Change Management as the Trigger for New Work

3.1 Definition of Change Management

Change Management can be defined as the sum of tasks, measures and activities that are intended to bring about a comprehensive, cross-departmental and far-reaching change in an enterprise or organization. Change Management includes the implementation of new a mission, vision, strategies, structures, systems, processes and behaviours in an organization. The ultimate goal of change is to obtain a long-term favourable position in the market and to gain a sustainable competitive advantage (Helmold, 2020). Synonyms for Change management found in literature are Business Process Reengineering, Turnaround Management, Transformation Management, Lean Management, Innovation Management or Total Quality Management (Vahs, 2019). Change is increasingly determining the everyday businesses and activities of companies. In order to manage change in the most optimal way, special change management techniques are required, which can be summarized under the term Change Management (Lauer, 2019, 2020). The human factor is at the forefront of all considerations, because the implementation of change depends on the active support of employees. Since everyone has their own needs, ideas and experiences, some of which do not conform to the official company organization, there can be no simple recipe for how to successfully manage change. Rather, it is a complex process, that has to start at three points: the organization and individuals concerned, the corporate structures and the corporate culture (Lauer, 2019). Another important element in the context is the technological factor including systems,
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routines, methods and instruments (Helmold & Samara, 2019). Figure 3.1 summarizes the elements of change management.

### 3.2 External and Internal Reasons for Change

The need for corporate change can be caused both externally and internally. Externally, companies face an increasingly dynamic environment that requires constant adjustment of their own structures if they want to be successful in sales and also in the preceding procurement markets. The external change is caused by the market environment, politics, technology, ecology, the overall economy or institutions, as well as in the markets themselves, for example by increasing competition. To explain internal change, the metaphor of human development is used, which—like corporate development—is characterized by a succession of growth, crisis and higher maturity. There are so-called life cycle models for entrepreneurial change that exemplify the typical development phases. Change is often necessary, however, because companies are successful in exaggerating the offensive spirit of their efforts. Here too, the connection to the human psyche is established and this phenomenon is analogously referred to as “burn-out”. Figure 3.2 outlines triggers for change from outside (exogeneous triggers) and inside of the organization (endogeneous triggers).
triggers). Exogeneous triggers can be described as governmental requirements, new laws, regulations, economic impacts, competitive reasons, market developments, innovations or the advice from consultants. Endogeneous triggers are caused by internal stakeholders, such as managers, employees, shareholders, banks, investors or customers.

3.3 Change Management Concepts

3.3.1 Change Management Concept of Kurt Lewin

The Kurt Lewin’s model (unfreezing, changing and refreezing) is widely accepted in psychology for implementing change. The implementation of change involves the current state of organization have to be changed into a desired state, but this will not occur quickly but simultaneously. Kurt Lewin’s Three Stages model or the Planned Approach to Organizational is one of the cornerstone models which is still relevant in the present scenario. Lewin, a social scientist and a physicist, during early 1950s propounded a simple framework for understanding the process of organizational change known as the Three-Stage Theory which he referred as Unfreeze, Change (Transition) and Freeze (Refreeze). According to Lewin, change for any individual or an organization is a complicated journey which may not be very simple and mostly involves several stages of transitions or misunderstandings before attaining the stage of equilibrium or stability. For explaining the process of organizational change, he used the analogy of how an ice block changes its shape to transform into a cone of ice through the process of unfreezing. Lewin’s model is shown in Fig. 3.3.

Stage 1—Unfreezing This is the first stage of transition and one of the most critical stages in the entire process of change management. It involves improving the readiness as well as the willingness of people to change by fostering a realization for moving from the existing comfort zone to a transformed situation. It involves making people aware of the need for change and improving their motivation for accepting the new ways of working for better results. During this stage, effective communication plays a vital role in getting the desired support and involvement of the people in the change process.

