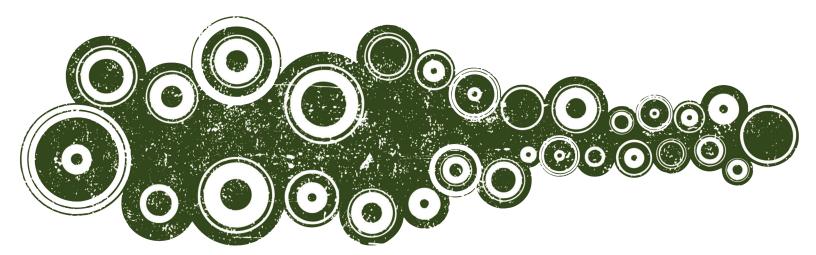# When Change Goes Wrong

The financial cost of ineffectively managing change cannot be overlooked, especially in the current economic climate. Change is not the exception now days, but an ongoing inevitable process. Poorly managed change in the workplace leads to stress which, in turn, creates poor job performance, more absenteeism and increased employee turnover. A recent survey by the American Psychological Association revealed that 74% of Americans identified work as the main cause of their stress; this is a 15% increase over the year before. Over half of the participants acknowledged that stress negatively affects their job performances. They also admitted that the mental and physical manifestations of stress caused them to leave or consider leaving positions. Forty-eight percent of employers surveyed recognized the problem, but only 5% were addressing the issue. Companies large and small must recognize the need for change management because the costs are high.

Keeping up with the global market, economic trends, information and technology requires companies to implement frequent changes. These changes, while often necessary, can cost millions. An individual company's return on investment (ROI) for change is determined by how effectively that company implements the necessary changes. A study reported by the Graziadio Business Report of Pepperdine University revealed that companies with a strong change management program had an average ROI of 143% while those without had an average ROI of 35%. So, how does this affect the bottom line? A ROI of 143% translates to a 43 cent gain for every dollar spent while a ROI of 35% is a 65 cent loss for every dollar spent.

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Without smooth transitions, organizations suffer. The problems associated with implementing change are often ignored on a global scale. For example, a report in Finance Week, specifically relating to IT implementation, discovered that only one-third of organizations in the UK evaluate the effectiveness of change management and only 39% address the human issues after a project is completed. The financial loss is estimated to be in the billions. Invacare Corp in North America implemented a $20 million enterprise resource planning system in 2005. Implementation problems created an estimated loss of $30 million by the end of the fourth quarter. Employee overtime, necessary to fix the problem, was a significant part of the expense. These are extreme examples, but they provide a warning to all business leaders.

 Small companies may not be implementing $20 million programs, but they cannot afford to mismanage change. The turnover caused by stressful change is costly. There are different methods to estimate turnover cost, and while the numbers do vary, none of them are encouraging. The Society for Resource Management currently estimates that replacing an IT employee costs $80,000. They also previously estimated that it costs $3,500 to replace each employee earning $8.00 an hour. Basically, no one can afford high turnover. Fortunately, it is possible to reduce employee stress and turnover with effective change management. 360Solutions' course on Change Management teaches leaders what factors influence behavior, how to address employee concerns and manage resistance.

Five factors influence behavior at work:

1 Knowledge is the easiest factor for leaders to influence. It requires communicating with employees and providing necessary training. Employees usually do not resist changes on the knowledge level.

2 Skills are a little more difficult to influence because they require employees to make changes in instinctive behavior patterns. It may take time, but with practice and effort skills can be successfully changed.

3 Beliefs are not easy to change. They influence attitudes, and changing them requires people to release their patterns of behavior. Beliefs can be influenced on a behavioral level, which will be discussed later.

4Environment is directly influenced by the organization. Employee behavior should be rewarded or corrected as necessary. Providing a balanced environment will encourage people to behave effectively.

5Purpose is the collective belief of organizational leaders. Leaders are able to develop a sense of purpose in their employees and motivate them by appealing to their self-esteem, sense of belonging and security.

By recognizing each factor, leaders can persuade employees to behave effectively. Influencing these factors can encourage employees toward positive change, but it is important to address any concerns they may have.

Address employee concerns at every stage of the change process. It is not enough to promise employees that a change will be beneficial; a leader must address every concern. Employees usually go through six predictable stages of concern when presented with organizational changes:
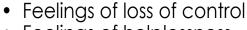
• Informational Concerns – At this stage, employees want to understand what the change is and how it will be implemented.

• Personal Concerns – This is probably the most important stage to address. Employees need to know how the change will directly affect them, how they can help implement the change and if they need any additional training.

• Implementation Concerns – Employees with implementation concerns are focused on the details of implementing change such as efficiency, planning and scheduling. Teach them how to effectively use available resources and encourage them to ask questions.

