

IDENTIFICATION OF CHANGES IN SMALL AND MEDIUM-SIZED ENTERPRISES IN AUSTRIA – A QUALITATIVE RESEARCH

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Abstract

The following paper deals with change management in small and medium-sized

enterprises. Such enterprises are often neither able to define necessary changes nor to implement changes sustainably. This is caused by missing resources or the tools therefore are not available. Particularly small and medium-sized enterprises suffer from the general pressure of change through the economy. This qualitative research has been done by five interviews in five Austrian companies of different sizes, different industries and different economical situations. The purpose was to get an information about how changes are identified and how these were implemented on a sustainable basis. This paper has the aim to identify how potential change requirements in regards to the strategy, the organisation, the planning of these change requirements, the implementation and the effectiveness of the implementation is done in different companies. The paper comes up with different approaches to identify and implement changes on a sustainable basis. The tools refer to the targeted group of an organisation like individual (person), team (group of people) or organisation (company). As a last deliverable the paper consists of a proposal for a change management concept for small and medium-sized enterprises.

Purpose

This paper analyses the different tools and methods in small and medium-sized enterprises to identify and implement changes. From that perspective it was important to explore how these changes were identified, planned, implemented and whether the changes got measured to identify the effectiveness.

Approach

The research was conducted by qualitative interviews with five Austrian companies of different sizes, different industries and different economical situations to gather as many approaches as possible.

Findings

Apart from a litany of different tools to identify and implement changes it is remarkable that especially the successful companies – from a financial point of view – use a systematic and integrated approach. This means that they observe the strategic change requirements and develop a road map or deduce projects from these strategic change requirements.

Value

On the one hand different approaches to tackle any change management problems with an idea how other companies take care of that but probably more important is the change management concept to implement changes on a sustainable basis. This concept is an output of the interviews and the literature review.

Key words

Change management, Tools for change management, Change management concept

Introduction

A lot of treatises have been published about the necessity of change and Herscovitch and Meyer state (2002, p.474) that:

Given the accelerated rate and complexity of changes in the workplace, it is not surprising

that there is a large and growing literature on the causes, consequences, and strategies of

organizational change. What is surprising, however, is the paucity of research on employee reactions to change.

Adcroft, Willis and Hurst (2008, p.40) write that now change is happening faster, it is more dramatic and dynamic than ever before. Information is available faster, product life cycles are decreasing and business is globally-oriented. Especially the globalisation has forced a lot of companies to increase their competitiveness in regards to either quality and/or cost.

Change is omnipresent these days and Stanleigh (2007, p.35) defines some change drivers which are mergers and acquisitions, innovation, technology, restructuring, declining sales/market share, globalisation, expansion, growth and sense of urgency.

Due to the financial crisis a lot of companies were forced to fire people as a result of financial pressure within the company. As a consequence these companies had to re-organise their processes, structures and sometimes even the strategy. All the above mentioned influences result in a necessity to change the organisation and unfortunately a lot of companies are not able to adapt the necessary processes because a lack of change management. According to the Forschungsgemeinschaft Qualität (2010, p.5) the execution of change processes is crucial to innovation and the continuity of an organisation. It furthermore states that change is executed very unsystematically and this is caused due to a lack of financial and human resources.

That was the reason to observe the approach of different companies to identify and implement such changes. Small and medium-sized enterprises were chosen as usually these companies suffer more from economical fluctuations as the financial resources are not as big as the basis from international companies. Furthermore small and medium-sized companies often lack in the necessary resources not only to identify but also to implement changes on a sustainable basis.

This paper discusses the different approaches of five different Austrian companies and takes a look

at how changes were identified and implemented. As a result it comes up with a change management concept for small and medium-sized companies to identify and implement changes on a sustainable basis.

Research design

This qualitative research has been conducted by interviewing five different companies in Austria. The interviews were done on a semi-structured basis as this approach tries to take the best of the structured and unstructured approach. Myers (2009, pp. 121 – 125) explains that it gives the researcher some structure, while allowing for some improvisation. This improvisation is important for the researcher because it gives the interviewee the opportunity to add important insights as they arise during the conversation, while previously prepared questions provide some focus as well. One disadvantage is that this approach does not deliver as consistent results as the structured approach. The researcher defined small and medium-sized enterprises with different amount of employees, with different business models and in different economical situations. The reason for that is to get an as much heterogeneous picture as possible.

The interview checklist consisted of seven different areas:

- 1.) Recognition of strategic change requirements.
- 2.) Recognition of organisational change requirements.
- 3.) Planning of change requirements.
- 4.) Implementation of change requirements.
- 5.) Check of efficiency in regards to implementation.
- 6.) Preventative actions against resistance during change process.
- 7.) Reactive actions against resistance during change process.

