

EMPLOYEE RESISTANCE TO ORGANIZATIONAL CHANGE THROUGH MANAGERIAL REENGINEERING

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ABSTRACT

Global competition is driving organizations to become better and more streamlined. Many companies have turned to business process reengineering (BPR), as a mean to radically change the way they conduct business. The general objective of this study was to identify and expose the main causes of resistance to change, changing levels, as well as some strategies for managing resistance to change. The researcher has identified the factors related to employee resistance to change and suggest some solutions to prevent resistance to change. On the one hand, this paper will be of interest to the organizational managers, BPR implementers and the future researchers in a related area of study. On the other hand, the article points out some avenues for further research on this topic.

KEYWORDS: *business process reengineering, resistance to change, strategies.*

JEL CLASSIFICATION: *M19*

1. INTRODUCTION

Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed (Hammer & Champy, 1993). Business Process Reengineering involves changes in structures and processes within the business environment. The entire technological, human, and organizational dimensions may be changed in BPR project with major focus on core processes. The approach by processes enables the identification of their contribution at the value chain, performance and continuous improvement, in the context of combining two major trends: adding value and improving customer satisfaction (Verboncu, 2013).

Practical experience in organizations where process reengineering was implemented, shows the following: the quality was improved by 84%, production circle time was reduced by 35%, cost of product development decreased by 54% and profit increased by more than 35%. (Eric M. and M. Stefanovic, 2008).

The reengineering projects are designed on the specifics of each company. Process reengineering is not a standard, uniform and uniformly applicable in any field, it need to take into account a multitude of variables specific to the company and the industry for which it is designed and implemented.

The difficulty of implementing organizational change process by reengineering

Moreover, it is claimed in many studies that 70% Business Process Reengineering efforts fail or delivered less than they had promised (Goksoy, Ozsoy, & Vayvay, 2012) (Habib & Shah, 2013).

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According to statistics in the field, 84% of BPR projects fail because of problems with people. Too many projects have failed in the recent past, simply because of the change management aspects were misunderstood by employees. Managing people is a task that can make some analytically-oriented decision-makers feel uncomfortable, due to its complexity and emotional dimension. The human factor is too often neglected during reengineering processes. The repercussions on corporate culture, management and communication are immediate. Employees resist due to following reasons: fear of employee for losing job, fear of losing authority and uncomfortable with new environment (Habib & Shah, 2013).

After reviewing the literature and thorough analysis of the actual situation of the concept of BPR in Romania, we notice that the focus is on technology and IT processes. Human resource in the company are little mentioned, even if they represent the engine of this radical change.

It is known that, at the base of each process, are people, employees of the company. Therefore, if people do not know the detail of the organization processes, these processes can't function properly.

2. METHODOLOGY

As a first step to investigate the causes of resistance to change in reengineering projects, the author analyzed the existent literature. We focused on literature pertaining to business process reengineering, human resistance to change, change management, business process change methods. We used „Business Process Reengineering“ and „change management“ as the keywords for our initial search in relevant databases on internet. Research papers were selected according to their relevance. Relevance was determined by reading the title and the abstract of each article and subsequent reading the full text of the selected papers.

Articles or books of different authors published in various reputed journals within the time span of last 20 years are selected and in depth overview is done. Each of these authors shares the opinion that the main cause of failure of reengineering project is resistance to change.

Based on the knowledge about business process reengineering, we developed five hypotheses and we tested them by implementing a structured questionnaire:

H1. Business Process Reengineering is a management concept used by Romanian companies;

H2. Active communication is essential for successful BPR project;

H3. Unavailability of resources is the primary challenge for BPR teams;

H4. The implication of top management is crucial for BPR projects;

H5. The investments in training increased;

It must be noticed that this five hypotheses were drawn from survey questions that will be implemented in the PhD thesis.