• Impact Concerns –The focus of this stage is evaluation. Employees need to be aware of how the change is progressing and the ways it will be beneficial.

- Collaboration – At this stage, employees are starting to involve others. It is important to focus on communication, coordination and cooperation, especially between departments.

- Refinement – In this final stage, allow employees to continually assess the change and make improvements as needed.

Addressing employee concerns is an important step toward facilitating smooth transitions in the change process. The best leaders, however, are able to accomplish this in the face of resistance.

People naturally resist change. Changes on personal and professional levels make people feel helpless and out of control. Given that stress triggers stress and strong emotional responses, it is easy to understand why people resist. Sadly, resistance is why changes fail. Before addressing employee resistance to change, leaders need to assess their personal levels of resistance. Leaders who are resistant to change cannot expect their employees to embrace change. By practicing resilience rather than resistance, leaders become effective models for their employees.
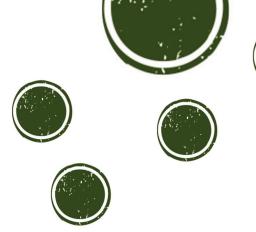
Leaders should have resilient responses to change. Webster's Dictionary defines resilience as the "ability to recover from or adjust easily to misfortune or change." While some people are, by nature, more resilient than others, it is possible to increase one's resilience and prevent resistance from sabotaging effective change. Resistant responses to change are emotional in nature and come from:
- Feelings of loss of control
- Feelings of helplessness
- Feeling of grief and loss
- Feelings of risk
- Feelings of conflict or anger

Leaders can avoid resistant responses and learn resilience by focusing on areas they are able to control. Even in the midst of change, people are able to control emotional responses, influence the change and take care of themselves. People practice resilience when they:

- Assess the situation at hand
- Consider solutions and actions
- Select the best choice
- Take action
- Learn what does and does not work
- Modify actions or behaviors to achieve results

Any leaders who feel that they react out of resistance, rather than acting with resilience, can benefit from creating a personal action plan. By enhancing their change management skills, leaders will be equipped to address problems and manage resistant employees.

Observe reactions to change. Leaders need to link organizational goals to their employees' drives, needs and wants. This starts with observation. Observing and assessing personal and employee responses to change, provides leaders with the opportunities to address problems and find appropriate solutions, once assessments are made, problems must be addressed at the process and behavioral levels.

Clear and constant communication is essential to managing resistance at the process level. Various studies confirm that most failed changes are directly related to poor management and communication. Successful leaders understand that effective communication reduces resistance and motivates change.

Articulate a clear vision of the future: Engage employees by explaining how change is necessary for long-term company success.

Identify goals for change and explain why the change must happen: Outline how change will help achieve specific goals.

Communicate clearly about issues and respect dissenting opinions: Allow employees to voice their opinions, even if they are negative. They will be more open to change if they feel their opinions are heard.

Involve others in an agreed-upon implementation process: People involved in the implementation process stay connected and take personal ownership in the project.

Clarify tasks and schedules: Frustration and confusion can be avoided when everyone understands their tasks and schedules.

Develop a strategy for maintaining two-way communication: Have regular meetings to prevent miscommunications.

Communication and clear explanations are important for employees at the process level, but sometimes resistance lies at the behavioral level. Behavioral resistance is difficult to overcome since people are not necessarily resistant to the change itself.

Overcoming behavioral resistance requires integrity from leaders. Some employees have been conditioned not to trust their leaders. The reason for this distrust varies, but the result is always the same: they automatically question and resist any new message from supervisors. These employees need more than promises and clear communication. They need to feel connected to leadership and the organization. Managers can facilitate this by implementing the following rules.

Develop and maintain trust: Communicate honestly and openly with employees

Respect people: Treat everyone with respect and dignity regardless of their position.

Encourage everyone to take ownership: Involve everyone in executing the change.

Recognize employees' knowledge and skills: Appreciate employees by recognizing their achievements.

Be willing and available to help: Have an open-door policy and encourage employees to present problems and ask questions.

Model behavior: Lead by example.
Leading by example is a powerful motivator. When employers act with integrity, employees learn to let go of their distrust and become productive team members, resistance is reduced and resilience is practiced.

All businesses need to implement changes in order to survive the current economy and keep up with global market trends. Companies that invest in change management programs, such as the ones offered by 360Solutions, are statistically more successful than companies that do not. When all is said and done, effective change requires effective change management. Smoothly implemented organizational change reduces employee stress which saves money by reducing turnover and increasing productivity. Managing change effectively takes work, but the long-term fiscal and emotional payoff is worth it.

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