations there is a lower number of females in managerial positions and maybe this is the reason of this inconsistency between males and females.

Figure 6: Have you attended any training or have you been engaged in the managerial field that is related to managing the changes
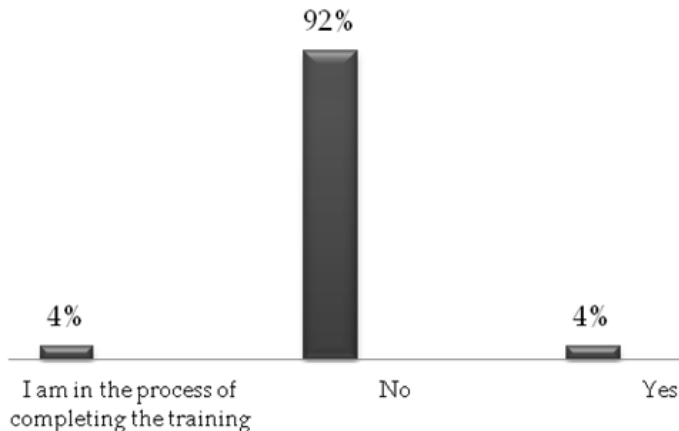
Source: Calculations of the authors based on the results of research.

92% of the respondents said that they don't attend trainings about management that are related to managing the changes, 4% attended management trainings and only 4% are in the process of completing the training for management. As we can see, a very small number of managers attend managing trainings and maybe this is the reason that there's a lack of successful changes.

Figure 7: Which is the level of efforts you take with the actual reward
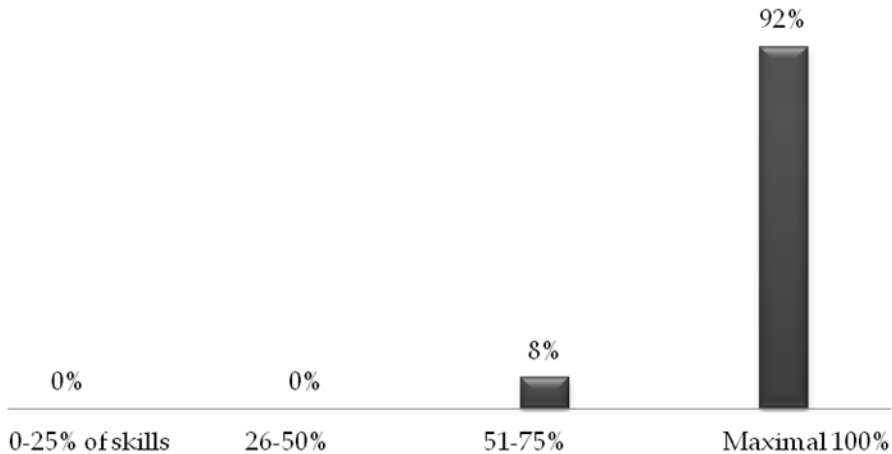
Source: Calculations of the authors based on the results of research.

92% of the respondents said that even with the actual reward they give their maximum for changes in the organization and only 8% said that give an average effort for changes.

Figure 8: Which challenges do you consider as more important for your organization in the future
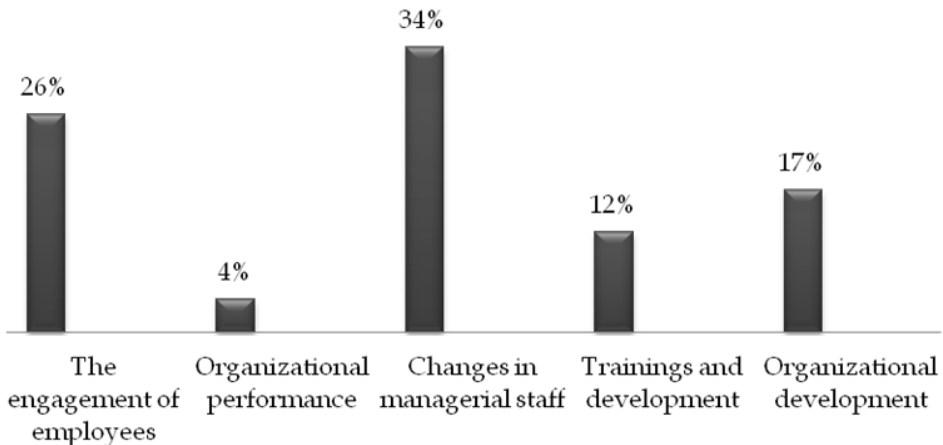
Source: Calculations of the authors based on the results of research.

34% of the respondents said that their main challenge for the future is changing the managerial staff, 12% of them said that their main challenge are trainings and development, 26% said that their main challenge is employees engagement, 24% said that their main challenge is the development of leadership and for 4% the main challenge was the organizational performance.

