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Impact of business model change on organizational success

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Abstract

Purpose – *The purpose of this paper is to investigate the impact of organizational change, more specifically business model change, on corporate employees' motivation and, consequently, performance.*

Design/methodology/approach – *The main approaches and managerial frameworks on organization change implementation, as well as the assessment methods on whether the company is ready to implement the change, were identified by reviewing the current literature on the subject between 1940 and 2016.*

Findings – *Reviewed individual behavioral reactions and provided steps to encourage favorable individual employee perceptions.*

Research limitations/implications – *Existing gaps in supporting empirical data on the subject and a limited number of direct case studies and real-life scenarios. The research was primarily focused on employee motivation during the initial planning phase of organizational change, with lesser focus on motivation throughout and especially after the change process.*

Practical implications – *To benefit from the change, organizations must avoid improvising and should follow specific and formal change management procedures which take employee motivation and individual response towards change under consideration.*

Social implications – *By providing real-life illustrations of successful business model change implementations, current and future companies facing this type of change in the future can learn from these specific scenarios.*

Originality/value – *The distinction of business model change as a sub-type of organizational change and the study of employee motivation under a business model change specifically is the novel contribution of the paper.*

Keywords *Performance, Change management, Business model change, Employee motivation, Organizational change*

Paper type *General review*

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Background and objective

To survive and grow in today's economic climate, organizations need to react quickly to changes occurring on a national or global level. They are forced to make changes by updating their technology, remodeling strategies or, in certain cases, even changing their business model. Per Womack *et al.* (1990), the demands for organizational change grow mainly due to the increasing speed of technological development and international competition (Antoni, 2004).

Edmonds (2011) states that change takes time and effort, leaving employees and managers unsure on how to adapt to new working practices. Adapting to change is not an easy transition; moreover, organizations failing to meet their stated objectives can pay a high price. "Failure can lead to loss of market position and credibility with stakeholders as well as decreased morale among management and staff resulting in a demotivated workforce, or worse still, the loss of key employees" (Edmonds, 2011).

Porras and Robertson (1992) recognized the organizational member involvement as the most commonly mentioned factor for successful change (Antoni, 2004). Employees are more likely to support change if they tend to agree with the objectives set and the anticipated outcome, which should be clearly defined to rightly emphasize the impact on those involved. Even though most aspects of the foreseen change can be managed, the capability for change can only be fully developed once a strategy is in place. As Edmonds (2011) states, "A conscious approach to

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getting ready for change leads to a greater probability of success, so planning needs to start long before the change is going to take place."

A change in business model, a more fundamental type of organizational change, is "one of the most arduous and risky changes an organization can undergo" (van den Oever and Martin, 2015). In this paper, we will pay particular attention to the relationship between employee motivation and business model change specifically.

There are many factors, such as internal revisions or trend changes in the industry, which result in organizational change. The research will be focused on how this drastic change affects motivation. Companies need to embrace change and see it as an opportunity to advance – how should they motivate their employees in order to develop and benefit from the change.

Literature review and analysis

Organizational change

Defining organizational change. Over the years, there were many definition attempts, but the one that most clearly conceptualizes the phenomenon was coined by Struckman and Yammarino (2003): "Organizational change is a managed system, process, and/or behavioural response over time to a trigger event." This definition, based on extensive and interdisciplinary literature review, provides a comprehensive approach to the subject. In general, organizational change can apply to a wide variety of processes in the organization, including, among others, technology improvements, mergers and acquisitions, structural changes, top management changes, cultural changes or downsizing (Struckman and Yammarino, 2003; Gilley *et al.*, 2009).