In this empirical study, we elaborated a structured questionnaire with close-ended questions and we applied to 101 Romanian companies. All selected organizations reside in Romania with most of them having local and regional businesses. The sample organizations included different types of businesses in different industries. Even though the purpose of the study is not applicable to particular industry type or sector, variety of business domain and variability in organizations size were considered in the selection process. Table I shows an overview of the organization business sector. The selection of the sample organization ensures that all organization have been active for at least five year with a considerable annual profit earning. The sample organizations of our study have achieved annual revenue in 2015 financial year in the range from 0.5 million EURO to 10 million EURO (Figure 1).

Table 1. Surveyed organizations overview

Domain		Number of employees		Age of the company	
Commerce	10%	<10		< 5 years	3%
Services	22%	10 – 49		5 - 10 years	22%
Industry	22%	50-249	69%	10 - 20 years	45%
IT	8%	>249	31%	> 20 years	30%
Other	38%				

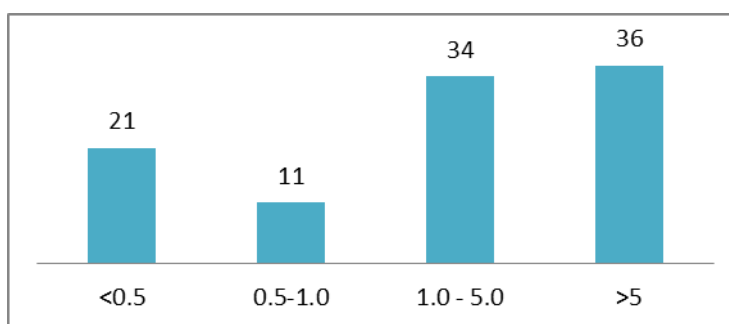


Figure 1. Annual growth of sample organizations in million EURO

The questionnaire were guided by ten questions, all of them were asked to every respondent in the same order. The questions are completely derived from the existent level of understanding of BPR in Romania. The questionnaire was sent via e-mail to 389 companies from Romania and we received 124 responses, of which only 101 could be counted (23 were incomplete), which led us to a 26% rate of reply.

3. ANALYSES AND RESULTS

H1. Business Process Reengineering is a management concept used by Romanian companies;

Asked if business process reengineering is used or known by their companies, most of them responded that they are not familiar with the concept. If we analyse the responses we can see that in fact 43% of companies are familiar with BPR and 57% of them don't know the concept.

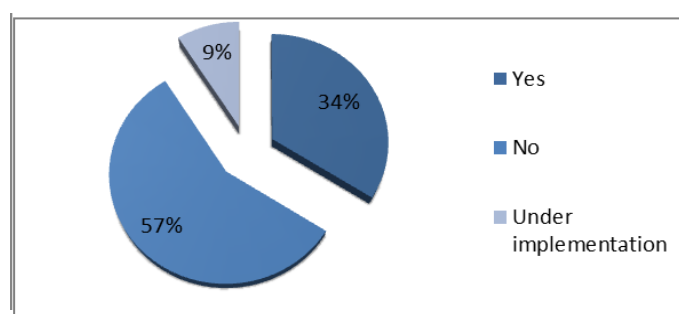


Figure 2. The usage of BPR in Romania

H2. Active communication is essential for successful of BPR project;

Leadership, alongside active and effective communication are some of the top factors that have led to a successful BPR project development. In the surveyed companies 32% stated that implication of leaders is very important but there are other criteria with at least the same importance, 30% of them stated that active communication is the most important factor. An interesting fact is that only 5% of the firms believe that the involvement of external consultants is crucial for a BPR project and this can be explained by the fact that consultants bring managerial know-how and a plus of credibility as well as an impartial and independent opinion regarding the state of current processes. We can conclude that **H2 is true.**

