Defining Change Management

The management of digital transformation has always been an important part of companies. In the digital age, it has become even more important.

This challenge can be overcome with a solid strategy for digital transformation and change management.

Change management and digital transformation are often presented as if they were the same thing. This is not the case, but they are closely linked and digital transformation often requires change management.

An article by Victor Reyna Vargas, Senior Consultant for Innovation and Transformation at advisio GmbH

Table of contents

1.   Definition of Change Management

Change Management (CM) is the identification of necessary changes within a company and their controlled implementation.
It is the management of change and its development in a company or organization.

Managing digital transformation has become increasingly important in the digital age. Companies are under pressure to continuously adapt to innovative technologies, market opportunities, and consumer preferences.

This can be a challenge, but one that can be overcome with a solid digital transformation and change management strategy.

Change management and digital transformation are often thought to be the same thing. However, this is not the case, they are just very intricately linked and digital transformation often requires change management.

When developing a strategy for change management, important questions need to be considered. Firstly the question of objectives and then also the question of what success looks like, i.e., how it can be measured.

Once you have a clear vision, you can develop a plan to realize it.

2.   About Change Management

In many organizations, CM often simply consists of a communication plan in which executives or initiative leaders tell the organization that a change is coming (usually in the short term). However, change management is much more than simply communicating what will change. It has evolved and matured as a discipline over the last quarter of a century.

> Change management is the application of a structured process and – to manage the human aspect of change – a set of tools to achieve the desided outcome.

It is also:

- A process for managing change in systems, processes, and organizations.
- A leadership competence to facilitate change within an organization.
- A strategic capability to increase the ability of change and react to change.

Experience from change processes has shown that change can only be successful if we prepare, equip, and support the people who are to implement it so that they can accept it successfully. Without their acceptance, change will not succeed, and we will not achieve the desired results.

Companies need to support their employees in the transition from the current state to the future state. They need to understand what it takes for everyone to embrace change.

In this way, companies can significantly increase the likelihood that the changeover will be successful and that the investment in the changeover will pay off.

3.   Change vs. Change Management

There are significant and important differences between change and change management. A clear distinction can give people clarity about what is needed to move a change initiative forward.

The better we define and address change and change management separately, the better we, as change management experts, can provide a clear framework and a common direction and objective.

While change is about achieving a future state, change management is about supporting employees in their individual transitions from the current state to the future state.

Let's take a closer look at the differences between change and change management.

Change

Change is about moving from a current state (how things are today) through a transition state, and into a future state (how things will be in the future). This concept of the three states of change is widely used in change management literature and other improvement disciplines.

Change is happening all around us: at home, in the community, and at work. Change can be internally or externally motivated. It can be a drastic departure from what we know, or it can be minor. Change can be expected or unexpected.

Normally, when we talk about change, we take an organizational perspective:

- Moving from ad hoc processes to documented and managed processes.
- Moving from numerous legacy systems to one integrated system.
- Merger of two organizations.
- Introduction of a new product or service to the market.
- Introduction of new equipment in manufacturing processes.
- Moving from a generalist model to a specialist model.

Each of these examples has a clear current state and a clear target state. When we take an initiative in the organization, we structure the effort to design the future state and develop a solution for the transitional state.

However, every organizational change has an individual impact on dozens, hundreds, or thousands of employees who will have to do their jobs differently when the solution is introduced.

This is where the CM comes into play.

Change Management

CM is about supporting people with their individual changes.

Change management is necessary because organizational change – the transition from a current to a future organizational state – ultimately affects the way (probably many) people do their jobs. For example:

- Someone executes the newly documented and managed processes.
- Someone accesses the new integrated database.
- Employees in the newly merged organization must work differently.
- The new product affects the way people do their work.

While change is about achieving a future state, CM goes further by supporting, equipping, and enabling employees affected by change to transition from the current state to the future state.

