

REINFORCING CHANGE MANAGEMENT IN BUSINESS ENVIRONMENT. A PSYCHOLOGICAL OVERVIEW

Bogdan-Emil Stroe¹ and Ionut-Eugen Sandu²

¹National Institute for Research&Development in Informatics – I.C.I. Bucharest, PhD student of ‘Lucian Blaga’ University of Sibiu, Faculty of Economic Sciences, bogdan.stroe87@gmail.com; bogdan.stroe@rotld.ro;

²National Institute for Research&Development in Informatics – I.C.I. Bucharest, PhD student of ‘Lucian Blaga’ University of Sibiu, Faculty of Economic Sciences, ionut@rotld.ro.

ABSTRACT: this paper aims to reflect the psychological approach and the identification of factors that will support any business organization to face the challenge of competing worldwide in a constantly changing environment. The focus moves automatically to the irrational (emotional) side of change management within an organization and to some conditions or factors that should be required to change the mind-set and behaviour of employees to improve performance or reach higher goals for a company.

Let's suppose that a business can reach higher goals if the managers succeed in changing the behaviour of employees in order for them to be more performance-oriented and in the same time to be aware of the importance of their role inside the company. Many managers prefer to stimulate employees by offering attractive bonuses or other kind of material advantages but they tend to neglect the psychological/emotional and non-material factors that might be equally important. In many cases, the material stimulations will lead only to temporary performance if the employee does not become more competitive and does not feel like he really belongs to the company and he does not contribute enough to the company's success. An employee can become more competitive by changing the culture of the company from being reactive to proactive, hierarchical to collegial and/or introspective to externally focused. For this kind of cultural change, managers start to consider the emotional and psychological aspects when balancing the factors required to implement new strategies or decisions. Basically, it means changing the way individual in a company work, behave or change their attitudes.

KEYWORDS: change management; psychological factors; human nature; employee; behaviour.

Since nowadays success in any business depends on how persuasive an idea can be in order to convince groups of individuals to believe in their role within an organization, emotional and psychological factors have to be taken into consideration as well besides the material advantages offered to the employees. The business environment worldwide is changing continuously due to globalization, mobility of people, resources and technology advancement, so the competitiveness rises accordingly. This being considered, change management is obviously a top priority on any organizational agenda for coping with the evolution and development of any business environment worldwide. The key element is without any doubt “change” understood as hierarchical evolution where no level must be perceived as more important than another. In this way, “the primary” organizational workers, the skilled ones that according to the any company's scheme are at the bottom of it, are the most important psychologically speaking because their day by day objectives are the main fuel of the good management of an organization. Competitiveness and remuneration are the main motivational values a worker will follow. Thus, the “change” in any business or organization should be considered not only on decisional/managerial level, but on every working hierarchical level. A good manager or leader should take into consideration the psychological factor when “changing” strategies, objectives or measures in an organization, a factor with an equal importance and impact on every working level.

Many of managers or CEOs tend to avoid this kind of change measures because it will most likely take time. You have to give time to employees to adapt to the changes in the working environment. The reason behind this could be explained by David Kolb's 1980s four-phase adult learning cycle [9]. Kolb reflects the fact that adults can't learn by listening to

instructions, they would rather absorb new information, use it, experience it, learn from it and then mix it with their existing knowledge forming new attitudes and behaviours in the working environment [9]. Adults need reflection when adapting to something new before applying new principles.

The purpose of this paper to reflect a new overview for the change management or to reinforce the change management principles, conditions or factors (with higher importance on psychological side) comes as an answer to the research in this field. John Kotter found out, in his research "*Leading Change*" from 1995 (considered the field of change management) that only 30% of change programs have succeeded [10]. Later, in 2009, McKinsey found out that one change program out of three succeeds [2]. In the "Psychology of change management" publishing of McKinsey & Company, E. Lawson and Collin Price stated that there are four conditions required before employees would adopt a new attitude or working behaviour [2]. The authors basically created a prescription that managers often misunderstood or failed to implement entirely, considering that it does not bring good results. In fact, it was not the prescription that failed, but the implementation of it; managers did not quite take into consideration the irrational elements of human nature, they sometimes disregarded them.

The four conditions provided by McKinsey, Lawson and C. Price were as follows [2]:

- to create a compelling story in order for the employees to see the reason of change and agree with it;
- to consider role modelling, because leaders should take actions and switch roles to be able to change and mobilize a group of people and involve deeper into the organization to all of its levels;
- to reinforce mechanisms, because systems and processes must be in the same line with the new behaviour;
- and to build capabilities for employees to have all the necessary skills to follow the changes.