Stage 2—Change This stage can also be regarded as the stage of Transition or the stage of actual implementation of change. It involves the acceptance of the new ways of doing things. This is the stage in which the people are unfrozen, and the actual change is implemented. During this stage, careful planning, effective communication and encouraging the involvement of individuals for endorsing the change is necessary. It is believed that this stage of transition is not that easy due to the uncertainties or people are fearful of the consequences of adopting a change process.
Stage 3—Freeze (Refreezing) During this stage, the people move from the stage of transition (change) to a much more stable state which we can regard as the state of equilibrium. The stage of Refreezing is the ultimate stage in which people accept or internalize the new ways of working or change, accept it as a part of their life and establish new relationships. For strengthening and reinforcing the new behaviour or changes in the way of working, the employees should be rewarded, recognized and provided positive reinforcements, supporting policies or structures can help in reinforcing the transformed ways of working.

3.3.2 Change Management Curve of Elisabeth Kübler-Ross

In 1969 Kübler-Ross described five stages of grief in her book “On Death And Dying”. These stages represent the normal range of feelings people experience when dealing with change in their lives or in the workplace. All change involves loss at some level. The “Five stages” model is used to understand how people react to change at different times (Kübler-Ross & Kessler, 2005). The stages were first observed as a human response to learning about terminal illness. They have also been used to understand our individual responses to all kinds of change. The five stages of grief Kübler-Ross observed and wrote about are: Denial, Anger, Confusion, Crisis and Acceptance. The model has been extended by several scientists and change management experts with Re-Orientation and Integration (Helmold, 2020) as shown in Fig. 3.4. The Change Curve is a popular and powerful model used to understand the stages of personal transition and organizational change. It helps you predict how people will react to change, so that you can help them make their own personal transitions, and make sure that they have the help and support they need.
Step 1—Denial and Shock  It is said that every change at the beginning is difficult. Change is a shock to people, as they have got rid of standard and beloved habits and behaviours. Transformation and changes scare many employees, who ask questions like:

- What’s new for me?
- Where is my path going?
- Will I keep my job?
- Why do we need a change at all?
- Are there alternatives?
- What is the goal of the change?
- What does this change bring to me (the person concerned)?
- What does this change mean for me and my career?
- What do I need for this change?
- How and where will I be supported in this change and get help?

Many questions come to mind of those affected. It is particularly important here for the company, undergoing a transition and transformation process, to have a clear and appropriate communication strategy. Fears and shock not only block productivity and creativity, in the worst case they can paralyse an entire company. Open, honest and transparent communication via various channels can minimize anxiety and shock. Communication here is in no way limited to the intranet. Managers also
have to pick up their employees and colleagues; in groups and one-on-one discussions, barriers can be reduced or prevented immediately before they arise.

**Step 2—Anger**  If there was good communication, open and transparent reporting right at the start of the change, the anger and rejection factor will be optimally lower. However, the shock is transitioning to anger. In this phase change managers hear repeatedly:
- We have never done this before.
- I don’t want this.
- I don’t need it.
- It does not make sense.
- It is not good for me.

In this phase companies often have a strong wind of rejection and resistance. According to change management experts, resistance can take place actively as well as passively, verbally or nonverbally. Resistance refers to the activities and the action of individuals or groups who oppose something that should be agreed as an objective in the negotiation. Resistance can be shown in a visible and open way (open resistance) or in a more subtle and disclosed way (hidden resistance). Resistance in negotiations normally come from the negotiation opponents, but can also come from individuals or groups of the same negotiation side (Helmold, Dathe, & Hummel, 2020). Resistance is a type of opposition and can be broken through analytically applying emotions or warning tactics. The most difficult problem is to identify signals of resistance, when the employees or people do not openly, formally or informally convey their concerns and resistance. In such case nonverbal analytical techniques help to identify signals of opposition (Helmold, Dathe, & Hummel, 2019). Resistance occurs verbally or nonverbally in negotiations in various forms, which in most cases is unaware of the persons involved. Negotiations through language (verbal) or gestures or facial expressions (nonverbal, i.e. behaviour or facial expression) must be negotiated (Hilsenbeck, 2004).