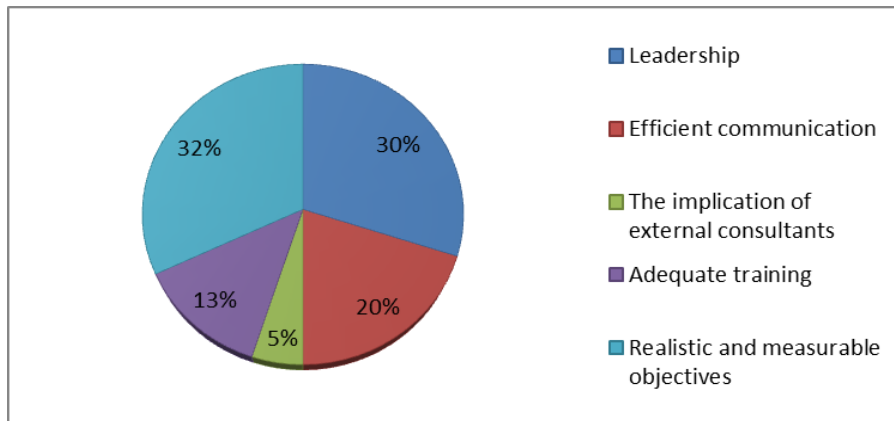


Figure 3. Top factors for successful reengineering projects

H3. Resistance to change is the primary challenge for BPR teams in organisations;

Many BPR Projects encounter organizational resistance. This resistance is faced from the organizational employees whose jobs are threatened by the BPR projects. After a process of reengineering, jobs are changing, people's role in the organization change, more jobs are integrated into one. BPR does not mean restructuring or restriction of activity, just means doing more with fewer resources (human, financial, material).

The biggest challenges for the team project are unavailability of resources (42.8% in the surveyed companies) and resistance to change (29.8% of respondents). Deficient communication follows next with 20.4%, being the result of inadequate project management skills and poor change management, which led us to the conclusion that **H3 is true.**

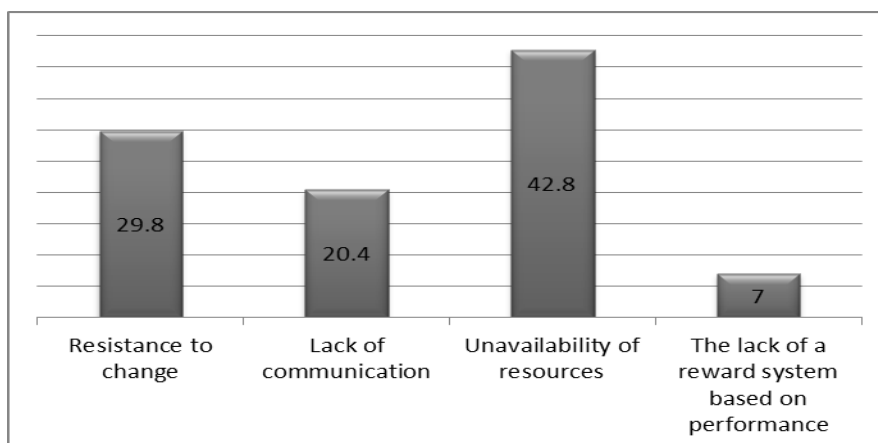


Figure 4. Most common challenges for BPR teams

H4. A very important success factor is **the implication of top managers**. A BPR Project usually requires many resources, time, money and leadership, which can be assured only by a strong and consistent top management commitment. Returning to our question, the study demonstrated that the implication of top management is crucial for reengineering. **H4 is true.**

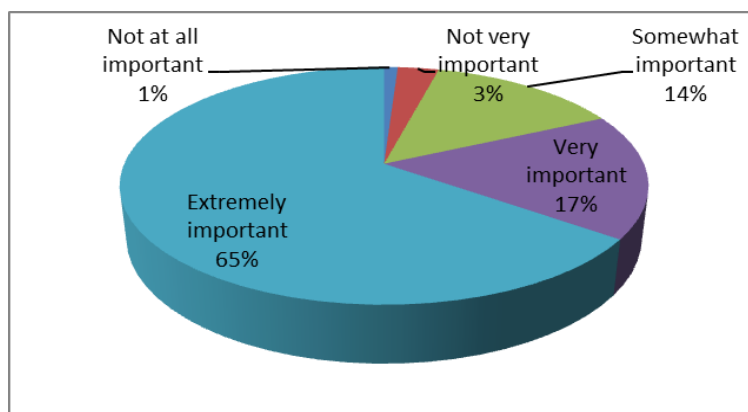


Figure 5. The implication of top managers

H5. The investments in training increased after a BPR project;

