

LITERATURE REVIEW OF ORGANIZATIONAL CHANGE AND RTC THEORY AND APPLICATION IN REGIONAL CHAMBER OF ECONOMY

Aleksandar Popovic

Abstract: Change is modus operandi in modern times and it will be even more so in the future. RTC is normal having in mind that positions of stakeholders are to be disturbed, but there are numerous other reasons for RTC, but real question is how to deal with it.

In this paper we will examine change and RTC happening in Regional Chamber of Economy in Nis, Serbia. These changes were inducted by transition of Serbia and its economy during past decades, but also by legislative reform in this sector.

Relevant literature was investigated having in mind similarities and differences with current examples in order to find out what is change and what is RTC, why does it happen and how to deal with it.

As a conclusion, the guide - a practical model with check-list for change implementation and dealing with RTC was crafted. This model was developed with respect of existing change models and guides.

Key words: regional, chamber

Rezime: "Promena" je način rada u savremenom poslovanju, a sva je prilika da će i u budućnosti fokus na promenama biti još izraženiji. Otpor ka promenama je sasvim normalna pojava imajući u vidu da će se pozicije važnih aktera poremeliti, međutim postoje i dodatni razlozi za otpore, no pravo pitanje kao prevazići ove otpore.

U ovom radu ćemo ispitivati promene i otpor promenama koji se dešavaju RPK Niš u Srbiji. Ove promene su uzrokovane tranzicijom u Srbiji i promenama u srpskoj privredi u prethodnim decenijama, ali takođe i izmenama zakonske regulative u ovoj oblasti.

Relevantna literatura je analizirana imajući u vidu razlike i sličnosti sa trenutnim primerima radi sagledavanja pojama promena i otpora ka promenama, da bi odgovorilo na pitanja-zašto se javljaju kao i kako ih prevazići.

Kao zaključak sačinjen je vodič-praktičan model sa ček listom za implementaciju promena i prevazilaženje otpora ka promenama. Ovaj model je razvijen u skladu sa poznatim modelima i uputstvima.

Ključne reči: regionalna, komora

1 INTRODUCTION

In order to grow and even survive in the new millennium, organizations and their management must be able to respond to the changes in political, social and technological sphere. Companies are challenged to manage the changes anticipating them in competitive, market and technological arena (Szamosi et Duxbury 2005, Buono et Kerber 2008). Moreover, it is anticipated that in the future pace and severity of changes will be ever greater because the changes are not mere trends, but the result of profound organizational change forces. Complexity of these forces and different systems of changes requires approach of systematic manner with appropriate planning (James, 2002). These changes can be called TQM, BPR, restructuring, cultural change, turnaround and many more, yet no matter the name far greater of number of these effort are utter failures (Kotter 2000). Therefore we can say that this is very important issue without the answer, which is going to be even more relevant in the future. Researchers agree that in the change management area, the resistance to change (RTC) is major reason why changes fail (Mabin et al. 2001), hence this is why we must place greater importance on human factors when implementing the changes. Response of people inside the organizations which is being changed is rarely neutral, rather they will evaluate how it is going to impact them – their power position, job security or financial arrangement, and then they would act appropriately (Szamosi et Duxbury 2001, Szamosi et Duxbury 2005, Huang et

Huang 2009). Even more, some studies suggest that no matter how it is obvious that the change is beneficial for organization and its employees, usually it will be sabotaged and met with resistance (Ulrich et al 2005, Pederit 2000).

Aim of this paper is to see what is the change, what is RTC, why does it happened, how can we manage and minimize it. Findings will be implemented in the organizational change implementation in the Regional Chamber of Economy Nis (RCE). This organization is facing vigorous RTC from its employees in the process of complete change.

2 LITERATURE REVIEW

RTC has been studied for more than 50 years, (Lewin, 1947), but the definition of RTC researchers have borrowed the logic from physics as Piderit (2000) claims, where RTC is restraining force in the direction of the maintaining status quo. But let us first see what is change, which approaches to the organizational change we can adopt, how will the employees cope with the changes and which model of change can we apply.