Therefore, these are the ingredients and conditions for a successful change management within an organization. As mentioned before, the prescription itself was not enough in order for managers to successfully apply it. The reason is human nature and the way it gets in the way of applying these conditions [11].

Furthermore, some insights of how human nature factors influence the success of a change management [3].

- a) Managers who consider that whatever motivates them will motivate the employees, when actually the truth is far more different. Research on social sciences (Danah Zohar) shows that the motivation for managers and employees in the same organization has different orientation: towards society, customer, company and shareholders, working team or personal impact. For example, in a company, the motivation for a manager might be customer oriented while the motivation for an employee might have different orientation (personal, related to pay-check or target bonus or at the working level team) [13].
- b) By human nature, when we chose for ourselves, we are more committed to the outcome. Change management usually underestimates this effect and that is why well-intended managers and leaders should spend time and invest energy in another way of communicating, by listening more than telling more to the employees;
- c) We are willing to take risks to avoid losing what we have than to gain more. That is why managers that use a story focused on what was wrong will create fatigue and resistance, doing little to engage people's experience or behavioural change. A story with both wrong and right would fit more than the deficit-based approach within an organization.

- d) Leaders often think they already represent change. Because of that, leaders approach to more personal role to desire behaviours when in practice, it will not change much. Many executives do not consider themselves as being part of the change;
- e) As mentioned before and widely applied in many organizations, the motivation of change is linked to the compensation side. But satisfaction is not entirely linked to the material impact and the financial compensation is the most expensive way of motivation;
- f) Attention must be paid to what fairness and justice means for every employee, because if these values are not respected it could cause loss of interest for the working activities. Managers should consider changes that could affect the interaction between employees with one another and with customers;
- g) Not only the employee behaviour matters. Managers often align the performances by trying to change the behaviour of employees but not taking into considerations their feelings, thoughts and beliefs, which are, in fact, driving factors of the working behaviour. Constant communication and interaction with employees would have more benefits;
- h) Many managers reflect their good intentions, but they are not enough. Employees learn better by doing (action) than just listening.

This being analysed is obvious that in particular cases when a company faces change management, a better solution might be the consideration of new training development based on the above-mentioned human factors that tend to be neglected. Such a training should be taken in longer or constant series and not in one single event and fieldwork assignments should be created to link directly to the jobs and responsibilities of employees. In this way, they will put in practice and exercise the new mind-sets, skills and develop/change new behaviour in the working environment [11].

Globalization involves change management, which is linked to the evolution of business landscape, development of new markets and opening of labour pools, technological innovation and capital flows. These are all challenges that must be faced in order to remain competitive and preserve advantages. That is a push-up for companies to start developing more sophisticated practices for organizational change management and a well-intended reason to consider other factors in doing so, factors that were considered having lower importance or impact. It all leads to the role of culture.

Learning from mistakes and taking into consideration human nature factors in organizational change management lead to the creation of new principles that can help the managers face transformation in a more systematic way [1]. As a conclusion, I will summarize the most important ones, subjectively viewed:

- 1) Culture is critical to the success of change management. Katzenbach Centre Survey states that 84% of the answers support this statement. That means that managers often fail to address culture when considering change [8]. Most of managers forget that human beings have strong emotional connections. Skilled managers always consider the cultural side of the company, paying attention to what employees think, feel on or how they behave, work in order to provide a boost for the change initiative.
- 2) The change initiative/implementation should start at the top at first, not at the bottom. It is indeed important and vital to engage the employees at every level, but all the successful change management initiatives started from the top to bottom. Successful managers understood that they are part of the change and they are actually the initiators. By taking part of a change as a first one, managers will become good examples and this will motivate the employees and the other hierarchical levels.
- 3) Many managers think that the process of change will be more efficient if it does not involve all the hierarchical levels, meaning it involves fewer people in planning. Even if it

takes a little bit longer, it is more effective to involve all the employees at all levels in developing a plan for change;

- 4) Make the employees feel they are part of the action. Take into consideration the emotional factors along with the rational ones. Objectives such as “our business will grow 30%” or “we will enter new markets” will hardly touch employees emotionally and foster their full commitment.
- 5) Powerful and sustainable change needs constant communication. Managers usually make the mistake of delivering a strong change message at the starting point of an initiative considering that people will absorb the message and will act accordingly, then they start to neglect the communication. On the contrary, the more constant the communication is, the more efficient it is.
- 6) Leveraging formal and informal sides of the change. The formal means to persuade employees to change behaviour by rethinking and redesigning elements such as structure, rewards, training, development, while informal relates to the culture, attitude, behaviour and emotional aspects. Both of the sides must be considered together.

