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OVERCOMING the OBSTACLES in CORPORATE CHANGE MANAGEMENT

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Abstract

To stay relevant with competitors and an ever-changing world, companies must be ready to implement change within their structure. Such change occurs at the individual level of employees, the organizational level in decision-making processes, and the enterprise level of global strategy. The purpose of this paper is to identify the various levels of change management, the obstacles faced at each of those levels, and to provide real-world examples of companies' strategies in addressing those obstacles. The three levels of change management occur are individual, organizational, and enterprise. The most common obstacles to change management at each of these levels are a lack of leadership, communication issues, individual resistance, prioritization problems, and a lack of clear scope. Strategies and models exist for overcoming such obstacles. It is evident from real-world examples that companies must overcome all of these to stay successful. Failure to do so will result in a breakdown of communication, employee resistance to change, waste of valuable resources, and inability to meet project goals.

Key words: change management, individual resistance, prioritization matrix, scope creep.

To compete with an ever-changing world, companies themselves must be ready to adapt to change. Change management consists of the manners in which a company prescribes and implements change within its internal and external processes. This includes establishing the required steps for change, supporting its employees during this process, and monitoring activities to ensure successful implementation of change (Pollack, 2017). The most common obstacles to change management appear to be a lack of leadership,communication issues, individual resistance, prioritizationproblems,and a lack of clear scope (Quain, 2019). To better understand how orders from company leadership can run into these obstacles, the three levels of change management need to be defined.

The first level of change management starts with the individual. This level deals with how people experience change on a personal level and what will help employees make an effective transition. Moreover, this level uses strategies from disciplines such as psychology and neuroscience to ensure individual change. One such strategy is known as the AKDAR Model, which stands for the five building blocks that are necessary to drive change at the individual level (Bridges, 2018). Specifically, AKDAR stands for awareness, desire, knowledge, ability, and reinforcement.

The second level of change exists at the organizational level. At this level, individuals come together to identify groups that need to change while establishing clear steps. Such steps include determining a business need, identify the scope of the project, creating a solution, designing the new process, and implementing that solution into the organization (Smith, 2018). With this customized action plan, employees will be on board to effectively embrace the change required for business success.

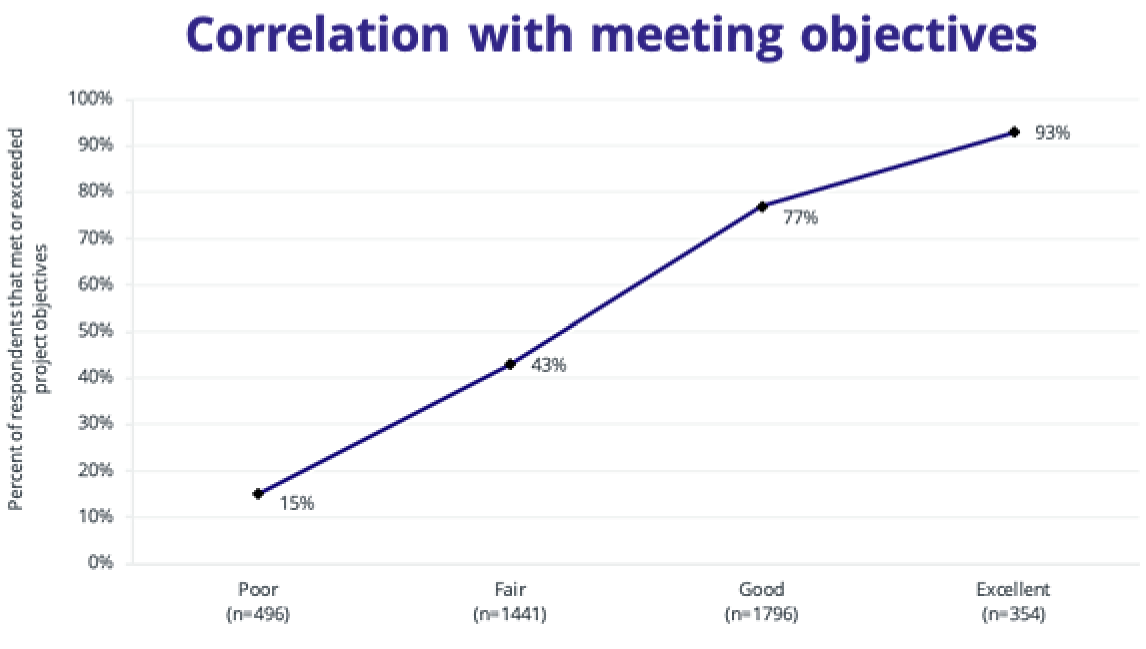
Once the plan for business change has been accepted at the individual and organizational levels, the final step is to embed this change in the core values of the company, the enterprise level of change management. At this final step, employees within an organization comprehend and embrace their goals in bringing about an organization, regardless of their position (Creasey, 2019).