Table 1: Interview-summary incl. business model and economical situation

Company and Interview-Nr.	Amount of employees	Business model	Economical situation
C1	15	Service	Very stable and successful
C2	300	Production	Financial crisis
C3	450	Trading	Turnaround successful and positive trend
C4	21	Production	Very stable and successful
C5	50	Production and trading	Losing market share and financial results are decreasing

Mentioned tools

The interviewees mentioned also tools within each question and the targeted group within the organisation like individual (person), team (group of people) or/and the organisation. These tools are mentioned in table two below.

In regards to strategic change requirements there were four tools from two different companies mentioned – namely the competitor analysis, PIMS®, SWOT and Porter's five forces. C1 used the competitor analysis combined with Porter's five forces to identify strategic change requirements. C4 used PIMS® and the SWOT analysis.

The organisational change requirements are handled only in company C1 and C4 as well. These are deduced from the strategic change requirements. C1 took the outcome of the competitor analysis and Porter's five forces to identify any necessary organisational changes. C4 set up a SWOT analysis, identified any necessary organisational changes and discussed these changes individually with the respective people within the yearly appraisal interviews. At the end of the process the necessary organisational changes were discussed and responsibilities were decided.

The planning of change requirements is done by project management in company C1, and C3. C4 works with PDCA, C5 with management by objectives and C2 with action plans.

In regards to implementation of change, implementation efficiency and preventative actions against resistance the companies use the same methods as for the planning. It is significant that especially C2 defined the action plan as not satisfactory as there is no concept but just an accumulation of tasks without any strategic thinking behind it. Another important outcome is that the interviewees defined methods for preventative actions but during the interviews it came out that only C1 takes care of that point. This company used project management and within that process the change/project manager conducted a risk assessment which was used to define any risks regarding resistance of people.

In reference to reactive actions there were two answers from two different companies.

C1 controls change with project management and checks the originally assumed benefits after a certain time frame when the project is closed. If these are not fulfilled anymore, it is seen as an indicator for reactive resistance. C4 works with key performance indicators in conjunction with the PDCA cycle and with that approach it can be seen immediately if the process is not working or not performed according the standard operating procedure. C4 sees it as an indication for resistance if people do not work according the approved standard operating procedure.

Table 2: Tools and targeted level of organisation

Area	Tool	Individual	Team	Organisation
Recognition of strategic change requirements	Competitor analysis		x	x
	Profit Impact of Market Strategies PIMS®			x
	SWOT		x	x
	Porter's five forces		x	x
Recognition of organisational change requirements	Competitor analysis		x	x
	SWOT		x	x
	Appraisal interviews	x		
Planning of change requirements	Project management	x	x	
	Plan-Do-Check-Act cycle (PDCA)	x	x	
	Management by objectives	x		
Implementation of change requirements	Project management	x	x	
	Plan-Do-Check-Act cycle	x	x	
	Management by objectives	x		
	Action plans	x	x	
Check of efficiency in regards to implementation	Project management	x	x	
	Plan-Do-Check-Act cycle	x	x	
	Management by objectives	x		
	Action plans	x	x	
Preventative actions against resistance during change process	Project management	x	x	
	Plan-Do-Check-Act cycle	x	x	
	Management by objectives	x		
	Action plans	x	x	
Reactive actions against resistance during change process	Project management	x	x	
	Key performance indicators in conjunction with PDCA	x	x	

Conclusion of the interviews

The above mentioned tools are a mix of all interviews but the remarkable information is that especially the successful companies – from a financial point of view – use a systematic and integrated approach. This means that they observe the strategic change requirements and develop a road map or deduce projects from these strategic change requirements. That has the advantage that these companies do not only link projects with the strategy but also have a systematic approach to plan, implement and measure the efficiency with that approach. Especially C1 and C4 follow that systematic and integrated approach which means that they identify strategic change requirements and use the same tools for the identification of organisational change requirements. Another issue is that only C1 dealt with preventative actions to avoid resistance and only C1 and C4 observed whether there is any reactive resistance although Paton, Beranek and Smith (2008, p.97) write that change resistance is natural and an expected part

of any organisational change. They underline that understanding why and how opposition to change occurs, and developing the ability to respond is crucial to succeed or a contempt could be the reason for the failure of change efforts.

Especially in the companies C1 and C4 the management commitment to change management was very distinctive and the change process was driven by the management and according to Zairi and Sinclair (1995, p.24) leadership is the most important facilitator of large transformation efforts. On the other hand it has to be mentioned that the companies are rather small and linked with that the management influence is rather high in comparison to the other companies C2, C3 and C5.

Further research could be done on whether small companies do not have problems in regards to change execution generally and management commitment is secondary. Another research topic could be whether successful change management leads to better financial results.

Change management concept for small- and medium-sized enterprises

This part of the paper is the output of the qualitative research and best-practises collected within the interviews. The author defines seven stages to implement changes on a sustainable basis:

- 1.) Objectives and targeted effect of change defined by the project sponsor.
- 2.) Definition of a change manager/change facilitator.
- 3.) Identification and involvement of participants, key persons/stakeholder.
- 4.) Project charter to support project management.
- 5.) Execution of a kick-off meeting.
- 6.) Closure of the project.
- 7.) Check the success of the project.