Aspects of organizational change. Due to the magnitude of the subject, many authors attempted to categorize characteristics of organizational change and consequently a wide variety of models emerged. In essence, the following six dimensions of categorization were most widely used in the reviewed literature:

- Type of the change activity, e.g., peripheral vs core (Struckman and Yammarino, 2003);
- Process in which the change and implementation occur, e.g., planned and programmatic in theory E vs emergent, less planned and programmatic in theory O (Beer and Nohria, 2000) or grow vs drive vs hybrid approach (Sugarman, 2007);
- Inertia, describing barriers in the organization, e.g., organizational resistance (Dent and Goldberg, 1999);
- Time in which the change occurs and how long it lasts, e.g., continuous vs discontinuous (Struckman and Yammarino, 2003);
- Depth to describe to what degree the organization changes, e.g., transitional: minor and incremental adjustments, transformational: fundamental and multilevel, developmental: growth based (Gilley *et al.*, 2009); and
- Readiness of the organization undergoing change (Palmer, 2004).

Armenakis and Bedeian (1999), in their attempt to review literature of organizational change, distinguished five other research themes on the subject:

- content issues, which treat the substance and nature of a change;
- contextual issues, which focus on forces and conditions in the organization's environment;
- process issues, which treat implementation actions;
- criterion issues, which treat outcomes of organizational change; and
- affective and behavioral reactions to change.

Of the above-mentioned research themes, for the substance of this study (employee motivation throughout a business model change) we will focus specifically on the theme on affective and behavioral reactions, although it can be considered as a specific type of criterion issues as well.

The research on monitoring affective and behavioral reactions to organizational change has led to various conclusions. "In addition to traditional affective criteria (e.g. organizational commitment, job satisfaction, and cynicism), less-used criteria (e.g. depression, anxiety, and exhaustion) offer alternative insights into affective reactions to change. […] research employing a situated perspective casts doubt on the notion that radical change should always occur rapidly and discontinuously" (Armenakis and Bedeian, 1999).

Foster (2010) points to another aspect, i.e. the organizational change models. He fittingly argues that "many change models have roots in Lewin's three-phase conceptualization of change. Lewin's (1951) conceptualization includes unfreezing, moving, and refreezing. […] resistance to change is typically included as part of the unfreezing phase, justice is typically a component of the unfreezing or moving phases, and commitment is typically a component of the refreezing phase." This study will relate to the first two Lewin's stages of implementation.

Business model vs organizational change. Before we move on, it is important that we specify the difference between an organizational change and a business model change. A change in business models, as an example of organizational change with transformational depth, is strategic and fundamental to the company's core business operations, often rejecting current paradigms or questioning underlying assumptions (Gilley *et al.*, 2009). According to van den Oever and Martin (2015), there are three main aspects in which business model changes may differ from "ordinary" organizational changes.

First, changes in the business model are assumed to be more fundamental in economic terms than most other types of changes. Teece (2010) recognized that "changing the business model unsettles a whole series of elements within and across the firm's external boundaries that are foundational to its economic logic, which follows plainly from the fact that business models pertain to the very logic of how organizations create, deliver, and capture value" (van den Oever and Martin, 2015).

Second, the number and diversity of critical economic partners engaged in the change effort is likely to be greater for the business model change than for other types of change (van den Oever and Martin, 2015). Third, the complexity of the process is expected to be higher in a business model change. As it is described by Salomon and Martin (2008), the level of complexity is higher due to an increase both in number of system's components and in unpredictability of the interactions between them. "Business models encompass an unusually large number and diversity of organizational elements and interfaces (e.g. a value proposition, revenue model, and distribution channels)" (van den Oever and Martin, 2015).

Based on these three characteristics – fundamental economic impact, the number of components involved, and complexity of their interactions – van den Oever and Martin (2015) deem "business model change to be one of the most arduous and risky changes an organization can undergo."

Based on this, we will review aspects of how business model change affects employees, focusing specifically on employee motivation in the organization.

Motivation

Employee motivation in organization

Motivation is a widely explored subject. Various articles have been written and a wide array of studies have been done in order to determine motivation significance and implementation (Conrad *et al.*, 2015). Therefore, it is important to define what the motivation is and how it is applied in the workplace. Lewis *et al.* (2001) define motivation as, "the forces and expenditure of effort acting on or within a person that cause that person to behave in a specific, goal-directed manner." Daft *et al.* (2003) adds "the dimension of "enthusiasm" to the definition of motivation by referring to motivation as the forces either within or external to a person that stimulates enthusiasm and causes a person to persist in the pursuit of a particular course of action" (Conrad *et al.*, 2015).