Craine (2007) goes over a cycle of change which consists of 4 stages –the comfort zone, the “no” zone, the chasm and the “go” zone each consisting of different set of the emotions as portrayed in Picture 1

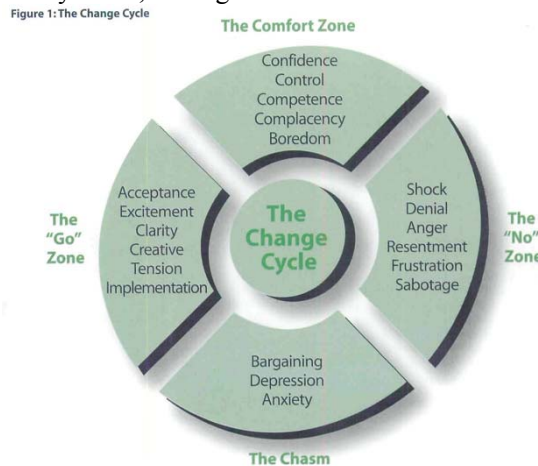


Figure 1- The Change Cycle

We can see that the emotions and the reactions critical for the process are in the second (resentment, sabotage...) and the third phase (bargaining, depression...). Moreover, the author explains how to help ourselves and others in each phase. But how do

we approach the change? Buono et Kerber (2009) emphasized three approaches to the organizational change: direct, planned and guided change, closely linked to the boundaries, differences and exchanges.

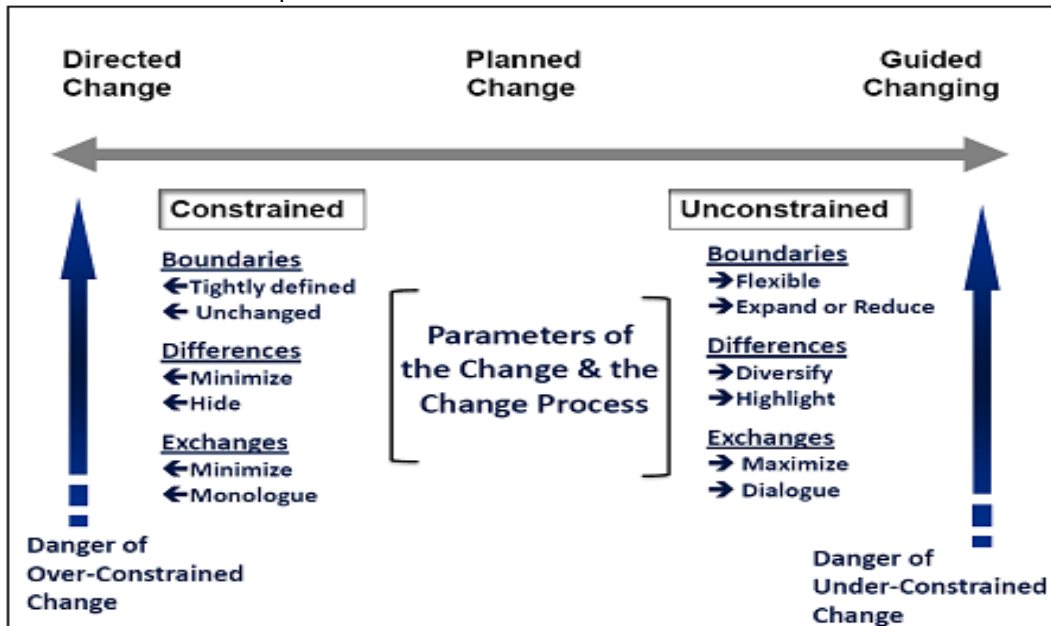


Figure 2 – Parameters of the Change and the Change Process

As we can see in Picture 2, if we move from the direct to the planned and guided change, managers must give up tight control, supervision and procedures, and substitute it with self organization founded on the general values and principles, where self organization depends on the business nature and the change challenge. In order to determine how the employees cope with the change, Fugate et al. (2008) claims those managers must change negative appraisal of the organizational change. They claim that this is done by communicating the organizational change information, reducing job uncertainty, involving the employees in change process and articulating clear vision - all these reasons and problems are taking us to

the ground of reasons for RTC. Szamosi et al. (2005) states that the fear of losing something valuable (power status, job security, relations) or fear that the employees will not be able to develop the skills or the behavior required from them, but also communication and supportive management are major reasons for occurring RTC. Szamosie et Duxbury (2005) groups factors associated with RTC in 3 categories: psychological (values, fears, beliefs); sociological (age, tradition); and organizational (culture, communication, job design); and these researchers summarize reason for RTC from reviewing literature in table 1.