According to a report by the 2018 edition of *Best Practices in Change Management*, the following are the top five obstacles to success in change management (Stise, 2019). These obstacles affect the three levels of change management to varying degrees.

Lack of Executive Leadership

Considered to be the largest obstacle reported by businesses, executive leadership has the strongest effect on whether change management is successful. At the organizational level, strong leadership motivates change, helps to create a vision, develops political support, manages the transition, and sustains momentum of the project (Hussain, 2016). In Figure 1, a positive sloping trend exists between meeting project objectives for change management and rated leadership. One study found that, with excellent leadership, teams met or exceeded their change management goals 93% of the time (Creasey, 2019). Conversely, teams with poorly rated leadership met or exceeded their objectives only 15% of the time. Comparing these two values suggests that with excellent leadership, a project is approximately six times more likely to be successful than with poor leadership.

Figure 1: Positive Trend Between Meeting Project Objectives and Rated Leadership



Knowledge Sharing and Communication

Knowledge sharing and communication is critical at the individual and organization levels of change management. At the individual level, employees bring their personal beliefs, experiences, and skills to the project. At the organizational level, this translates to new ideas in decision making, organizational improvement, and problem solving. One study found that, for both managers and employees, open communication greatly improved the success of change in the workplace (Table 1).

Table 1. Participant Response to Open Communication in the Workplace

Participant type	Participant answers	Number	Total
Manager	Better connected to employees/workplace	8	73%
Manager	No additional effect	3	27%
Employee	Increased desire to serve agency	9	75%
Employee	No additional effect	3	25%

This study concluded that when open communication was available, employees were more engaged with change management projects and were more passionate about seeing organizational change implemented (Hart, 2016). Moreover, employees were better connected to their colleagues and felt they were able to contribute their own beliefs and experiences to successfully meet change management objectives. In contrast, negative communication practices decrease employee engagement.

When a lack of communication between employees and management exists, employees are more resistant to change and more likely to do the minimum amount of work to stay employed. On the manager side, managers felt defeated when unable to communicate with an employee and change management implementation effectively stopped. Other studies have found that managers with poor communication skills tend to question their own interpersonal skills and ability to be an effective manager (Howard, 2015). Consequently, this leads to a lack of direction and a combative environment when attempting to communicate between employees.

Employee Resistance and Involvement

A natural, human tendency is to resist change. This resistance can be found primarily at the individual level of change management, and it restricts progress and adaptation. In the psychological aspect of business, resistance to change can be categorized into four types: overt, immediate, implicit, and deferred. Typically, overt and immediate are grouped together, while implicit and deferred are grouped together. It is well understood in literature that overt and immediate resistance is easiest for management to deal with, whereas implicit and deferred are much more difficult to handle (Al-Alawi, 2018). Employees exhibiting overt and immediate resistance to change are more likely to voice their complaints to management or participate in job actions such as going on strike. This behavior is more obvious and easier to manage. In contrast, employees that display implicit and deferred resistance are more subtle and difficult to manage. Such behavior involves a slow loss of loyalty to the business, loss of interest to work, not showing up to work, and an increasing number of errors.