**Open Resistance**
Open resistance is characterized by the fact that it is deliberately exercised by opponents of the opposition and thus also connects a goal. Recognizing open resistance is relatively simple, as expressions and behaviours are openly visible:
- Open contradiction (examples: “I disagree ...”)
- Open rejection (example: “I cannot agree with your proposal ...”)
- Open intervention (example: “I cannot accept your proposal, so I suggest that ...”)
- Rejection by obvious shaking of the head.
- Rejection by gestures with the poor or index fingers.

Normally, the reasons for open resistance have a rational cause, which can be discussed with those affected and whose overcoming all interested parties have an interest (Hilsenbeck, 2004). This form of resistance is usually constructive, so that dealing with open resistance is possible. To break resistance or to refute and mitigate it with a fact-based argumentation can be a suitable strategy here. In this way,
the energy which the resisting persons have invested in their resistance can be channelled in the sense of reaching the goals of the transformation, or in simple terms.

Hidden Resistance

Much more difficult is dealing with covert or hidden resistance. In this context, people, who are resisting, usually have no interest in being recognized (Hilsenbeck, 2004). For personal or tactical reasons, they act out of the hidden or the second row. Their interests are mostly destructive, that is, they want to prevent something without being recognized as the causer. Paradoxically, in many cases, resisting parties are not even aware of their resistance. This makes the handling of this form of resistance even more difficult (Volk, 2018). If the covert resistance is not recognized in time, the entire outcome of the transformation and change may be at stake. Signals for hidden resistance in transformation processes can be:

- Comments and statements with limitations (example: “I understand your point of view, but ...”)
- The absence of important decision makers (alpha types) or influencing persons (beta types).
- The late appearance in change management meetings of important decision makers (alpha types) or influencing persons (beta types).
- The permanent postponement and of meeting and delay of tasks due to alleged scheduling difficulties.
- Nonverbal signals of resistance such as mental absence or disinterest. The demand for perfect solutions.
- The demand that we move as a negotiator first.
- The extensive and long consideration and discussion of relatively unimportant special cases.
- The general agreement with simultaneous registration of reservations, which should be clarified later.

Handling Resistance

Resistance must be recognized in transformational processes and it is important that managers determine and identify the motives of the resistance. With open and rational resistance, counterarguments and the reformulation of one’s own goals can lead to the refutation of the resistance and the achievement of a result. For questions that do not play a key role in the transition, managers can also ignore the resistance and respond to the employee’s demands or tackle them later. If the ram state is not resolvable, and this is at the core of the transition, there will probably be no bargaining success. Unconscious or hidden resistance is more difficult to recognize as the examples demonstrate: detect resistance, understand the resistance, weigh the resistance and finally break resistance. It is advisable to listen to the resistance of the other side and to understand the motives (Volk, 2018). A change agent can help by listening to the fear and concerns of the employees. For those employees, who are eventually not willing to follow the change, it is important to break resistance. Breaking resistance can be done via certain patterns like warning, making concessions, rationality, conviction by arguments, rational emotions or appeal to mutual benefits. Warning means to have a facts-based signal (verbally or nonverbally) that the change and transformation will be pursued for the sake of the company. Without
that change, the company may not succeed in the long-term. A warning is factual and objective and should be phrased with good argumentation and clear message. In ultimate cases it can be the dismissal of employees. Another way could be the granting of small and individual minor concessions to the negotiation opponent. When understanding the motives of employees, it could be possible to identify areas to give in that area of importance for employee. Deflection might also be a way to break such resistance (Helmold et al., 2019). Table 3.1 gives recommendations how to handle resistance successfully.

**Step 3—Confusion and Frustration** The change curve is now going down dramatically steeply. After the rejection, those affected experience severe frustration and confusion. It descends rapidly downhill towards a state of a crisis, *the valley of tears*.

At this point, many employees come to the point of rational acceptance. Employees resign to the situation, but still argue against it. Regardless of the change, a corresponding position from the management should be available in this stage. This should openly allow problems, fears or simply frustration to be unloaded. A change agent can help employees to cope with the fears. In this way, the confusion and frustration can be bundled and quick solutions offered. It should be a trained change manager at least or a change expert or systemic consultant. The insight that the change also creates new opportunities and opportunities does not exist here yet.