Theories of motivation

Theories of motivation are generally divided into two categories: needs theories and process theories, and whereas needs theories describe the types of needs that must be met to motivate individuals, process theories help understand the actual ways in which we and the others can be motivated (Langton *et al.*, 2010).

According to Conrad *et al.* (2015), the leading motivation theories come from the work of Herzberg (1966), Maslow (1954) and McClelland (1985), who "discuss the basic needs model of motivation, referred to as content theory of motivation, highlighting the specific factors that motivate an individual." Herzberg's *et al.* (1959) work categorized motivation into two factors: motivators and hygienes. Motivator or intrinsic factors, such as achievement and recognition, produce job satisfaction. Hygiene or extrinsic factors, such as pay and job security, produce job dissatisfaction and become demotivators if not met to the expectations of workers. As stated by Maslow (1943), employees have five levels of needs: physiological, safety, social, ego, and self-actualizing. Maslow (1943) suggested that lower-level needs had to be satisfied before the next higher-level need motivated employees (Conrad *et al.*, 2015).

Impact of motivation on employee performance

Kappelman and Richards (1996) describe motivated and satisfied employees as more productive employees, since "organizational research shows there are positive relationships between employee satisfaction and such productivity measures as performance, turnover, and absenteeism. Even small improvements in employee attitudes like motivation and satisfaction can produce meaningful economic benefits." This statement is supported by Clark (2003) who explained that the many gaps between current performance and the levels required to fulfill business objectives are created by a lack of motivation, not a lack of knowledge or skills as "motivation leads us to invest more or less cognitive effort to enhance both the quality and quantity of our work performance."

Therefore, in order for the transitioning company to achieve successful performance throughout and following the organizational change, employee motivation needs to be a main consideration. We will discuss how to best manage organizational change in the following section.

Managing organizational change

Risk in organizational change

Gilley *et al.* (2009) suggest that "although transformational change is disruptive in nature, its successful execution has been identified as leading to increased competitiveness, to the extent that an organization can clearly differentiate itself in the market" (Denning, 2005). Nevertheless, research and empirical results underline how rare it is for the organizations to implement successful transformational change (Gilley *et al.*, 2009).

Studies suggest that many of the organizational change initiatives fail to be implemented or are not sustainable in the long term. There are no official statistics available on the subject, but Beer and Nohria (2000) estimate that about two-thirds of change initiatives fail. Gilley *et al.* (2009) referred to other authors (Burnes, 2004; Cope, 2003) who suggest that the rate may reach even 80-90 percent. They reveal that it is a resistance by change agents themselves that considerably contributes to the inability of organizations to successfully exercise a change project (Ford *et al.*, 2008).

One of the reasons why that happens is that "practitioners who always follow specific and formal change management procedures had a 52 percent project success rate, compared to a 36 percent success rate for practitioners who improvise according to the situation" (Jørgensen *et al.*, 2009). This is an approach supported by Davenport (1992), who believed that successful implementation of business process transformation requires a fundamental organizational change not only in terms of management processes but also organizational structure and culture. These changes in management processes and organizational structure decidedly affect the human aspect of management as they require a reconstruction of employees' work and relationships.

Keeping these studies in mind, in the next sections of this paper we investigate ways to mitigate risks, ameliorate chances of successful organizational change implementation by positively affecting employee motivation and helping managers make more tailored decisions on planning, strategies, and tactics so that employees remain enthusiastic about organizational change.