Many studies have found that resistance can be overcome primarily by two ways. First, employees should be considered as agents of change, and not just cogs in a machine. As agents of change, employees should be actively allowed in the decision-making process. Consequently, involving employees in the organizational level of change management will make their involvement more effective and they will be more likely to accept the desired changes within the organization. Secondly, it is not sufficient for leaders to simply communicate what is required to their employees. For resistance to be overcome, a leader needs to motivate and inspire their employees. This can be accomplished by educating employees on the necessary change, providing incentives, providing emotional support, and being transparent. One study found that when management offers this kind of support, employees are able to associate positive feelings with the change, overcome their resistance, and become more passionate about their role in improving the company (Hussain, 2016).

Prioritization Problems

Not all desired changes within an organization are created equal. When organizations follow a traditional checklist of desired changes, it can be difficult to assess and implement those that are the most essential. Artificially classifying all projects at the highest priority will cause employee burn-out and fatigue employees to the point in which progress is delayed altogether. At the organizational level, management needs to prioritize change by organizing goals by their Impact and Urgency via a priority matrix that is used by many businesses today (Table 2).

Table 2. Example of a Priority Matrix

	Urgency			
Impact	Critical	High	Medium	Low
Extensive	1	1	2	4
Significant	1	2	3	4
Moderate	2	2	3	4
Minor	2	3	3	4

The Impact level of a desired change is based on the degree of consequence resulting from not executing that task, namely from a minor impact up to an extensive impact. The Urgency level illustrates the time until that task becomes an Impact, from low urgency to critical urgency. Lastly, the Priority rating of a task is derived from both its Impact and Urgency (Raza, 2019). Consequently, companies should utilize priority matrices and triage changes based on their priority rating. This will ensure that the most essential changes get completed first, without spreading resources thin on tasks that are more inconsequential.

Lack of Clear Scope

The final roadblock to successful implementation of change is a lack of clear scope, which affects all levels of change management. This can be a consequence of a desired set of changes that is too broad to begin with or due to changes to the scope during the developmental process. The latter is also known as "scope creep", and it can be further defined as unexpected changes that extend beyond initial expectations (Sindi, 2018).Through scope creep, projects can suffer from underestimated cost overruns and timeline delays as employees struggle to mitigate unexpected and uncontrolled changes. To combat this phenomenon, companies identify what are known scope creep indicators and develop strategies to best overcome them. Statistical analysis can be applied to known scope creep indicators from literature reviews to determine their relative weight of occurrence.

Table 3. Relative Weighting and Ranking of Scope Creep Indicators

Scope Creep Indicators	Weight	Rank
SCI-4. Communication within owners	0.1666	1
SCI-5. No. of oversight entities	0.1515	2
SCI-9. Impact of project location	0.1363	3
SCI-2. Alignment internal entities	0.1212	4
SCI-3. No. of owner organizations	0.1060	5
SCI-7. No. of funding phases	0.0909	6
SCI-10. Clarity of project goals	0.0757	7
SCI-11. Project population density	0.0606	8
SCI-8. Target project schedule	0.0454	9
SCI-6. No. of joint-venture	0.0303	10
SCI-1. No. of active internal entities	0.0151	11

Safapour and Kermanshachi (2019) calculated the relative weight of known scope creep indicators and ranked them based on their rate of occurrence (Table 3). Approximately 16.5% of scope creep in a project are due to a lack of effective communication between the owners a company. Furthermore, roughly 15% of scope creep occurs when several managers are competing for oversight over the execution of a project. It is evident then that most scope creep in change management stems from leadership. This same study found that implementing front-end planning and alignment strategies are the most effective in reducing scope creep early on and allows for maximum communication.

Discussions

Now that the obstacles to change management and their consequences have been identified, looking at real-world examples can illustrate successful change management strategies used by companies to overcome such obstacles.