Watson, 1969 homeostasis habit primacy select perception dependence superego self-distrust insecurity	Zaltman et al., 1977 homeostasis cultural beliefs cultural values cultural traits group solidarity conform to norms power threats perception	Hultman, 1979 values beliefs	Kotter et al., 1979 self-interest misunderstanding low tolerance for change different assessments
Bigelow, 1980 self-interest tradition society at large	Klein, 1984 status seekers sceptics equality seekers deal makers	Kanter, 1985 loss of control uncertainty surprise factor costs of confusion loss of face competence more work ripple effects past resentment real threats	Connor, 1993 lack changeability well-being threat violate values violate beliefs
Matejka & Julian, 1993 respect satisfaction ignorance strength traditions anxiety norms commitment	O'Toole, 1995 homeostasis fear power self-interest human nature imposition	Furukawa, 1996 lack of policy busyness of job negative rewards	Mamman, 1996 cognitive behaviour attitude personality age, gender, race org. culture workforce policy job design

Table 1- Reviewing literature

On the other hand Ford et al (2008) are trying to examine RTC from the other side, by viewing it from the recipient of change side, not only from the change agent side. They find that the change agents are labeling self fulfilling and self serving to the change when explaining RTC; furthermore RTC is the outcome of change agents actions or inactions such as the communication breakdown, violation of trust, and breach of agreements. Yet, many of these researchers find that the RTC can be necessary and positive force which benefits the change efforts by avoiding the group thinking and providing the alternatives to consider (Mabin et al. 2001, Huang et Huang 2009, Ford et al 2008). Huang et Huang analyzes RTC from

the change agent's point of view, and found that there is a link between the employee's resistance, the organizational intervention and the change outcomes. The organizational intervention such as training, behavior modeling and motivating exceptional behavior has effects on outcomes; it increases positive effects of the RTC. Szamosie and Duxbury (2005) claim that there is lot of literature about how to overcome RTC, but little about the model of RTC – too much focus is on outcome, yet much less on the precursor. Moreover, many researchers focus on minimizing the RTC, rather than trying to understand the RTC; therefore, their strategies are based on the logic, and not on the empirical research. Hence, they propose model of the RTC presented in Picture 4

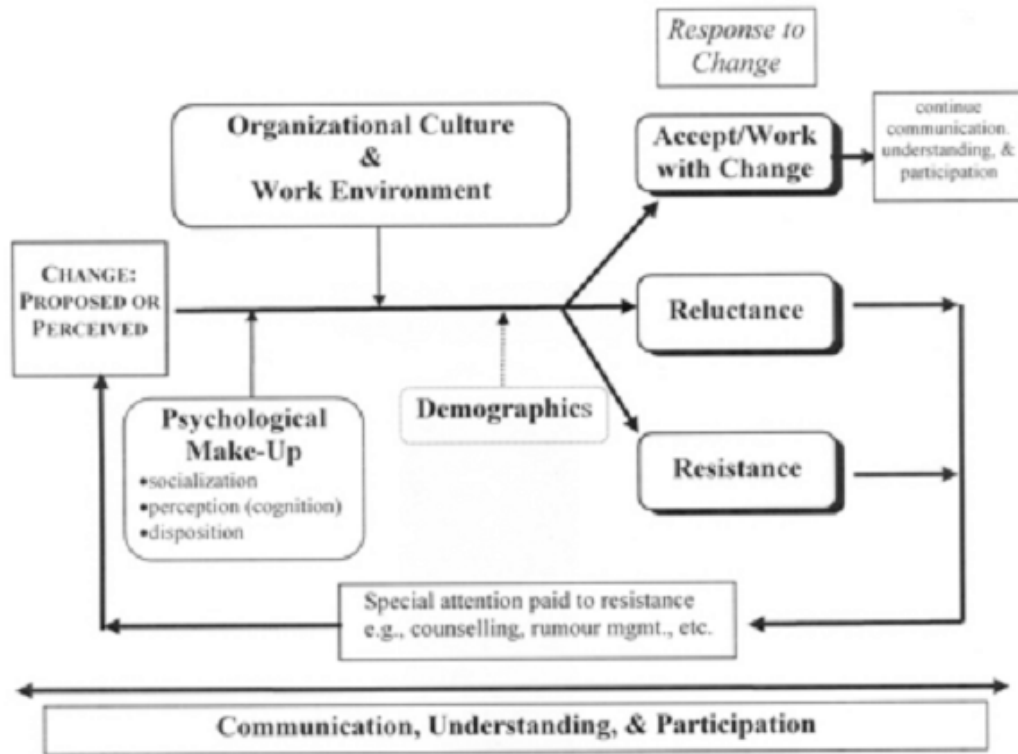


Figure 3- Communication, Understanding, Participation

Three possible outcomes will depend on the individual factors (psychological make-up, demographic characteristic) or the organizational factors (organizational culture, work environment). As we can see many researchers find that the communication is a key issue in the change management, or the major problem if not done properly. Atkinson (2005) states that the many organizations do not manage change well, and in his paper tries to find the reason for which they fail to do it. He finds that RTC is normal, conclusion we found in most papers we reviewed in previous part. Atkinson claims that in order to overcome RTC we must sell the benefits persuade people resisting personally, because they ask: what will happen to me? Therefore, once again, communication is the key – we must segment all participants and address them separately, and through all channels we must communicate why change.