Role of employees in organizational change

> […] the inherent conundrum of organizational change: that people, the human resources of organizations, are both an essential factor in organizational change and, at times, the biggest obstacles to achieving change. (Smith, 2005)

The success of any change is contingent on the willingness of employees to welcome it. Reis and Peña (2001) emphasize that business changes at times are introduced without understanding how the human element influences the success or failure of a project as too often, management neglects human resistance issues and the need to consider them in the implementation plan. This is an idea supported in "Business process re-engineering": "without new leadership skills, involvement, systems alignment and the right people with the right skills in the right jobs, even the best technically re-engineered process is doomed to failure. The processes are only as good as the people who make them work and the environment in which they work" (Business process re-engineering, 1995).

Church *et al.* (1996) recognized that in relation to the process of change, the focus should be on two important areas: the fundamental aspects of change that concentrate on the general nature of change, and human aspects of the change process that include individual responses to change and managing the people side of change.

Implementation practices on employees' motivation management

Excellent implementation of organizational change is crucial, because, as Guimaraes and Armstrong (1998) prove in their empirical study, there is a strong direct correlation between the effectiveness in implementing business change and business success. However, "it is interesting to note that above average focus on the change process is no guarantee of effective implementation of change" (Guimaraes and Armstrong, 1998). Nonetheless, awareness of the following determinants could be helpful for change agents, managers, and academic researchers to better understand the organization and employee readiness for the change process.

According to Smith (2005), with regard to successful management of organizational change "these key steps are salient":

- creating a sense of need and urgency for change;
- communicating the change message and ensuring participation and involvement in the change process; and
- providing anchoring points and a base for the achievement of change."

Other steps discussed here are employee engagement and empowerment (Jørgensen *et al.*, 2009), and filling the gap between hard and soft factors (Sikdar and Payyazhi, 2014).

Creating a sense of need and urgency for change

The first step – creating a felt need for change – is crucial. Harvard Business School Professor J.P. Kotter (1995) argued that in order to overcome an organizational tendency towards stability, the organization needs to create destabilisation and a certain deliberate unsettlement. This move must be handled delicately, as there needs to be "sufficient disequilibrium to create dynamism for change, while not exceeding the capacity of organizations, and the people in them, to handle the stress so engendered" (Smith, 2005). It is important to find a balance in the introduced unsettlement so that it does not cause adverse consequences to the organization. The right balanced dissatisfaction will facilitate the exhibition of differences between the current situation and the intended state, injecting a motivation for change to employees. This is a subject supported by Edmonds (2011), who argued that "you need to create a buzz, engender a sense of urgency around the need for change by talking to the whole company, explain your position in the marketplace, your competition and why ‘now is the right time’. Get people talking about the reason for change, allow them the opportunity to express their views and ask questions about the company’s vision.”

Communicating change messages

The second step to successfully managing organizational change – communicating change messages and ensuring participation and involvement – helps create a positive social energy in the organization, which is a “major factor in the success or failure of many organizational renewal initiatives” (Smith, 2005). A variety of perceptions and emotions will be displayed by employees before the change period, and it is important to create an inclination towards excitement and enthusiasm. This positive social environment will affect the degree of employee involvement, confidence in the process, and willingness to change, hence it is crucial that the message communicated to the company is honest and genuine (Smith, 2005). Such a message and attitude will create a foundation of mutual trust, and the leaders should work on creating and solidifying that foundation. Appelbaum *et al.* (1998) point out another important consideration is leaders’ communication coherence, by advising that “management should avoid giving mixed signals to the organization by promoting managers who do not support the change effort.”

Providing anchoring points

Providing anchoring points in order to build a base for change entails the process of assisting employees clearly perceive their role after the change. According to Smith (2005), if employees understand “the nature and reasons for change in the early stages of such an initiative can provide a sound base for subsequent changes and a greater willingness to take risks and extend beyond current boundaries.” Examples of anchoring points would be employee training, team buildings, as well as role modeling.