**Step 4—Crisis—Valley of the Tears** From a purely rational perspective, employees already know and understand at this stage, that that there is no way of return. The path the enterprise has taken is irreversible. At this stage, affected employees affected reach an emotional low. They gave everything, climbed the inner walls, were annoyed and fought so hard against the change, but they did not succeed. We all know the feeling when the knot opens and the light at the end of the tunnel becomes visible. Employees can now finally and emotionally accept the change in order to proceed with the transformation.

| Table 3.1 Recommendations for breaking resistance |
|-------------------------------------------------|
| Understand and recognition of resistance         |
| Breaking resistance with factual arguments        |
| Breaking resistance through warnings              |
| Breaking resistance by concessions in unimportant areas |
| When getting resistance, change place and make breaks |
| When facing resistance deflection can help        |

Source: Author’s Source
Step 5—Acceptance and Try-it-Out  After the valley of tears, those employees affected are fresh and free. The mind is cleansed, the mindset opens for something new. The person concerned actively wants to see how and what is possible, what happens and where the journey is going. The first hesitant statements can be:

- Maybe there is something good.
- My everyday life could improve.
- It’s not as difficult as I thought!
- It does not look as bad as I thought.
- I understand now the need for change.

In this stage, Management should offer support to those affected in this phase through change agents and frequent meetings. It is now important to keep the employees encouraged in trying out, testing and playing with the new tools or systems. The more help is offered through all phases, the better, smoother and faster the transition will proceed.

Step 6—Reorientation After many test runs, trying out and reviewing the documents, those affected increasingly come to realize that it is time for a new start. Added value is actively recognized, the light at the end of the tunnel shows the first outline of the landscape. In this stage managers can now go to the full integration.

Step 7—Integration In the last stage, the change has been integrated into the company. New tools, methodologies or processes are a matter of course in everyday life. The question of “why” no longer arises. Those affected live and communicate added value openly. Formerly affected people become ambassadors and helpers for colleagues who are still in the midst of the change curve. These positive influences support the process and the working atmosphere.

3.3.3 Change Management Phase Model of Kotter

Kotter analyzed that 70% of all change projects fail, most of them in the initial phase. This is the research result of John P. Kotter, an expert in the field of change management. Two factors are responsible for the low success rate: Not the technology, but the human being is the greatest obstacle to change. Based on this knowledge, Kotter developed the eight-step model in 1996. The theory shows eight phases of change management and gives managers tips on how to successfully drive change. The focus of the model is communication—from person to person. The eight-step model by John P. Kotter is a further development of the popular three-phase model by Kurt Lewin. According to the theory, changes in companies can only be successful if they go through all eight stages of change and are intensively accompanied by managers (Kotter, 2012). The eight steps are outlined in Fig. 3.5.
1. Show Urgency
   Raise awareness of the urgency of change among both managers and employees. For example, develop scenarios that could occur if there is no change. Discuss with your managers and employees and make strong arguments.

2. Build Leadership Coalition
   Build a good leadership team by getting trend-setting people for your idea and bringing them together under the flag of change. Make sure you have a good mix of people from different departments and with different skills.

3. Develop Mission, Vision and Strategy
   Wrap up a strong vision and concrete strategies with which you want to achieve the goal. Communicate this in a well-prepared and strong speech. An overarching goal for the company helps to implement change.

4. Communicate the Mission, Vision and Strategies
   Constant drip hollows the stone: Do not be afraid to communicate the vision to the managers and employees again and again. This creates trust and increases motivation.

5. Clear Obstacles
   Are there structures in your company that slow down change? Take a close look at the status quo and get rid of unfavourable organizational structures, work processes and routines.
6. **Make Short-Term Successes Visible**
   Do not set goals that are too time-consuming and costly to begin with, but also define intermediate goals that can be reached quickly. Employees who achieve these goals should be rewarded.

7. **Continue Driving Change**
   After each goal is achieved, analyze what went well and what could have gone better. Always develop new ideas and goals and bring new employees to your management team.