- 1.) Objectives and targeted effect of change defined by the project sponsor

The Project Management Institute (2000, p.16) defines the sponsor as the individual or group that provides the financial resources for the project. It could be a superior, the CEO or a manager of an organisation. Adcroft, Willis and Hurst (2008, p.44) underline that firstly an organisation has to gain an understanding of the complex web of activities and processes before setting the objectives of a transformation. Saka (2003, p.493) writes that change means uncertainty and managers are expected to generate clear and adequate formulation of what the problem is and where they would like the organisation to be. Almaraz (1994, p.10) underlines that as well as she states that the difference between how the organisation looks at present and how it is expected to look after the change is an important issue. According to some interviewees it is very important to clarify not only the objectives but also the targeted effect with the sponsor. The objectives must be specific, measurable, accepted and appropriate, realistic and time-bound. According to Vakola, Soderquist and Prastacos (2007, p.272) it is recommended to execute competency management to support strategic change. This means that not only the

objectives are defined but also the necessary competences of the employees.

- 2.) Definition of a change manager/change facilitator

One critical success factor is that not only the change manager and the sponsor are clear about the objectives but also both parties are committed to them. Another critical success factor is the change manager as this person is the change facilitator. Buchanan & Badham (1999, p.610) define the change agent in their paper as any individual seeking to reconfigure responsibilities, structures, outputs, processes, systems, technology, roles, or other resources. The author does not agree with this definition as according the feedback of the interviewees it is recommended to set-up a role profile with the tasks, necessary skills and authorities to secure an efficient change process as well as this person should have managerial competences. Hartley, Benington and Binns (1997, p.62) refer as well that change agents may be senior line managers or those specifically charged with managing the processes of organisational development and cultural change in an organisation.

- 3.) Identification and involvement of participants, key persons/stakeholder

At this stage the change manager identifies relevant people who have to be a part of the project team or have to be involved necessarily. It could be of huge impact if process owner or key persons are forgotten during this phase. Greif (2004, p.166) defines key persons as door openers for change. According to the Project Management Institute (2000, p.16) stakeholders are individuals that are actively involved in the project, or whose interests may be positively or negatively affected as a result of the project execution or project completion. Furthermore they may exert influence over the project and its results.

Adcroft, Willis and Hurst (2008, p.43) describe that change must involve many stakeholders within the organisation be they instigators or drivers of change or simply those who are affected by the change.

Brooks and Bate (1994, p.181) state that the promise of change, and the uncertainty linked with that, create anxiety and Diefenbach writes (2007, p.137) that people are quite sensitive about how change is introduced, communicated and discussed, if and how their viewpoints are not only being heard but seriously taking into account. Considering that, the active involvement and consideration seems to be a critical success factor.

4.) Project charter to support project management

According to the interviewees it is highly recommended to execute change by using a systematic project management approach. According to a recent survey of Mc Greevy (2009, p.305), he defines applied project management as one key factor for a successful change management and Adcroft, Willis and Hurst (2008, p.43) state that for many organisations, a change program is only likely to give desired results if it is planned and directed. The basis of the approach is the project charter which consists of the initial and the target situation, the project objectives and project scope. The Project Management Institute (2000, p. 51) states that project scope management includes the processes required to ensure that the project includes all the work required to complete the project successfully. The agreement on scope between project sponsor and change manager is a key success factor of project management. Information about the project team, necessary project marketing, project reporting and project risks should also be available in the project charter. As a last part it consists of a provisional project plan to estimate resources, time frames and investments. The project charter could be seen as a contract between the sponsor and the change manager.

5.) Execution of a kick-off meeting

The kick-off meeting should be conducted to build-up a team, defining project rules and organisational topics but above all to transfer the existing information to the team that all people have the same level of knowledge. Furthermore it is essential to discuss the project charter and to get commitment from the team. This step is crucial

for the further procedure of the change project and Cronenbroeck (2004, p.55) underlines the importance to get the full commitment of the team and to clarify the framework of the project.

6.) Closure of the project

In this phase the project is finished and the project charter is measured against the real results. It is very important to celebrate the project closure with the project team. This is not only necessary in regards to motivation but also as an official end of the project.

Cronenbroeck (2004, pp. 87-8) suggests a final presentation to the sponsor to inform him about the results of the change project as well as an actual-theoretical comparison. Furthermore the change manager informs the sponsor about any necessary actions which have to be fulfilled to achieve project success.

7.) Check the success of the project

According to Saka (2003, p.493) organisational members tend not to question the status quo unless they are faced with a necessary change factor e.g. financial or political crisis and it is difficult to break habitual routines that are embedded in past learning. After a certain time period a success review is recommended by some interviewees. This is necessary to check whether the implementation of change took place on a sustainable basis or whether people went back to the initial condition.

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