In the new economy context, continuous development is one of the most important aspects. Although many companies do not have big resources, in order to remain competitive they must not stop investing in training. Unfortunately, 7.6% of respondents told us that their company does not invest in training, a total of 32.4% said that investments remained the same, while 24.2% said that investments in training decreased, only 19.9% of them said that the investments in training increased therefore we can assume that **H5 is false.**

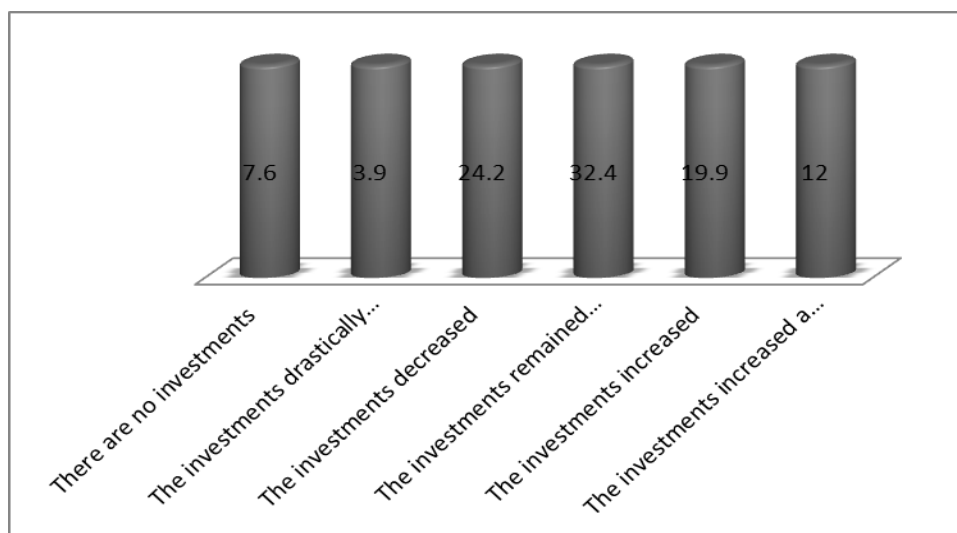


Figure 6. Investments in training

After reviewing the literature and the actual situation of BPR in Romania, the author identifies the causes of employee resistance to change and propose five key criteria that affect BPR implementation: training, efficient communication, positive motivation, the participation and involvement of employees and the participation and involvement of all managers.

The causes of employee resistance to change:

The habits of employees. The organizational changes that require personal and professional habits change will be faced with resistance, as any change in personal habits requires effort and, therefore, out of personal comfort zone; "Habits are hard-wired into the basal ganglia part of the brain. In this area the brain makes connections to experiences and insights and functions effectively and efficiently without using a lot of energy" (Training, 2009). Because change within organisations most of the time will require new ways of doing things, individual habits may become substantial obstruction on the way of change.

Non-existent or ineffective communication. Inside the company, effective communication strategy strengthens the confidence of employees in the organization, connects employees to the reality of business and to the external ambient environment, fueling the development of the company and facilitate the changes for progress;

Fear of job loss. Unfortunately, when companies realized a BPR project, which involves massive resources (financial, human, technological), the leadership or senior managers want major cuts in terms of capital. One of the easiest ways to provide a cost/benefit to a BPR project is cut the workforce. Many case studies have shown that this reduces the number of good employees with skills and experience available within an organization. Fear and anxiety take hold of employees, all reflecting into work productivity and even in their personal lives, whether or not leave the organization. Reengineering efforts changes almost everyone's job causing new skills for employees at all levels. Furthermore, reengineering usually involves the process of combining many job categories into one, which requires extensive technical cross training. Thorough skills' assessment of the workforce should be undertaken through job-analysis and needs-analysis. The analysis should determine what skills are needed and what changes have to take place. In this moment, the focus should be on people, not processes;