The RoTLD Case

This approach helped grow the level of .RO registered domain names of the RoTLD department in the last five years. After more than 25 years of “Romanian” Internet, the information society is on a continuous growth path, transforming Romania in a competitive business environment and contributing to the growth of knowledge-based economy of the EU. [6]

The management of the RoTLD department had a very important impact regarding the increase of the level .RO registered domain names and also on the local/regional business environment [5]. This comes in direct connection with the increase of RoTLD business performances throughout the last years, based on changes in the management structure and on the implementation of these changes among the employees.

The RoTLD department – which is the National .RO Internet Domains Registry, part of the National Institute for Research & Development in Informatics – has been implementing a restructuring of the organization 3 years ago. These changes had to be reflected and implemented both at the management level and employees level. The RoTLD department has a huge national responsibility for the Internet Domain industry at national level. Being the National Registry, the RoTLD has the responsibility to ensure and maintain a fair and competitive business environment in this specific field, for every kind of customers – individuals, companies and entities, both from Romania and abroad. Therefore, the impact of the RoTLD business is both national and international, contributing to the worldwide image of Romania as a serious and trustful business environment especially from an IT&C point of view. That is why the employees of the department are important and have key responsibilities for the quality of this kind of national service. All the changes taken by managers and directors are made with the awareness of every employee before implementation. That is why, three years ago, the entire department has been divided in two separate sub-departments, by the nature of the activities. RoTLD department needs technical support and administrative support, so that is why the two sub-departments are focused on technical skills employees and administrative/economic – call-centre support – employees, both sub-departments under the management of the Head of the RoTLD department.

When it came to the restructuring, every employee was previously asked for his opinion and for his exact duties, because the division in 2 sub-departments implied drafting clear responsibilities for each employee and clear procedures of work and internal regulations which must be respected and implemented by everyone, depending on the nature of the problem or of duty. Everyone was aware of the importance of the human nature factors in taking the changes, because the employee must feel and know that his work is important and

it is part of the performance, so that is the reason why every employee was consulting in making the new work procedures, in drafting the new regulations and make the change possible and efficient. Each employee was asked to draft and describe the nature of the work in full detail, providing the opinion on what had to be changed, enhanced and improved. The result was consisted of a set of documents drafted by employees describing their current activity and responsibilities, the current procedure of work and their recommendations of what has to be improved. In drafting the new work procedures and internal regulations, an audit was also made when employees were individually engaged in interviews with auditors. The new work procedures and regulations, part of the new structure of the department, were set respecting everyone recommendations which have helped making the work flow more clear and efficient in the department. The results were shown in profitability of RoTLD department services, the raising of the number of customers and .RO Domain transactions, the increasing of the number of partners, the increasing of the quality of the services and the development of the infrastructure in this field. The entire administrative personnel was distributed by responsibilities and nature of activity so that there is a permanent backup in case one of the employees is absent. Access from distance to the working platforms has been introduced, to facilitate the urgent solving of client problems. Procedures are more transparent than before and this had a major impact on the satisfaction of the clients, the number of problems and issues with regular .RO Domain transactions and operations being reduced.

The technical personnel has to ensure a thorough communication regarding the global ICANN policy or other issues concerning these subjects, with the partners and final clients so that they have to be ready to answer to any questions on the spot [5]. The technical personnel is on 24/7 permanent duty on rotation basis because technical problems (such as cyber attack or maintenance/repair of infrastructure/servers) have high importance for the effectiveness and quality of this national service.

With regards to the communication aspect, the personnel working at RoTLD need to be very professional and to respect certain confidentiality agreements. In implementing all of these changes, the importance of the human factor was the key. By engaging everyone in the change processes and operations, with all the implications, managers have succeeded in considering the psychological side. Each employee was aware that his part is important and contributes efficiently to the sole national service and only by improving the small 'parts' you can reach big performance for the whole 'part', which is a public Romanian service for everyone. Employees are aware that their work is appreciated and it is reflected in every work procedure, internal regulation and relationship with every kind of customer. Managers are mainly responsible for the entire coordination of activities and if problems appear, the consultation of the direct employee involved is imperial. The employee knows every aspect of their activity in detail and can immediately help the manager in taking the best decision when solving urgent matters and issues is requested.