Nurturing employee engagement, empowerment and commitment

As Jørgensen *et al.* (2009) argue on the topic of employee engagement and empowerment, “engaging employees through involvement and two-way communication is a powerful combination: 72 percent of practitioners believe employee involvement is crucial and 70 percent believe honest and timely communication is important. Better communications and employee involvement enable and empower people, and then change happens through them – not just to them.” “Empowered employees are more able to adapt to change and less likely to resist it, because their need for control is being met through their empowerment, rather than by their resistance. In these times of continuous changes in the world around us, an organization which fosters empowered employees is an organization ready to handle change, planned or not. The ability to cope with change is a survival skill no organization can do without” (Kappelman and Richards, 1996).

On the topic of employee engagement, an empirical study conducted by Shaha *et al.* (2016) on more than 500 academic staff in public organizations undergoing a major restructuring process suggests that “salary and promotion benefits (i.e. extrinsic motivators) may lead to a greater initial attachment with the organization change process – but that longer term engagement with change efforts continue to be based upon attitudinal behaviors in terms of job satisfaction (i.e. intrinsic motivators).” For example, in successful organizations managers engage workers by creating work-group environment to set mutually agreeable performance goals (Vecchio and Appelbaum, 1995).

When it comes to commitment, in a study done on 463 managers and employees from three telecom companies in China that were undergoing large-scale organizational change, Ning and Jing (2012) demonstrated that expectation on the change’s outcome was positively correlated with some type of commitment. Thus, it is important to understand the complex nature of commitment to change, as only affective and normative commitments to change can mitigate the emotional exhaustion caused by organizational change, while continuance commitment can enforce the emotional exhaustion.

Filling the gap between hard and soft factors

Finally, when it comes to aligning technical aspects of business model change with the changes in human resources management, Sikdar and Payyazhi (2014) argued that "there exists a distinct knowledge gap in how to integrate the technical perspective of process redesign with the human and strategic perspective of managing organizational change," therefore most of the failures in organizational change implementation are a result of no linkage between hard and soft factors. In order to avoid these failures Sikdar and Payyazhi (2014) suggest addressing these fundamental questions: "How to institute organizational change to support the business process? How should the organizational change be managed? How to create and manage the alignment? How the business process work flow is aligned with the organizational elements – structure, HR, culture, etc.? How to link the organizational factors with the process work flow? How should the organizational factors be implemented?"

Following the implementation of the suggested practices above to manage employees' motivation, the company shall assess how successful the implementation has been and whether employees are prepared for the change. We will discuss assessment of readiness for change below.

Assessment of readiness for change

After taking into consideration the above-mentioned steps, an assessment of whether the company is ready for change is crucial. How can we assess readiness? Palmer (2004) suggests a simple assessment method with three basic steps. "The first step is a compilation of a list of all the major activities that are underway and which compete for budget, staff time and attention. Second, comes an estimation of the level of effort which each of these activities will require; this compared with an estimation of the level of effort that will be required by the particular change project which is under consideration. Finally, these factors are put together to enable consideration of the overall load on the organization and its capability to take on the additional effort imposed by any planned changes" (Smith, 2005).

Armenakis and Harris (2002) suggest a more structured method, which includes "auditing the thoroughness of communication about the why, when, and how of change; observing the behaviour of employees in order to gain indications of likely reactions to change; directly soliciting employee reaction via interviews and group discussions; and applying structured survey methods" (Smith, 2005).

The company can choose to implement one strategy over the other or a combination of both, however, whichever assessment approach is selected will help evaluate the company's capacity to achieve a successful organizational change. It is critical that an assessment is made before implementing the change as it can reveal any possible upcoming problems or the right path towards success (Smith, 2005).

Resistance to change

The concept of resistance to change is used often in the research and practitioner literature on organizational change as an explanation as to why efforts to introduce large-scale changes in production methods, management practices, and technology fall short of expectations or fail altogether (Oreg, 2006). Piderit (2000) defines resistance as "a tridimensional (negative) attitude towards change, which includes affective, behavioural, and cognitive components." These components reflect three different explanations of people's interpretations of an object or situation. "The affective component regards how one feels about the change (e.g. angry, anxious); the cognitive component involves what one thinks about the change (e.g. Is it necessary? Will it be beneficial?); and the behavioral component involves actions or intention to act in response to the change (e.g. complaining about the change, trying to convince others that the change is bad)" (Oreg, 2006). Moreover, it is stressed by Oreg (2006) that these three components are not independent of one another as what people feel about the change will often correspond with their thoughts as well as with their behavioral intentions.