Some employees will be quick to embrace change. Others will be hesitant. Some will be happy with the change; others will reject it. Some employees will change quickly, others will take some time, and there is a group that will not embrace the change at all.

Change management provides the process, tools, and principles to support transitions to the future state of the organization.

The relationship between "change" and "change management" can be characterized as follows.

Changes in our organization create new future states for our company. To achieve this, every employee must do their work differently. Achieving the desired future state of the organization depends on individuals achieving their personal future state. Change management is the structured and deliberate approach that enables employees to embrace the changes required by the initiatives.

If the results of an initiative depend on employees embracing change and doing their jobs differently, CM is essential to achieving those results.

4.   Change Management and Digital Transformation

Change management and digital transformation are not the same thing, but they are often mutually dependent to successfully implement a company's digital transformation.

In a modern company, change or transformation cannot take place without the use of data and digital technologies. In a digital transformation, digital technologies and tools are used to change the business model.

CM supports the digital transformation process through its systemic approach to planning, executing, and implementing the necessary changes across the organizations.

The idea behind CM is to anticipate problems, mitigate errors, manage resistance, measure impact, and coordinate adoption to ensure a smooth transition for all users to minimize the negative impact of digital transformation.

Digital transformation involves the use of digital technologies in all areas of the business, leading to fundamental changes in the way the company is run and how value is delivered to customers. As such, digital transformation has a deeper and broader impact on the people associated with the changes, not just in terms of working with the new systems and processes.

When companies embark on digital transformation initiatives, they typically bring in organizational CM experts to support them. Organizational change management can help manage the human aspect of the risks associated with the proposed changes.

5. Levels of Change Management

CM takes place at the individual and organizational level.

Individual Change Management

Individual CM is about managing change from person to person.
Organizational change can only take place if individuals change.

There are five elements or outcomes that serve as successive building blocks of individual change.

Prosci's ADKAR model (Professional Science) defines the five outcomes that an individual must achieve for a change to be successful.

- **Awareness** – of the need for change.
- **Desire** – to participate and support the change.
- **Knowledge** – of how to change.
- **Ability** – to implement the desired skills and behaviors.
- **Reinforcement** – to sustain change.

This model is used to guide people through a particular change and remove obstacles or barriers that occur along the way. By ensuring that all five elements are in place, the individual can embrace and utilize change.

Organizational Change Management

Although all change happens from person to person, organizations manage these individual transitions collectively. Organizational CM consists of the design and implementation of change activities that enable the individuals and groups affected to embrace and benefit from change.

The process of organizational CM is the crucial link between individual change and organizational change.

Prosci's three-phase process is a structured and repeatable approach that enables the people involved in the change to be successful and add value to the organization:

- Phase 1 – **Preparing the approach**. Supporting change and initiative teams in developing their CM strategy, with the end in mind.
- Phase 2 – **Managing change**. Bringing the change management strategy to life.
- Phase 3 – **Sustaining the results**. Define the approach to ensure that the change is embraced, and that the organization is committed to doing whatever is necessary to sustain it.

Each phase comprises a series of simple questions to be answered for a specific change and a result documenting the completion of the phase.

Enterprise Change Management

Enterprise change management is the structured and targeted introduction of change management throughout the entire company.

Deployment goes beyond the application of effective organizational change management to all change initiatives.

Enterprise change management is embedded in the structure of the organization:

- The organization systematically applies CM to initiatives.
- The organization integrates CM into functions, structures, processes, initiatives, and leadership competencies.
- Leaders and managers have the training and skills to lead their teams through change.
- Employees know what needs to be done to be successful during a change.

By institutionalizing CM practices, processes, skills, and competencies throughout the organization, the implementation of CM becomes the norm, part of your company's values and DNA.

> When enterprise change management is done well in the company, the ability to anticipate and effectively implement change becomes a core competence and a source of strategic advantage.

6. Value of CM in Digital Transformation

While the specific goals and strategies of change management may vary from organization to organization, any effective CM for digital transformation plans has four main objectives.