As we can see there are proposed numerous models for managing the change and RTC, all of them have specific benefits and downsides. However, Mathews (2009) made reanalysis of the known models in order to develop the model of

organizational change that consists of the balanced mix of hard and soft factors. Since different researchers explain change depending on the different set of factors – these factors can be behavioral and non-behavioral, or mainly hard and soft. Hence, author proposes the dynamic five forces activation model consisting of the individual activation forces, social activation forces, structural activation forces, environmental activation forces and the resource activation forces as seen on the table 2

Table 2: Activation Criteria
Individual Activation
• Nature of the intellectual processing
• Cognitive resources
• Personality functioning
• Motivational and emotional processes
Social Activation
• Persuasiveness
• Social facilitation
• Modeling and observational learning
• Cooperation, collaboration and team work
• Conflict tendencies
• Social differentiation
• Group cohesiveness
Structural Activation
• Nature of the formal reporting relationships
• Group organization levels
• Control and coordinating systems
• Structural rigidity and flexibility
• Functional and cross functional processes
• Delegation, decentralization and empowerment
Resource Activation
• Adequate and sufficient supply of materials
• Modern technology
• Availability of financial resources
Environmental Activation
• Responsive strategic constituencies
• The extent of exchange between environmental agencies and the organization

Table 2 – Activation Criteria

Mathews further proposes weighed activation model (WAM), mathematical model derived from relative significance of either of five forces,

depending on the form of change. WAM indicates relative significance of the five forces in relation to overall change program. By adding all five forces we can calculate change readiness score (CRS), thus measuring the precise state of all the 5 forces that can be used in the change program. WAM score relation to CRS score is crucial, telling us relative state of organization; high WAM score not accompanied with high CRS score tells us that organization is not prepared for change. High CRS with low WAM means that planned state is on the threshold of change without required foundation. Having in mind the fact that we will discuss problems in the organization in Serbia, we must analyze the specific issues of RTC in transitional economies. Szamosi et al. (2005) tries to link 3 key HR issues – job satisfaction, organizational commitment and management support – with employee’s readiness to change in the transitional economy. By surveying 200 workers representing Bulgaria varying in gender, working experience, education and the size of the company, and comparing it with Canada they come to several conclusions. Blue color workers are more satisfied in the transition than managers, but their commitment to the organizational change should be monitored. Managers are in general supportive, but they lack the “soft skills”. Also, managers must share more information’s and be emphatic. In general employees in transitional economies are for the change but they have negative experience with changes.

Nevertheless, real question to answer is how to manage RTC, what to do to minimize it? Szamosi et Duxbury (2005) neatly summarizes methods from literature for minimizing RTC in Table 3.

Lewin (1951) unfreeze move refreeze	Hultman (1979) define the change determine focus of resistance develop a strategy to deal with resistance	Kotter & Schlesinger (1979) educate & communicate participation & involvement facilitation & support negotiation & agreement manipulation & co-optation explicit & implicit coercion
Tichy & Devanna (1986) definitive ending transition phase / neutral zone new beginning	implement the strategy repeat steps 2 through 5 if required	
Caldwell and Gould (1992) develop a vision assess the climate develop leadership strategy develop and nurture trust improve communications develop and maintain mgmt. team develop a structure for change	Blake (1992) assess yourself assess the system assess the client develop intervention objectives select learning strategies allocate resources determine if things are working plan action evaluate celebrate	Jellison (1993) be positive state your request evaluate the response deflect resistor's tactics
Judson (1993) analyse and plan communicate change gain acceptance of behavioural changes make initial transition consolidate follow-up	Smith (1993) understanding desire minimum capability planning action reinforcement (back to step 1)	Stone (1995) monitoring events seek resistance out provide role models confront feelings sell need for change set small goals involve staff