8. **Anchoring Changes in the Corporate Culture**
   Anchor the achieved goals firmly in your corporate culture. Only after this has been achieved can Kotter speak of a successful change management process.

   Since Kotter’s 8-phase model gives specific instructions for successful change management, it can serve you well in practice. Critics complain that Kotter’s model does not explain how to act in the event of setbacks and that initiatives by employees or so-called “bottom-up” perspectives are ignored. However, like no other change management model, it shows the importance of good communication for sustainable change (Kotter, 2012).

### 3.3.4 ADKAR Change Management Model

The ADKAR change management model was created by Jeffery Hiatt in 1996. The change management concept is a bottom-up method which focuses on the individuals behind the change (Hiatt, 2006). It’s less of a sequential method and more of a set of goals to reach, with each goal making up a letter of the acronym. By focusing on achieving the following five goals, the ADKAR model can be used to effectively plan out change on both an individual and organizational level:

- **Awareness** (of the need to change).
- **Desire** (to participate and support the change).
- **Knowledge** (on how to change).
- **Ability** (to implement required skills and behaviours).
- **Reinforcement** (to sustain the change).

Hiatt sees the change of the individual as the basis for sustainable corporate success. The transformation of an entire company can only succeed through individual changes. Thus, the transformation can be understood as the sum of many small changes. A change is only successful when employees adopt new tools, techniques and processes, fully implement them and maintain them in the long term. Then the ROI, the “Return on Investment”, can also be clearly displayed. When enterprises and its managers drive individual changes, the organization will also master organizational changes (Hiatt, 2006).

There is no need for complex, time-consuming methods, which are actually a science in themselves! As a change manager and change agent, companies need an easy-to-understand, simple and comprehensive tool or method with which they can quickly identify gaps and barriers in the change process of the respective employee. Only then management will be able to lead and guide the employees through the change in a targeted manner (Hiatt, 2006).
3.3.5 McKinsey 7s Model

McKinsey 7s model is a tool (Fig. 3.6) that analyses firm’s organizational design by looking at seven key internal elements: strategy, structure, systems, shared values, style, staff and skills, in order to identify if they are effectively aligned and allow organization to achieve its objectives (McKinsey, 2020).

McKinsey 7s model was developed in 1980s by McKinsey consultants Tom Peters, Robert Waterman and Julien Philips with a help from Richard Pascale and Anthony G. Athos. Since the introduction, the model has been widely used by academics and practitioners and remains one of the most popular strategic planning tools. It sought to present an emphasis on human resources (Soft S), rather than the traditional mass production tangibles of capital, infrastructure and equipment, as a key to higher organizational performance. The goal of the model was to show how seven elements of the company: Structure, Strategy, Skills, Staff, Style, Systems, and Shared values, can be aligned together to achieve effectiveness in a company. The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively. Figure 3.5 outlines the seven categories in the McKinsey model, which represents the connections between seven areas and divides them into “Soft Ss” and “Hard Ss”.

![Diagram of McKinsey 7s Model](image)

Fig. 3.6 Communication of Change Management. (Source: Author’s Source, adapted from McKinsey)
The shape of the model emphasizes interconnectedness of the elements (Helmold, 2020).

### 3.4 Case Study: Change Management in Nissan

The three stages of Change Management of Kurt Lewin can be aptly explained through the aid of an example of Nissan Motor Company which was on the stage of bankruptcy due to the issues of high debts and dipping market share. During that period, Carlos Ghosn took charge as the head of the Japanese automaker who was faced with the challenge of implementing a radical change and turning around the operations of Nissan, yet by keeping the resistance to change under control which was inevitable under such circumstances by forming cross-functional teams to recommend a robust plan of change in different functional areas. For facing the business challenges, he developed a change management strategy and involved the employees in the process of change management through effective communication and reinforcement of desired behaviours. For refreezing the behavioural change of the employees, he introduced performance-based pay, implemented an open system of feedback for guiding and facilitating the employees in accepting the new behaviour patterns at work.

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