How do we determine whether employees are prone to change? According to Oreg (2006), "one of the first determinants of whether employees will accept or resist change is the extent to which the change is perceived as beneficial vs detrimental to them", therefore the factors which are most likely to impact employees' evaluations are power and prestige, job security, and intrinsic rewards. These factors constitute the "rational" element of resistance to which Dent and Goldberg (1999) refer as the most valid motive to oppose change.

Individual acceptance of change

Gilley *et al.* (2009) referring to Rogers' (2003) work on "Diffusion of Innovation," note that the reaction of the individual is gradual, with the following stages of change incorporated into one's life: awareness of the change, interest in the change, trial, the decision to continue or quit, and adoption. This derives from the previously introduced classic model of Lewin (1951), which consists of three steps: unfreezing, movement, and refreezing, and translates into individual behavioral reactions.

On what does individual acceptance of change depend? According to Gilley *et al.* (2009), individual acceptance of change depends on his/her perception of the newness. This means that acceptance can be influenced by the persuasive communication methods mentioned in the sections above. The rate of acceptance depends also on personal characteristics of individuals (Rogers, 2003). Five categories of attitude towards change have been identified: innovators (thriving on innovation), early adopters (seeking challenges), early majority (prefer to observe before adopting), late majority (skeptical, sometimes suspicious), and laggards (resisters who often reject change completely). Individual rate of acceptance should be carefully considered when assessing readiness for change.

Importance of organizational culture in organizational change

Before we move on to specific instances of successful implementations of organizational change, it is necessary to mention the influence of culture on organizational change. How does culture affect change management and the way employees respond to change across companies and countries? According to Hofstede, there are six dimensions of culture to be taken into consideration when discussing reasons behind management preferences from one institution to another:

- power distance index, which considers the likelihood that the employees will accept the hierarchical order without further expectations on equal power distribution;
- individualism vs collectivism, which represents whether individuals see themselves as part of a community or as independent entities;
- masculinity vs femininity, differing by the degree of individual inclination towards competitive spirit, vs a more cooperative, consensus-oriented sense;
- uncertainty avoidance, comparing the levels of risk aversion and convention;
- long term orientation vs short term normative orientation: are companies more like to maintain previous conventional norms, or will they see change as an encouragement to prepare for the future? and
- indulgence vs restraint, comparing whether the culture allows or suppresses human needs outside of work (Hofstede, 1980).

These dimensions vary across societies, nations, and companies, thus must be considered when assessing how ready the company is to change its business model. Following the suggested practice implementations and the assessment of readiness for change, we review how these practices have been historically applied in the business world.

Application of motivational approaches in business model changes

In this section, we analyze two scenarios of organizations completely transforming their business models and the way they implemented different approaches on employee motivation.

These illustrations of successful business model change implementations are made to serve as an example for other companies facing this type of change in the future and learning from these specific scenarios.

IBM: from manufacturer to customer-oriented service provider

"When the environment shifts, it is very hard for the culture to change. In fact, it becomes an enormous impediment to the institution's ability to adapt" (Chacko, 2005). This is a lesson IBM learned the hard way before it transformed its business model from products-led to services-led in 2002. Roughly 80 percent of the company's total revenue growth was coming from services, however, it wasn't until 2001, when IBM realized they had lost $16 billion and 175,000 employees in three years (Chacko, 2005; Frasch *et al.*, 2006), that it was time for a fundamental change in the business model.