**Figure 9:** Can you tell us what kind of changes you engage in your organization so that the changes will be as effective as possible
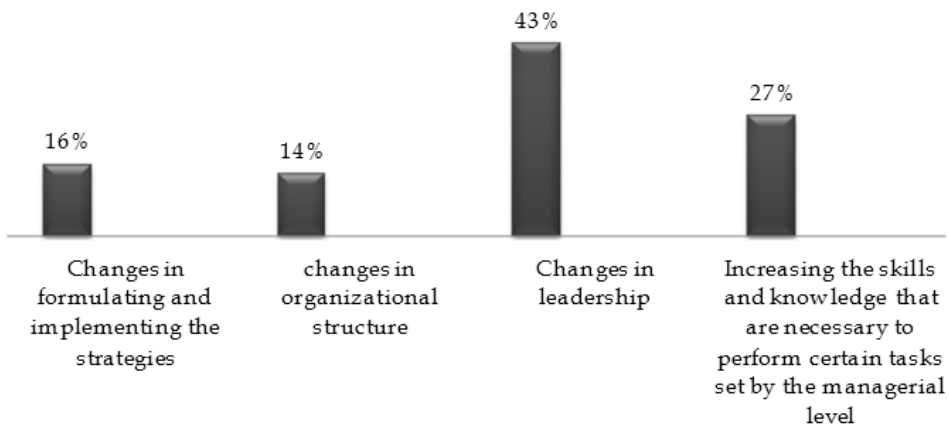
Source: Calculation of the authors based on the results of research

The most common changes in organization are the changes in leadership (see figure 9) so that the changes will be as effective as possible. The respondents believe that the changes in the structure of organization don't have a big influence in making them more effective.

Figure 10: Who participates in the process of managing the changes in your organization
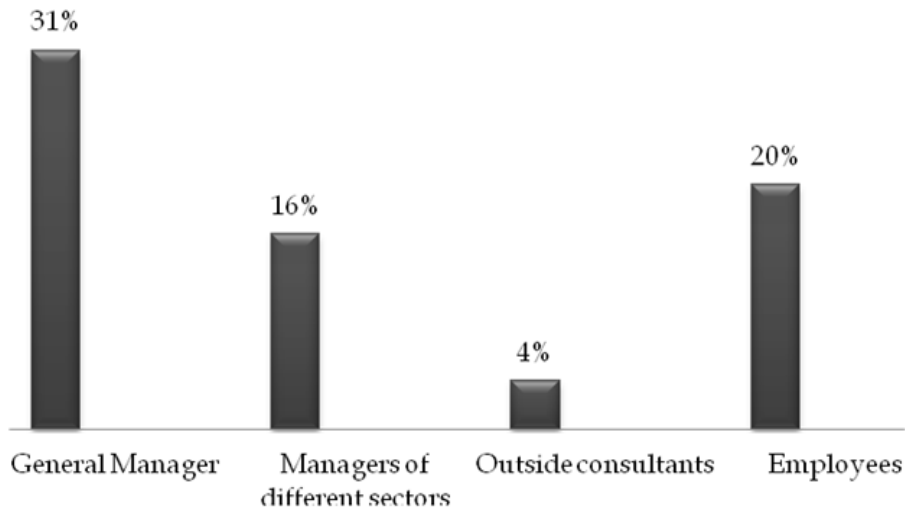
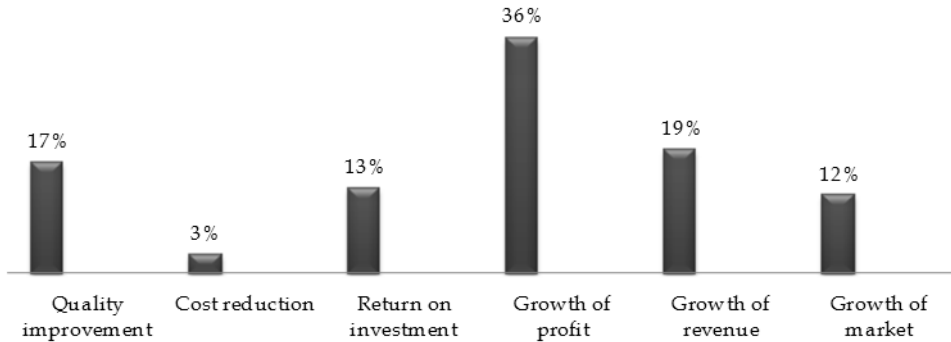**Source:** Calculation of the authors based on the results of research.

Based on the results we can see that general managers participate more in making changes with 60%, then we have managers of different sectors with 16%, employees with 20% and the ones that participate least are the outside consultants with 4%.

