



**NABURVA**  
BUSINESS SOLUTIONS INC

# **Change Management**

**A Critical Theme for Start-Ups and Small Businesses**

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## **Executive Summary**

Out of the many challenges that a small business, especially a start-up faces, managing change is among the most critical ones. This white paper examines the relevance of the notion of change management for small businesses and proposes how to systematically address this issue.

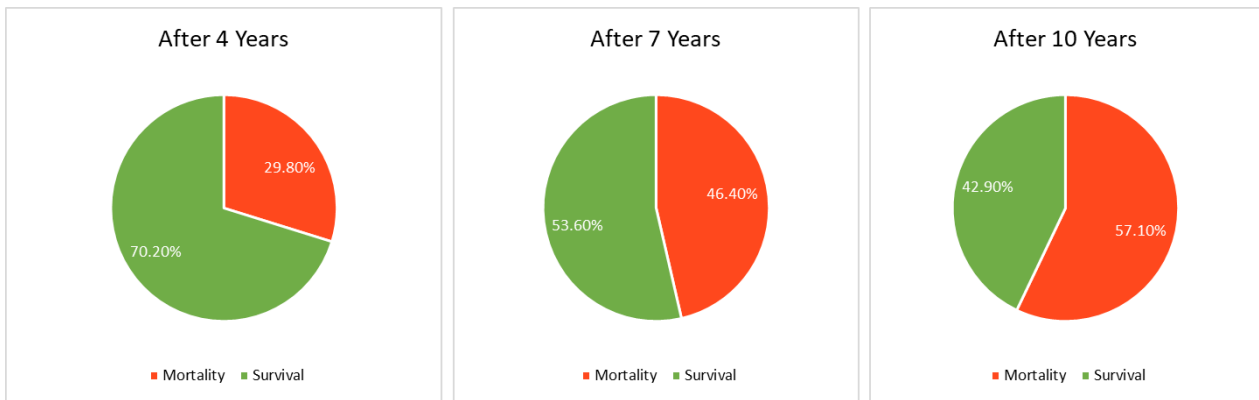
## **Introduction**

Change Management is a relevant theme in various management disciplines including Organizational Development, Operations, Human Resources and IT. The degree of its relevance increases with the level of innovation and dynamism of an industry. But the concept cannot become completely irrelevant even in highly regulated sectors. Banks, for example, must keep pace with the rapid changes in technology and harness its potential to create convenience and best user experience for their customers if they want to keep up with the competition. Primary idea that drives a change is the intended outcome, the envisioned future state that an organization wants to be in. Desired aggregate change can be achieved by integrating individual changes in multiple dimensions such as technology, processes, leadership approach, strategy, people, etc. In reality, about 70% of the change efforts fail (Beer & Nohira, 2000) due to a number of factors that are a product of ineffective planning for change management.

## **Why Should Small Businesses Care about Change?**

Managing change can be a fairly tough task even for larger companies who fail to effectively plan it. The challenge becomes even more formidable for new start-ups whose coming into existence is a change in itself. This could be a change in the competitor composition in the industry, a change in processes through some revolutionary technology or a change in the life of the entrepreneur. Apart from that, a start-up lacks historical data of successes / failures and the lessons learned thereby. This leads to experimentation with different processes in operations and different management techniques. While identifying a solution might seem daunting, in terms of complexity it is nowhere close to successfully implementing and managing the change.

According to Statistics Canada, about half of the small start-up companies are unable to survive beyond their 10<sup>th</sup> anniversaries (Statistics Canada, 2019). The figure below gives an overview of the mortality rate at different points up to 10 years since the entry of a typical Canadian small business into the market.



All the reasons that contribute to a start-up's failure – ranging from lack of a solid business model, lack of value to the potential customer, lack of access to capital, etc. – directly relate to a lack of management expertise. And change management can be a predicament even for the experienced managers, let alone the novice ones. The idea of doing things differently is the primary *raison d'être* for a new business. If it were not the case, the world would not need any Tesla, Apple or Microsoft, needless to mention that these companies were start-ups not too long ago.