Table 3 – Minimizing RTC

Yet, Szamosie et Duxbury found that many of these methods are based on the logic rather than the empirical research, and perceives the process as necessary evil. Common actions towards minimizing RTC are change of culture, communication improvement, and proper assessment of the change, structure of change process and involvement of the employees in the process. On the other hand, Sherman et Garland (2007) in reviewing the literature finds that there are 2 ways to pass RTC – to overcome it or to overwhelm it. In order to overcome it we must address all 3 states: emotional, behavioral and cognitive – this conclusion is in line with findings of Piderit (2000). In real life it means to reduce the opposing force by providing the empathy and support, communicating the reason, reducing rumors and fears, and involving those affected in the planning and implementation. Overwhelming on the other hand is increasing forces for change, both positive -carrot and negative-stick. Potential problem in regard of overwhelming can be if

we undervalue the opposing forces, hence change efforts will be domed. Second problem can be if amount of the force for changing is lost before the end of the process – essentially if change efforts lose their sponsors in the top management. Generally, the idea of increasing forces that promote change until they are greater than RTC is the much worse scenario opposed to overcoming RTC because big amount of forces on both sides can lead to instable system. Sherman et Garland further claim that the another problem of overwhelming the RTC can be because results of resistance can be materialized after the change is accomplished – or worse after the change is failed. In both of these cases focus of the resistance is not on the change process itself, because it is finished – it is on change agents. Change agents usually have burned too many bridges, made to many enemies, and therefore we say that we must burry the survivors, because change agents have moved organization from the comfort zone.

By analyzing all these change and RTC literature we can set change model - a kind of practical guide for implementation of change and dealing with RTC. In the literature there are 3 well known models developed by academics with considerable practice experience (Mento et al., 2002). First is Kotter's 8 step model of transformation for the organization (Picture 4a) developed in respect of study with 100 companies

of various sizes from different sectors (Kotter, 2000). This model is for strategic level of the company and it underlines two points - first is that the change process consists of several phases, and each of them must last considerable time. Also, mistake in any of the stage can have enormous effect on the momentum of the process.