1. Improve the ROI of the workforce

All changes, especially those associated with digital transformation, should be implemented with the aim of improving the efficiency and productivity of your employees. Whether it is technology to improve communication between departments or tools to effectively perform skilled design work, all changes should help your employees do their jobs better and faster.

2. **Create a competitive advantage**
   Companies evolve and change to become better. By structuring the change process, CM can help companies identify opportunities to reduce costs, specialize, innovate, or improve service quality.

3. **Ensure that employees feel valued and encouraged**
   Employees buy-in is essential to the success of any change initiative, but change can be intimidating, especially if users have been doing things a certain way for a long time. Change management helps employees feel recognized and supported, which empowers them to support change initiatives.

4. **Better understand and serve customers**
   By anticipating the needs and wants of their customers, companies can stay ahead of the curve and position themselves to offer the best possible products and services.
   When used effectively, change management can be a powerful tool for ensuring business success.

7. Models for Change Management

Old habits are hard to break, we are reluctant to change our habits, especially when the desire for change is forced upon us.
For this reason, there are formal CM techniques. They facilitate a smooth and trouble-free introduction of new practices, deal with resistance, and minimize turbulence during the change phase.

However, as change takes different forms (and manifests itself in response to different stressors), there are several change management tools that leaders can use.

7.1 Kotter's Change Management Theory

Dr. John Kotter, author, and professor of leadership at Harvard Business School, developed an 8-step framework for leading change:

- Establish a sense of urgency.
- Build coalitions.
- Develop a vision and strategy.
- Communicate the vision for change.
- Empower workers.
- Generate short-term goals.
- Consolidate your wins and incentivize further change.
- Entrench the change in your organization's culture.

Each of the proposed change management steps aims to mobilize people for the purpose of change, achieve unified buy-in, and ensure swift action.

7.2 McKinsey 7-S Framework

This model of change management identifies 7 strategic areas that organizations need to focus on to change sustainably.

These include:

- **Strategy** – a step-by-step roadmap for executing the proposed changes.
- **Structure** – the current structure and the desired future state of the organization.
- **Systems** – new systems that will be needed to support the new operations.
- **Shared values** – core values and fundamental principles to which the company adheres.

- **Style** – approach with which the change is adopted.
- **Staff** – current staff composition and new roles that will be demanded.
- **Skills** – competencies possessed by the current staff.

7.3   ADKAR Model

ADKAR is an acronym for Awareness, Desire, Knowledge, Ability, and Reinforcement; the five main components of effective change management, according to Jeff Hiatt.

This model provides an excellent framework for formalizing the scope of the change and identifying ways to support employees during the transition.

7.4   Lewin's Change Management Model

This model is about helping managers to go through three phases:

- **Unfreeze** – preparation phase, aimed at "activating" employees to be more receptive to the imposed changes.
- **Change** – active phase in which changes are introduced.
- **Freeze** – final phase, in which all employees have embraced the change and can return to a more "passive" state of day-to-day activity.

8.   Best Practices for Change Management

Organizational change and development are multi-stage processes that require strong employee and stakeholder engagement.
To be successful in CM, managers should focus on the following 4 actions.

8.1   Change Planning

As the name suggests, in this phase managers analyze the current situation, refine the vision, define future goals, analyze the risks, and implement change plans.

To be successful in the subsequent implementation, managers must:
- Create a detailed change roadmap
- Set measurable and realistic objectives
- Identify the measure of success
- Analyze and address potential risks
- Create a preliminary implementation schedule
- Establish milestones and checkpoints

Best practices:
- Honesty and transparency. Be willing to have conversations with other managers, stakeholders, and employees about the current situation and the underlying need for change.
- Regular discussions with employees. Communicate early and often with your employees about your plans, goals, and the potential scope of the changes to ensure their acceptance.
- Get the opinion of your teams. Get grassroots support by talking to employees at various levels. By holding planning discussions outside the boardroom, you can gain new perspectives and ensure faster acceptance.