In 2004, Shell oil company was at an all-time low with its share price and the sudden departure of their chairman, Sir Philip Watts (Arnold, 2020). The new chairman, Jeroen van der Veer, developed new strategies to overcome the aforementioned obstacles to change management. First, Shell came up with a series of standardized processes for change. Looking back at the prioritization matrix, Shell executed only processes that had an extensive impact in the company's survival. Other changes that had lesser consequences were put on the backburner. Secondly, leaders within Shell focused on effective communication with their employees and considered them as agents of change in the decision-making process. Involving employees in these new changes helped them to overcome any individual resistances, made them more passionate about their role in the company, and aligned everyone with the company's new vision.

Another example is of successful change management is in the case of British Airways. In 1981, the failing airline company appointed John King as the new chairman (Profit, 2019). King concluded that the reason for the airline's decline was due to extreme inefficiency and waste of valuable resources. His change management plan initiated with cutting 22,000 jobs, replacing older planes with newer one, and terminated unprofitable routes. Similarly, to the previous example, British Airways focused their change management on processes that would have the most extensive impact in the company's survival. Moreover, King made sure that leaders within the company provided employees with reasons for the airline's restructuring and upcoming changes. Through effective leadership and communication, British Airways was able to rebound and turn into a profitable airline once again.

It is important to look at examples of change management failures as well. Throughout its lifespan, Kodak has experienced multiple missteps since its founding in 1888. Historically, Kodak has suffered primarily from a lack of clear scope. The technology company has experienced trouble with producing illegal knock-offs of Polaroid's cameras, failed to enter into the film market against their competitor Fuji, and even bought into the pharmaceutical industry without understanding how the line of business works (Cole, 2018). Resources at Kodak were spread thin by following too many changes that would have little impact on the company. Additionally, their change processes lacked clear scope such as when leaders within the company tried buying into pharmaceuticals when their focus should have been on photography and film.

Limitations and the future of the study

Many studies utilize questionnaires or surveys to gain data; thus, some limitations exist in change management research. First, many studies have reported small sample sizes. Employees may be hesitant to respond to questionnaires from fear of retaliation or lack of interest. A small sample size can lead to an overgeneralization of data or a skewed conclusion. This is because a sample size that is too small increases the likelihood that statistical differences are due to a systematic error and not a relevant result (Faber & Fonseca, 2014). Moreover, small sample sizes make extrapolation of data difficult.Secondly, using questionnaires and surveys can limit the number of possible responses. By guiding respondents' answers with specific questions, studies may be lacking additional conversation and expansion of some answers (Hart, 2016). Employees may not grant further insight as their responses are limited to preformed answers on the questionnaire. Additionally, some studies report respondents are more likely to be regular employees as opposed to those in a position of management or leadership. This can distort employee outlook and make responses regarding management overly negative (Yashodhara, 2017). Lastly, change management studies may rely on company data from a single time-point, which can over- or under-exaggerate the results. It is important to investigate along multiple time points to better understand how a company may be faring during a change process.

Many studies are either retrospective in nature or examine a company at a single time-point. Future research should examine companies before, during, and after change management to illustrate effective change strategies. Studies need to compare such strategies between countries to highlight cultural differences within organizations and their effect on overcoming change management obstacles.

Summary

The purpose of this paper was to identify the various levels of change management, the obstacles faced at each of those levels, and to provide real-world examples of companies' strategies in addressing those obstacles. The three levels of change management occur are individual, organizational, and enterprise. At each of these levels, the most common obstacles to change management are a lack of leadership, communication issues, individual resistance, prioritization problems, and a lack of clear scope. Strategies exist for overcoming each of these obstacles. For example, a prioritization matrix can be utilized to determine which change projects will have the most extensive impact on the company. Involving employees in the decision-making process of the desired changes can lead to effective communication and overcoming employees' resistance to change. A clear scope of change needs to be defined less companies waste valuable resources and prolong their timeline. Real-world examples of companies clearly show that overcoming each of these obstacles is necessary for success. However, future studies should examine companies at multiple time points to provide a deeper understanding of effective change management strategies.

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