The risks involved in event of a failure could be disastrous for a small start-up. While worst case scenario of failure of a change initiative in a large enterprise could mean closing down one of its many projects, for a newly established small business, on the other hand, it could well mean a dire threat to its very existence. And this is the reason why it is extremely important for small businesses and start-ups to follow a carefully drafted strategic approach to managing change. The degree of change management effort required is based on where the organization lies on a resistance and change intensity matrix. A small and incremental change in an organization that is comfortable with change would require less effort in change management as opposed to a radical change in a resistant organization. While the type and degree of change is generally dictated by external factors such as technological innovation in the industry or response to competitors, the culture of acceptance of change is something that is internal to an organization. This culture is set by top management of an organization and requires genuine commitment rather than mere lip service. It is not uncommon for consultants to come across organizations where the executives would discuss change management initiatives in great details, covering all aspects related to costs, infrastructure compatibility, operational implementation, etc. but would never have the end user on board despite the advice against this practice. This is a mistake that can bring a million-dollar project crumbling down. The author has witnessed organizations struggle with change initiatives as simple as client check-in procedures when the end users posed a fierce resistance to the new process simply because they felt excluded from the initiative. Seemingly simple initiatives like this can have a huge

impact on a business success – such as longer queues, increased wait time, customer dissatisfaction, etc. in case of the given example – imagine the complex ones involving a radical change of operations and big bucks in investment.

## Approach to Change Management

The tools developed by leading scholars and change management practitioners, have helped complex organizations in effectively managing the process and bring the maximum value out of the new initiatives being put in place. Academic literature offers some effective models and tools to understand the change management process and devise strategies for its implementation. Kurt Lewin’s change model of **Unfreezing, Changing** and **Refreezing** is somewhat parallel to Prosci® 3 phase change management model of **Preparing for Change, Managing Change** and **Reinforcing Change** (Prosci) (Hiatt & Creasey, 2012).



### *Kurt Lewin's 3 Step Change Process*

Dr Céline Bareil’s model CAPTE – **Comprendre, Adhérer, Participer, Transférer, Evoluer** (translated as ‘understand, join, participate, transfer, evolve’) – goes a step further in detail and elaborates the change management process as a sequence of activities that ensure stakeholders’ involvement in the process (Bareil, Charbonneau, & Baron, 2016). Dr Bareil has also developed a PoP (Phases of Preoccupation) model that describes the concerns of a recipient of change on a spectrum ranging from no preoccupation at all to the one about self, about organization’s capacity, about nature of change, about experimentation, about cooperation and finally to preoccupation about continuous improvement. While this model holds true depending on stage of stakeholders’ participation in the change process, if there was a sense of exclusion among the recipients, the reaction would lie on the opposite dimension of the spectrum, starting from resentment to grievance, to active resistance and even to sabotage in worst case scenarios.

John P Kotter's 8 step process of organizational transformation lays out a framework that includes creating a sense of urgency, forming a guiding coalition, creating and communication a vision, empowering the actors, creating short-term wins, consolidating improvements and institutionalizing change (Kotter, 1995). Failure to take into account any of the above steps can detract from the effectiveness of the endeavour. Absence of a sense of urgency, for example, may lead to people not taking the change effort seriously, or a sense of purposelessness or lack of objectivity might kick in if the team does not measure and celebrate short-term wins.

Whichever model an organization chooses to adopt in its change management efforts, top management must commit to it in spirit and inspire the team with the vision that the change intends to realize. Active involvement and empowerment are absolute requirements since change cannot be successfully implemented without these ingredients. It won't be hard to understand that alienating or isolating the very people who are going to implement a change can be utterly counterproductive.

## **Conclusion**

This brings us to the conclusion that effective change management is extremely critical to any organization undergoing change, even more so for a small business or start-up, owing to the magnitude of its impact. The executives should pay special attention to this area regardless of whether there is any imminent change coming across the organization's way as it would help the organization prepare for and be ready for change before it hits. They should develop a strong culture where change is seen as an opportunity rather than a threat. This is possible only if the approach to change is guided by **Theory O** (which focuses on organizational culture, people engagement and commitment) as opposed to **Theory E** (which focuses solely on economic returns through strategies like layoffs, restructuring and downsizing).

It is strongly advised to have an external, neutral assistance from a reputed consulting company if the process is complex and the top management has little experience in managing change. Whether the change management initiative is internal or involves any external advice, its importance should never be ignored as change is an inevitable notion for any business in this era of rapidly evolving technology and ever-changing market dynamics.

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