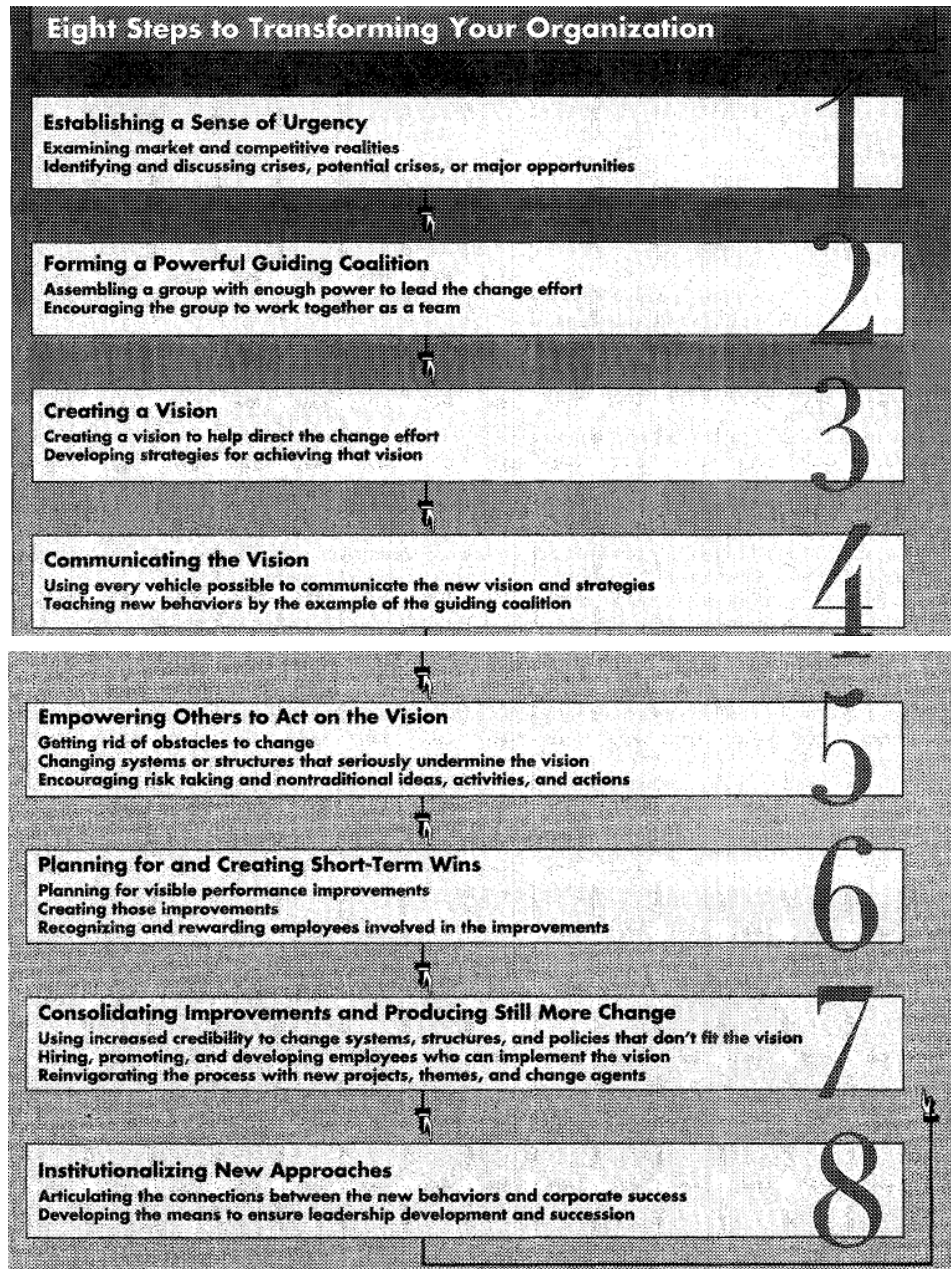


Figure 4a – Eight Steps to Transforming Your Organization

Next is Jick’s ten step model (Picture 5), developed as a guide from both organizations starting the change, and evaluating the change in progress (Jick, 1991). He finds that implementation of the change is a process of discovery and it must be seen

as a blend of the art and the science. Implementation depends on the nature of change, on the common sense of change agents who can refuse to hear the voices from the organization and at the end one must see the fact that change is continuous process.

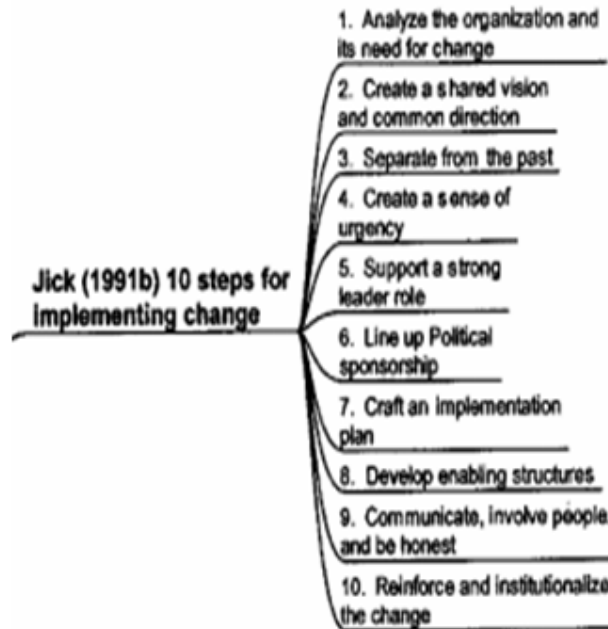


Figure 5– Jick’s ten step model

Third is the GE seven step model of the change acceleration (Garvin, 2000, p.131) developed on Lewin’s model of unfreezing, movement and refreezing (Picture 6)? Model emphasizes the leader’s role in creating the need for change, crafting the vision, measuring the change in several dimensions and institutualizing the change. Institutualizing the change or refreezing by Lewin means changing the design factor of organization; we must create complex system of structures harmoniously fitting.

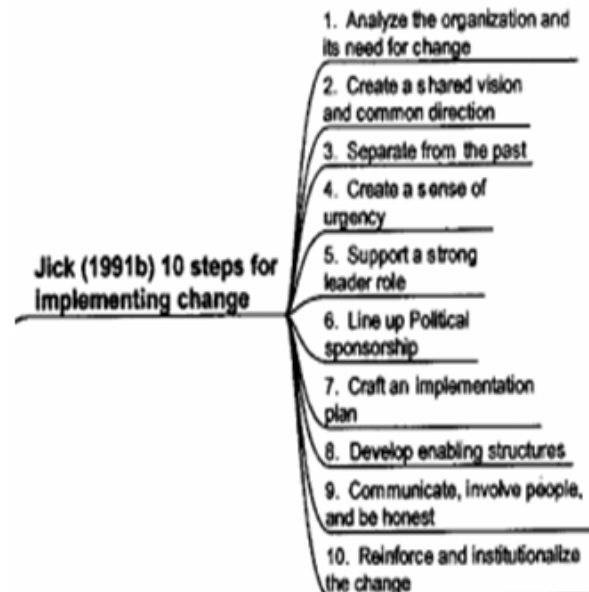


Figure 6 – GE seven step model

3 APPLICATION OF LITERATURE IN PRACTICE

During the last 20 years Serbia has gone through the process of enormous changes; along with the society, economy was transformed and is still going through serious changes. Nevertheless, some parts of the society are resisting change. Among them, Chamber of Economy system is certainly trying to operate in same manner as 30 or 40 years ago. We can say that this is normal since it is inert structure operating on the same grounds for well over 150 years, and much of the employees are in their 60-ties.