IBM CEO of the time (1993-2002) Louis V. Gerstner understood that he could not continue with the corporate impulse to put on a happy face. Gerstner believed that the company should create the conditions for transformation and provide incentives for the employees, however, in the end "management does not change culture. Management invites the workforce itself to change the culture" (Gerstner, 2002; Chacko, 2005).

What did Gerstner do to make IBM employees want to change? First and foremost, he "decided to keep the crisis front and center – not irresponsibly; I didn't shout fire in a crowded company. But I did not want to lose a sense of urgency permanently" (Lagace, 2002; Chacko, 2005). This approach is perfectly in line with the change strategy proposed in this paper by Smith (2005) and Kotter (1995). Gerstner enforced this sense of urgency by "galvanizing the prospect of institutional death" (Chacko, 2005) and not concealing the fact that the lack of change would abruptly collapse IBM. In the first senior management meeting he convened, Gerstner shared the company's current position in the market. "The share picture was startling—a loss of more than half our share [value] since 1985 in an industry that was expanding rapidly […] We were eleventh in the industry [in customer satisfaction] […] This is going to be a performance-based culture […] I am looking for people who can make things happen, not who watch and debate things happening" (Gerstner, 2002).

Gerstner completely transformed the company's business model by organizing resources around customers, not products or geographies. By informing and involving employees in the corporate change, Gerstner also engineered a cultural transformation. Gerstner expressed his belief in the corporate culture's importance in his biography (Gerstner, 2002): "Until I came to IBM, I probably would have told you that culture was just one among several important elements in any organization's makeup and success — along with vision, strategy, marketing, financials, and the like […] I came to see, in my time at IBM, that culture isn't just one aspect of the game, it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value."

In response, there was a "staggering 8-year 38.1% annual growth in shipped mainframe capacity, […] a 4-year 1900% return on CMOS technology, […] and 80% of IBM revenue growth from services for 8 years" (Chacko, 2005). According to Chacko (2005), the IBM CEO planned to create "a group of change agents – people who are imbued with the feeling of empowerment and opportunity, for ourselves and all our colleagues," and he achieved his plan by knowing how to positively involve and motivate his employees.

In proceeding years the change was continued and even deeper embedded into the organization by next IBM's CEO, Samuel Palmisano. He further empowered teams while holding them accountable, and in the process "the center of gravity" in IBM was much lowered. He also got rid of the businesses that didn't fit and acquired the capabilities needed: "The consulting arm of PriceWaterhouseCoopers was bought to provide thousands of professionals who understood the process needs of key industries. In a near-miraculous feat of management, those consultants were partnered with technologists and successfully integrated into the company" (Bower, 2012).

Bharti Airtel: outsourcing the company's core business

Bharti Airtel, India's largest telecommunications provider, is another example of successful business model change. The company decided to unbundle its core business services and shift into a global partnering model (Giesen *et al.*, 2010). Per Giesen *et al.* (2010), "Bharti was very clear about its core focus in five areas: customer management, people management and innovation, brand management, financing and regulation." The company explicitly stated that above all "the key success factors for the growth and development of the organization have been the internalizing of talent management as a process and not restricting it to a few people in the organization" (Anand, 2011).

How did Bharti motivate its employees? Similarly to many well-known innovators like Google or Apple, it focused on innovative leadership: "strong leadership and perseverance help overcome inherent organizational inertia" (Giesen *et al.*, 2010). This way it ensured participation and involvement in the change process. Moreover, the talent management team is continually involved in preparing, tracking and executing talent processes throughout the entire organization. The company focuses heavily on "development of internal talent, grooming people to hold key positions in the future and adding value to those employees' portfolios. Mentoring and coaching plays an important role in motivating and monitoring employees' growth" (Anand, 2011). In addition, Bharti nurtured an entrepreneurial and innovative mindset and their management style provided anchoring points and a base for the achievement of change.