8.2   Change Leadership

In most companies, change happens from the top down.
However, directives from the top can unsettle employees at lower levels and lead to unnecessary tensions or, worse still, to open resistance.
To avoid such situations, make sure that you listen to employees at all levels and seek their support.
Part of being an outstanding leader is the ability to communicate appropriately with others: you need to motivate, engage, influence, and communicate to people the positive impact of the changes ahead.
Best practices:
- Address and dispel concerns at an early stage. It is understandable that some employees are reluctant to change or feel threatened by it. Talk to

them. Reassure them and give them additional information about the impact of the changes.

- Provide regular updates on the status. To facilitate faster acceptance and adaptation, you should provide plenty of information: update your company's practices, provide information on the status, plan training if necessary.
- Assume a servant leadership position. Servant leaders take a supportive position and act as "enablers". They empower, support, and emphasize their employees and rally them around the common cause.

8.3   Change Management

The CM phase is about monitoring how people, processes, systems, and other moving parts are contributing to the goal of change.

This phase requires the most specific action, as leaders must constantly monitor progress and respond quickly to even the smallest deviations in the CM timeline.

In this phase, you should focus on ensuring that:

- Changes are implemented sustainably, according to plans
- Risks are identified early and mitigated
- Communication is frequent

Best practices:

- Encourage knowledge sharing. Ask early adopters to help others make the leap to new practices. Create and support peer-to-peer learning opportunities and remove bottlenecks in the flow of information.
- Offer training courses. Some employees will need to be trained to find their way in the new environment. Plan formal training initiatives.
- Recognize and reward. Ensure that positive behaviors are maintained by recognizing the pioneers of change. In the early stages, external motivation can be crucial to encourage intrinsic motivation later.

8.4   Change Maintenance

Maintaining the changes is the final phase of transformations.

At this stage, your main objective is to ensure that the change has been successfully implemented and all roadmap initiatives have been completed.
Focus on reinforcing positive behaviors, eliminating remaining inefficiencies, and helping employees reach a productivity plateau in the new environment.
The change is complete when the proposed change is fully implemented and integrated into your organization.

Best practices:
- Plan a review. To better reflect on the entire change process and its successes and failures, you should plan debriefing meetings with your team.
- Create evaluation plans. To better monitor and evaluate the status of the change, you should set additional milestones – short evaluation sessions that take place every 3 to 6 months during the first year – in which your team analyzes the defined success metrics and develops ideas to strengthen the change.

9.   Conclusion

Every organization will experience a transition or change at some point. Every change happens from person to person, be it on an individual level, on the level of initiative, or as a competence for business change.

Understanding what change management is will give you an idea of the discipline, but there is much more to know about the human side of change.

Regardless of whether they are triggered by external market conditions or internal process inefficiencies, the scale of change can have a major impact on the viability of the business.

To truly understand why change management is so important, we encourage you to keep exploring and learning. Today, change is complex, global, and pervasive, and change management helps you and your organization make the most of it.

About advisio

The advisio GmbH team consists of competent employees with many years of experience in the fields of business innovation and transformation, organizational project management, and governance of information and technology.

The use of frameworks and practices to innovate and transform organizations is one of our core competencies. Our specialists perform, upon request, advisory, consulting, and training services in business transformation, customer experience, business innovation, product management, value management, and change management. Together with its knowledge and experience, advisio accompanies its clients on their innovation and transformation journey for the digital era.

If you are not sure how to start the innovation and transformation process in your organization, advisio will help you determine it. Do not hesitate to make an appointment for a no-obligation consultation.

About the Autor

Victor Reyna Vargas is a Systems Engineer with professional experience helping several organizations in innovation and transformation, as well as governance of information and technology.

He is current Senior Innovation and Transformation Consultant at advisio GmbH.