Figure 11: To implement changes in your organization
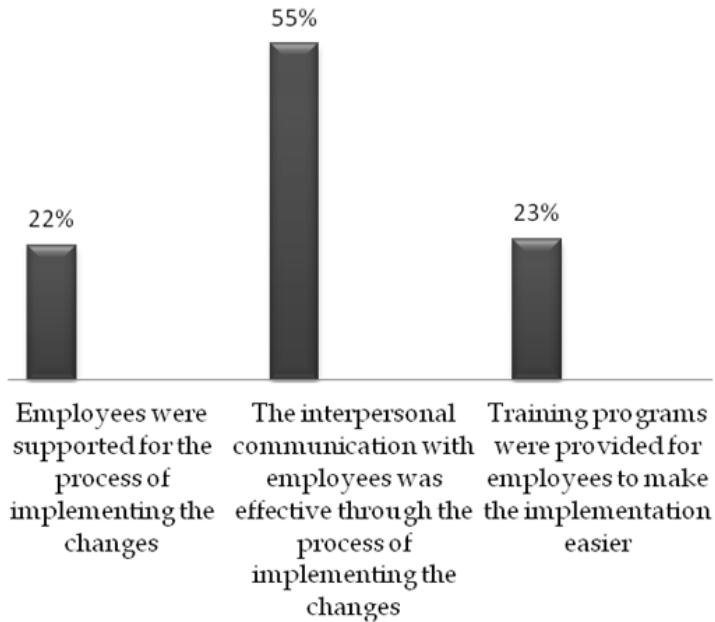
Source: Calculations of the authors based on the results of research.

23% of the respondents said that there were training programs offered for employees to make the implementation of changes easier, 55% said that the interpersonal communication with employees was effective during the process of implementing the changes and 22% said that employees were supported during the process of implementing the changes.

Figure 12: How do you rate your organization's performance after implementing changes related to the following indicators

Source: Calculating the authors based on the results of research.

It is seen that after implementing changes there were different results where 36% said that they had growth of profit, 19% said that they had growth of revenue, 12% said that they had growth of market, 13% said that they had growth in the return of investment, 3% said that they had cost reduction and 17% said that they had quality improvement.

Figure 13: How satisfied are you with the results of changes in your organization
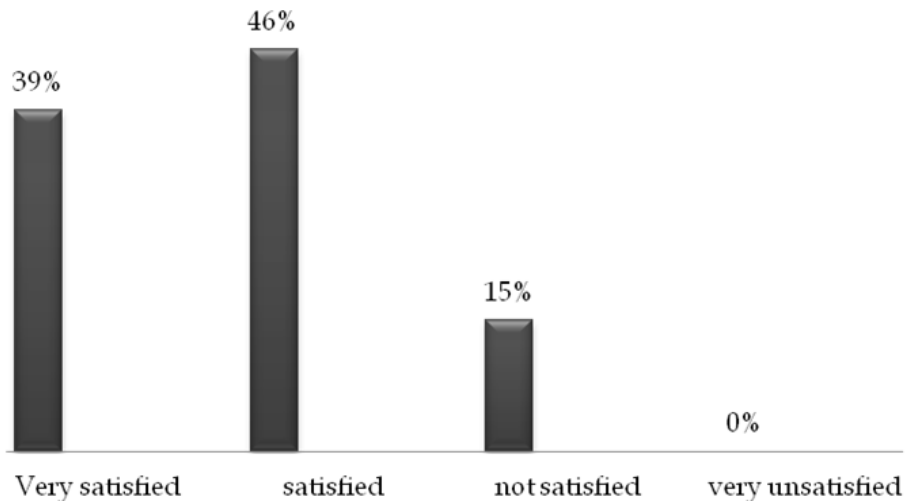
Source: Calculations of the authors based on the results of research.

From all respondents, 39% of them said that they were very satisfied with change's results, 46% said that they were satisfied and 15% said that they were not satisfied.

4. Conclusions and recommendations

Changes are necessary in order for the organizations to develop and survive. The plans for changes should be done in accordance with enterprise's objectives. Despite employee's disagreement about changes, where some of whom don't accept them easily, changes have to happen in order for the organizations to be competitive in the market. The management of changes includes planning, implementation and consultations with people that are involved in changes. Changes must be realistic, achievable and measurable. For organizations, managing changes means defining and implementing procedures and technologies that have to do with changes in the business environment and benefit from the possibilities of change. Unfortunately, many organizations change slowly as a result of internal policy which makes it hard to achieve a consensus in all levels of leadership even when the need for changes is urgent. This is the reason why many companies lose the spasm of changes by lagging behind and not being in step with the competition, and that's why we need a mutual consensus from everyone enrolled in these changes in the enterprise. Based on research results, we learned about how important staff trainings or the rewards in the field of management are so that the changes become successful. In this aspect, organizations should think about investing in staff trainings in fields that are related to the management of changes. Based on the results we can see that general managers are more engaged in change making, but it is important for them to cooperate more with every employee in the enterprise, and if it is necessary to consult with consultants outside the enterprise as well. From the research results we can see that there are very few training programs provided for the implementation of changes, and the employees weren't supported that much in the process of implementing the changes in the organization. Paper results show that organizations are satisfied with the results of changes, and this is an extra reason for entrepreneurs to manage changes and achieve higher performance.

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