The fear of the unknown. Anxiety, up to fear in front of unknown, can manifest both among employees - who do not know or do not understand how it will affect change - and among managers, regardless of the hierarchical level that is, they can avoid taking certain decisions requiring a high degree of responsibility. Fear freezes the innovation process and lowers work productivity;

Lack of safety. Any change in a job involves, at the individual level, out of comfort zone. To make progress, we must adapt to the changing environment permanently, we must always find creative solutions to be more efficient and more competitive, and all this is impossible without change. The greater our ability is to adapt and speed of response on changes in the external environment, the lower is the level of the uncertainty and insecurity about the transformation process.

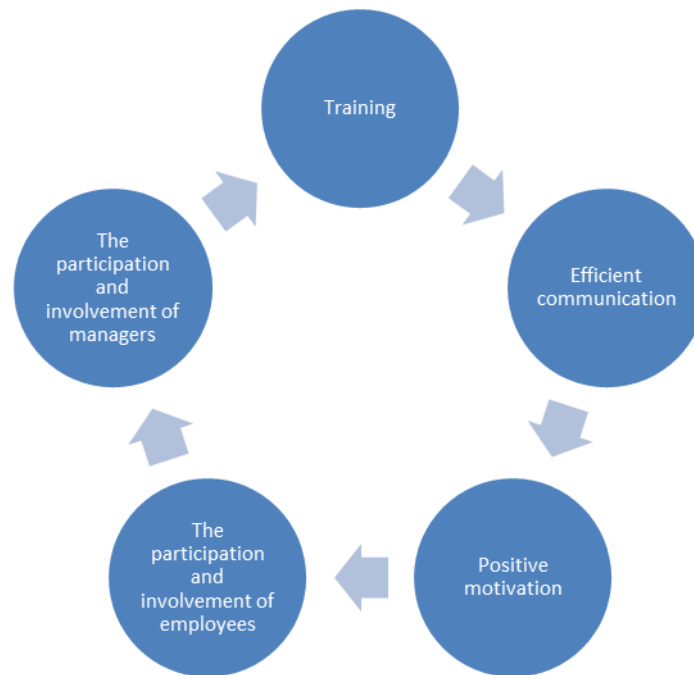
Economic considerations. People resist change that results in reduction of direct income (basic salary) or indirect (bonuses, commissions, etc.). Economic factors may also cause individual resistance to change in a way that changes might be perceived by employees as a means of decreasing the level of pay to employees and/or increasing the pay of management. Accordingly, those employees who think that the aims of changes is to reduce their income will try to oppose the change and resist it without comprehending the true purpose of the change. The same effect will be caused if employees think that other people apart from them will receive economic benefits as a result of change (Dudovskiy (2013).

Organizational culture. Organization's Culture is a pattern of beliefs and expectations that are common to members of a social unit and subsequently set the behavioral standards or norms for all new employees. Because culture is intrinsically inflexible, determined and shared by members of an organization, and has profound influence on behavior, any attempt to change its core assumptions might be met with resistance (Agboola, 2011). It can often be difficult to convince business units of an organization to switch from already running business processes to a new process system. Usually in these circumstances, the two main threats are replacing known processes with an unknown, and taking away decision-making authority for the routine business activities. If the advantages of BPR projects are not explained well, the employees can even resist and slowdown the development and adaptation process of the new system. Despite these challenges, BPR is a resource that can

significantly improve an organization's workflows, business, and decision making. When people in an organization realize and recognize that their current organisational culture needs to transform to support the organisation's succes and progress, the process of reengineering can occur.

Solutions to prevent resistance to change

To prevent the harmful effects of resistance to change, we propose a model for leaders with five pillars. Change team has several options to manage resistance to change in a positive way.