Summarizing everything above, change management is more than an A to Z process that a leader/manager has to coordinate and all the employees have to follow the specified organizational codes. It is more complex than that because it involves the constantly changing organizational culture and it has to keep up with the diversity encountered within the organization and the technological development of procedures and way of thought.

The change management takes place in a dynamic world where human resources are the key factors in order to provide the implementation and design of any kind of change and procedures. For an organization to survive and increase its competitiveness, it is essential to implement successful procedures [12]. Change for the RoTLD department respected a three vectors approach: competitive environment control, strengthening the human potential and continuous improvement process. Usually, the organizational change in RoTLD is made ad hoc, but is based on the consultation of the employees in before implementation so that the risk of unsustainability is reduced or eliminated.

Authors and researchers from the Academy of Economic Studies reflect a list of change management forms according to the frequency of application and conditions of organizational sustainability as part of the change management requirements [12]. Based on this research, RoTLD has considered the importance of the following, in considering the human factor and the psychological side of the change: ensuring the correspondence between skills, qualities of employees and job requirements, the consideration of the level of received remuneration in relation with the activities performed, the creation and ensuring of good working conditions, existence of pleasant work environment, existence of cooperation and collaboration at work, obtaining the feedback from employees, normal work-rest ratio (max 40 hours per week with weekly rotation between employees for 24/7 support if needed). These are the ‘ingredients’ that RoTLD has followed in the implementation of the change processes that are considered to be based on the human nature factor of each employee and lead to the effective working environment and therefore to the RoTLD business performance in the end.

The successful implementation of change ensured RoTLD the viability and sustainability as organizational values in the modern, dynamic and powerful business environment and for the strengthening this strategic field with major importance for Romanian Society.

REFERENCES

1. Aguirre, DeAnne., Alpern, Micah., *10 Principles of Leading Change Management*, Harvard Business School, U.S.A., (2014).
2. Aiken, Carolyn., Keller, Scott., *The irrational side of change management*, McKinsey & Company, Toronto, Canada, (2009).
3. Ariely, Dan., *Predictably Irrational; The Hidden Forces that Shape Our Decisions*, Harper Collins, New York, U.S.A., (2008).
4. Banciu, Doina. *From Open Data to Open Government: Romanian Case. Global eGovernment Forum 2013, 22 octombrie*, Seul, Coreea(2013).
5. Banciu, Doina., Stăicuț, Eugenie., Sandu Ionuț-Eugen., Leanca, Cătălin., Dumitrache Mihail., Peța, Bogdan., Stroe, Bogdan., *Internetul și domeniile .ro*, Bucharest, Romania (2012).
6. Banes, A., Petroman, I., Orboi, Manuela-Dora, Petroman, Cornelia, *The evolution of knowledge on IT&C in the west side of Romania*, Elsevier Ltd., Procedia – Social and Behavioral Sciences 82, 248-253, 2nd World Conference on Educational Technology Researches (2013).
7. Hornstein, Henry, *Using a Change Management Approach to Implement IT Programs*, Ivey Business Journal, Canada, (2008).
8. Katzenbach, Jon R., von Post, Rutger., Thomas, James., *The Critical Few: Components of a Truly Effective Culture*, PwC – Strategy & Business - www.strategy-business.com, (2014).
9. Kolb, David A., *Experiential Learning: experience as the source of learning and development*, Englewood Cliffs, Prentice Hall, (1984).
10. Kotter, P. John., *Leading change. Why transformation efforts fail*, Harvard Business Review, Boston, available online at <https://hbr.org> (1995).
11. Lawson, Emily., Price, Colin., *The psychology of change management*, McKinsey & Company, London, U.K., (2013).
12. Popescu, Dan., Ciocarlan-Chituce, Alina., Steriu, Alexandra., State, Cristina., *Change Management – Condition of Organizational Sustainability in IT&C SMEs*”, Amfiteatru Economic, Vol. XIV, No.32, Bucuresti (2012)
13. Zohar, Danah., *Rewiring the Corporate Brain; Using the New Science to Rethink How We Structure and Lead Organizations*, Berrett-Koehler, San Francisco, U.S.A., (1997).