But during 2009 new laws with delayed enacting in 2013 advocating voluntary membership was passed, and together with the privatization and disappearance of the old state owned companies seriously questioned business model and the financing of Chamber as it is now. This is why assembly voted new administration why is trying to enforce major change and is facing furious RTC.

First step is to put the idea in the context, and here we must see two concepts. First is when we focus on the problem solving, here energy for the change comes from wish to escape unpleasant status quo, but energy diminishes as the situation improves. Second concept says that if we create creative tension, energy for change comes from the vision, therefore we have new learning, opposed to adaptive learning in first concept. This step was properly addressed in our case in RCE, and by putting the idea of change into the context, the old management was changed.

Second step would be defining the change initiative. In practice it means defining the roles of all key players, strategists who are responsible for initial creating a need for change, crafting the vision, defining what is possible and who will sponsor and defend it. Change implementations are the one who make it happened. Recipients are in our case all other employees and members together with the interested parties.

Next step is to evaluate the climate for change. Both strategists and implementators must understand the environment around organization, how it operates, what are its strengths and weakness and especially what organization's history with changes is. Learning from the past efforts can help not to make the same mistakes. There is the first mistake in our case of RCE. Since RCE has specific structure with assembly of 55 delegates chosen from the Sector Boards

managed by secretaries employed there is obvious circle of dependency. Therefore any change is problematic in this locked inertial system, yet new management crafted daring and swift plan for total changes creating great RTC. Furthermore all minor change efforts in the recent history was not implemented because of this issue, hence slower pace of changes must be implemented.

Step four is to develop the implementation plan, and this step is almost the same as Jick's step 7. The plan should define the specific goals and responsibilities for all actors, but the plan must be crafted with the respect of frame of reference of each individual, and the framing methods can be carrot, stick, prestige and challenge. In our case, the starting mistake from step three was emphasized here, plan was developed but wrong framing methods were used for the recipients. Instead of stick for secretaries of boards and carrot for few loyal ones, we must introduce prestige for few, change for young ones and more of them must be dealt with carrot rather than with stick.

Next step is to find and cultivate a sponsor, this step is the identical as Kotter's developing power coalition and Jick's line up political sponsor. In practice this means to find the individuals and groups whose commitment for the change is essential, decide about the critical mass, and plan how to gain the commitment of this mass and monitor the progress. In the case of RCE, the critical mass was not well defined; there was poor judgment about whose support for change is needed. Actions from previous step are the same.

Step six is to prepare the recipients of change. Almost every researcher referenced earlier emphasized communication as key issue during change process - we have it our matrix in every step, yet in this step it is crucial. This is most important point of change, and as such if not done properly can lead to disaster. In RCE not all recipients of change are prepared for change, therefore this is issue that must be upgraded immediately. Need for change from first steps must be emphasized again, the vision communicated better, but benefits of the change must be sold to all recipients. Moreover, all stakeholders must accept the change having in mind that external stakeholders can be sponsors of RTC if they are not convinced that the change is needed.

Next step is to make cultural fit e.g. ensuring that the change will last. Organization members must except the fact that change is reality and will be in

future. This is future step for RCE- rooting the change in existing culture and making sure that thing does not go back. This must be insured by changing the reporting relations, staffing, training systems, power roles, appraisal, reward systems and communication in the way that is complementary to change.

Further step is to create the change leader team; having in mind that the team can provide better leadership than one person. Since the leader must inspire the employees to embrace the vision, reward them for reaching the goals, but he must also create the organizational structure, it is obvious that this can not be done by one person. In RCE case, it is wiser to have the leader team than single man; therefore it is the task to craft such a team.

Step 9 is to create small wins for motivating the employees. This can be crucial in long and drastic changes. In case of RCE plan for creating visible improvements, the employees connected with it must be recognized, because people without it may give up on change. This can be done by happy hour events or lunches, or milestone events with the congratulations and the rewards.