Reviewing the organizational structure and the ways it affects its employees is a crucial step to successful management of a business model change. As a result of these implementations and adaptations, "even at the height of the economic crisis in 2008, Bharti was able to grow revenue by 37 percent, with net income up 26 percent" (Giesen *et al.*, 2010) and nowadays the company is referred to as an example of a company which "created novel business models to gain competitive advantage and as a result achieved superior profit (Purkayastha and Sharma, 2016).

Conclusions

Based on the extensive review of the literature and concrete examples of companies, which examined the impact of organizational change, specifically business model change, on employee motivation, the following conclusions are derived. First, organizational success is increasingly perceived by firms as highly dependent on change management, as supported by Gilley *et al.* (2009): "recent decades have seen increasing emphasis on change as a critical driver of organizational success." However, as estimated by Beer and Nohria's (2000) study, there is a high probability for the company to fail in the execution of an organizational change (about two-thirds of implementations are unsuccessful); hence, special attention and tailored effort need to be paid to its successful implementation. Considering these studies, we believe that the key to a successful implementation is the careful management of human resources, by helping employees smoothly adjust to organizational change, considering their readiness for change and their culture dimension indexes. Porras and Robertson (1992) also recognize that organizational member involvement is the most commonly mentioned factor for successful change (Antoni, 2004).

Second, organizational change is an immensely complex process which can create uncertainty, anxiety, and instability, so a clear change implementation plan must be developed by and tailored by the company undergoing change in order to minimize adverse feelings. More specifically a business model change, a subset of organizational change, due to the limited literature and corporate change examples is bound to escalate these feelings. These perceptions have an adverse effect on overall employee motivation and performance. The literature reviewed many approaches to be taken, singularly or combined, to prepare employees for the upcoming change, guide them through and motivate them to perceive the corporate change as positive and beneficial. It is highly recommended that the companies examine the implementation steps introduced by Smith (2005) and Edmonds (2011). The creation of a sense of urgency for change, the communication of an honest change message, and the provision of anchoring points should be a staple in their change implementation plan. Employee encouragement and empowerment promotes worker motivation and reduces resistance toward organizational changes (Kappelman and Richards, 1996). We observe from real-life cases that a balanced combination of these strategies, specifically adapted to the company model and vision, is necessary for creating a base for change and ensuring a positive social energy in the organization, as concluded by Smith (2005).

Third, as mentioned in the "Assessment of readiness for change" section, an assessment of readiness for change is crucial before any organizational change, business model change included, is truly executed. Due to limited data available, business model change has to be treated as a subset of organizational change, hence organizational model change suggestions apply to business model as well. The assessment can pinpoint any resistance to change and organizational inertia, or reveal any possible upcoming problems before the change. Per Oreg (2006), the main factors that are likely to impact employees' evaluations are the power and prestige, job security and intrinsic rewards, so distinctive consideration should be given to these factors. A balanced linkage between hard vs soft skills also needs to be maintained, and the individual acceptance of change must be considered as well.

Limitations and further research

Although extensive material was extracted from literature reviews on motivation and the impact of organizational change on motivation, we found a gap in supporting empirical data on the subject and a limited number of direct case studies and real-life scenarios. In addition, our research was primarily focused on employee motivation during the initial planning phase of organizational change; however, there was less focus on motivation throughout and especially after the change process.

Many research papers have been written on the impact of organizational change on employee motivation; however, there are limited research resources available specifically on the impact of a business model change. Even though a business model change is defined as a category of organizational change, additional specific research needs to be conducted on this, as a business model transformation is a pivotal change with differing implications for the company.

Conclusions

Referring to our initial objective, in order to develop and benefit from the change, organizations must avoid improvising and should follow formal change management procedures which take employee motivation and individual response towards change under consideration. Under the pressure to innovate and adapt to new business opportunities, companies need to utilize a sound foundation of empirical data and theoretical approaches which have been put to the test, to assist them in successfully managing change. Companies such as the above-mentioned cases of IBM and Bharti Airtel understood the gravity and the ensuing implications of a business model change, implemented the right frameworks, and succeeded, turning themselves into fine examples for other companies to follow.

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