Source: Made by author

The first solution is the training of employees involved in reengineering. The goal is to educate people about the change before it is implemented, and to help them understand the logic and necessity of the process of change. This approach is most effective when implementing radical changes in the organization, such as the introduction of the latest IT systems and organizational culture change. The training should be conducted by external consultants, and courses must be attended by both performers and organization managers. Basically, as you are running more information about the change, you achieve a higher degree of awareness of it, increases the understanding of the need to change, and through the support of the organization (information meetings, training, coaching, mentoring, etc.), it can be achieved greater employee involvement and acceptance of the implemented changes, initially at the individual level, then across the whole organization.

The second solution is effective and active communication. Clear, transparent and honest communication, regarding the need for change and its impact is essential to the success of the initiative. Also, the manager responsible for communication must have sufficient authority in the organization. It is advantageous that the communication process be focused more on the need to change and less on the details of implementation, so that people don't lose sight of the main objective during the implementation of the process. Once fear about what will follow is reduced, the change will be more easily accepted within the organization. If the change adversely affects employees, this must be communicated clearly and honestly from the beginning, thus avoiding rumors and generating respect and trust towards leaders. Leaders must work to understand how the changes will affect the

roles of employees and communicate clearly. Clear planning is essential for employee adoption and BPR success.

Positive and negative motivation involves providing financial incentives to those who have helped to achieve the goals of the reengineering. Positive motivation, by many satisfactions it generate, contribute to the establishment of a high moral and personal development of employees, at shaping a good organizational climate for work and high performance organization. In other cases, exist the situation in which managers offers incentives to those who may oppose change. This compensations are managed to provide special benefits in exchange for the safety of that changes will not be blocked. This solution is good when we are dealing with a person or group of persons who lose something valuable on change. Often, those who resist are threatened by a variety of undesirable consequences if they not comply change. This situation (compensations) appears in crisis situation, when speed is essential, as a last solution to manage the severe consequences of failure to adapt.

The participation and involvement of employees is about obtaining employee support and understanding the collective effort needed to make managerial reengineering. People tend to support initiatives in which they are directly involved and have their own contribution; Their unique approaches from different angles, first-hand information and profesional experience add value to the strategic structure of the project and bring things in concrete, feasible way. Thus, it succeeds a potential directions of strategic action, with the advantage that there is already agreement to employees. This type of involvement has a greater impact on change, resulting from the fact that employees participate with proposals and implement effective solutions, which is an important advantage because the process of reengineering benefit from the experience, commitment and creativity of the participants.

Typically, a BPR project requires more resources (financial, human, technological), time and leadership, which can only be achieved by involving the general manager or some members of the Board of Directors. Leaders assume personal responsibility for actions and circumstances that led to strained relations work, thus gaining the respect of employees. To many leaders focus too much on management and too little on leadership.

4.CONCLUSIONS

This research study provides an understanding on sources of resistance to change in reengineering projects. During implementation of an reengineering project, employees of all types are likely to resist change on some level. Everyone from front-line, entry-level employees to senior management have their own motivations, fears and things that make them tick. By identifying the sources of resistance and building an organizational change management plan, we can addresses the various human elements that contribute to resistance. Finding solutions in terms of employee resistance to change is seen as an essential process for an organization implementing BPR projects in order to achieve expected results, to meet flexible business environments that are becoming increasingly more dynamic. The change of mentality, attitude and behavior, to allow fundamental rethinking and redesigning business activities, establishment of structures and new working relationships in order to maximize organizational efficiency, cannot be created without the full involvement of employees. Throughout each phase of the BPR process, leaders and managers must communicate consistently to manage change and adjust expectations.

Analyzing the existent literature and the answers of 101 companies in Romania, we conclude that resistance to change is the greatest challenge of management consultants in reengineering. Training and alongside communication are some of the top factors that have led to a successful BPR project development. It requires that all changes be clearly communicated to anyone involved, no matter how unimportant it may seem position in the organization. Thus, all will feel "part" component of change and will assume responsibilities more active. In reengineering, the focus should be on people and processes.

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