Next step must be done from beginning of the process till the end – to constantly communicate the change. In our case communication must enhance organization's understanding and commitment for change, to reduce RTC and confusion, and to prepare recipients to good and bad side of change. The process of communication can and must do much better in RCE.

Step 11 is to craft the system for monitoring the progress of the project using milestones, benchmarking and by charting the progress. In RCE case it could be connected with the creating the small win to reward progress. Change progress must be measured during all stages not just in the end, and proper measurement is crucial for keeping the project on the track.

Finally we must integrate the knowledge gained in the process by stepping away, reflecting and drawing up sound conclusions about mistakes done. In this way we are ensuring all the knowledge in disseminated to all other employees who maybe facing same problems.

4 CONCLUSION

The change is inevitable occurrence, and the pace and scope of changes in all spheres of life is going to be ever greater in the future. RTC is the natural response, since one is disturbing status quo, but there are more reasons for occurrence of RTC. Having in mind the fact that lot of the change efforts fall because RTC, real question is how to manage it and deal with it. There are numerous approaches to RTC and few researchers have even developed manuals for change, but fact is that change is the painful process which must go through few phases. Each of the phases must last some time, and it must be prepared and accomplished with care, yet almost every researcher finds that communication is key issue during change process, and for managing RTC.

REFERENCES

- [1] *Managing resistance to change*, Atkinson, P., Management Services, Spring, 2005, pp. 14-19.
- [2] *The Challenge of Organizational Change: Enhancing Organizational Change Capacity*, Buono, A. F. et Kerber, K. W., Revue of the Sciences de Gestion, 65, 2009, pp. 99 – 118.
- [3] *Business Process Reengineering. Management Services*, Chamberlin, J, Winter, 2009, pp. 38 – 43.
- [4] *Resistance To Change: The Rest Of The Story*. Ford, D. J. et al., Academy of Management Review, 33(2), 2008, pp. 362 – 377.
- [5] *Employee Coping With Organizational Change: An Examination Of Alternative Theoretical Perspectives And Models*, Fugate, M. et al., Personnel Psychology, 61, 2008, pp. 1 – 36.
- [6] *Learning in Action: A Guide to Putting the Learning Organization to Work*, Garvin, A. D, Harvard Business School Press, 2000, Boston,
- [7] *Managing People in Organizations, Applying Modern Management Theory to the Financial Services*, James, D., A I T B S Publishers and Distributors, 2002, New Delhi.
- [8] *Implementing Change*, Jick, T., Harvard Business School Press, 1991, Boston, Note 9, pp. 191-114,
- [9] *Leading Change: Why Transformation Efforts Fail*, Kotter, J. P., Harvard Business Review, March-April, 1995, pp. 59 – 67.
- [10] *Frontiers in group dynamics: Concept, method, and reality in social sciences, social equilibria, and social change*, Lewin, K., Human Relations, 1, 1947, pp. 5-41.

- [11] *Harnessing Resistance: Using the Theory of Constraints to Assist Change Management*, Mabin, V. J. et al., *Journal of European Industrial Training*, 25, 2001, pp. 2 – 4.
- [12] *Models of Change Management: A Reanalysis*, Mathews, J., *The Icfai University Journal of Business Strategy*, 6(2), 2009, pp. 7 – 17.
- [13] *A change management process: Grounded in both theory and practice*, Mento, A. J., *Journal of Change Management*, 3(1), 2002, pp. 45 – 59.
- [14] *Rethinking Resistance and Recognizing Ambivalence: A Multidimensional View of Attitudes toward an Organizational Change*, Piderit, S. K., *Academy of Management Review*, 25(4), 2000, pp. 783 - 794.
- [15] *Where to Bury the Survivors? Exploring Possible Ex Post Effects of Resistance to Change*, Sherman, S. W. et Garland, E. G., *Sam Advanced Management Journal*, Winter, 2007, pp. 52. – 62.
- [16] *Understanding Employee Readiness to Change in EU Accession Countries The Case of Bulgaria*, Szamosi, T. L. et al., *International Journal of Knowledge, Culture and Change Management*, 5(6), 2006, pp. 159 – 169.
- [17] *Development of a measure to assess organizational change*, Szamosi, T. L. et Duxbury, L., *Journal of Organizational Change Management*, 15(2), 2001, pp. 184-201.
- [18] *Development of a Model of Resistance to Change*, Szamosi, T. L. et Duxbury, L., *International Journal of Knowledge, Culture and Change Management*, 5(1), 2006, pp. 21 – 29.