CHALLENGES OF CHANGE MANAGEMENT IN CROATIAN ENTERPRISES

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1. INTRODUCTION

The world around is constantly moving forward and getting new dimensions. Introducing change is necessary, although not solely enough, for ensuring success in the future. Changes are necessary for an enterprise’s focus on repositioning, renewal, reorganizing and a systematic development.

In enterprises that want to achieve competitive advantage, the fear or the fight against change has to be replaced by efforts to master the power of change. Structural changes are happening everywhere, so it is understandable that transformations are interactively manifested in the field of market demands, technological achievements and managerial knowledge.

We are witnessing the unstoppable and unprecedented power of market deregulation and international integrations, due to which a modern world order and a common global society are being formed. Individuals, enterprises and states are spreading their activities worldwide, faster, deeper and cheaper than ever before.

Challenges and high demands of change management were the key motive for writing this paper. Furthermore, we find that most Croatian managers lack the knowledge of operating in a challenging competitive environment (free market, entrepreneurship, intelligence and creativity).

2. ENVIRONMENTAL DEMANDS FOR NEW COMPETENCES OF AN ENTERPRISE

Today, numerous trends put pressure on enterprises and face them with environmental demands to acquire new competences. The most important demands are:
Globalization and internationalization
- Principles of sustainable development and social responsibility
- Enterprise's flexibility and adaptability to change
- New technologies and achievements
- The power of information
- New agreements (alliances) with competitors
- New agreements (alliances) with suppliers and other stakeholders
- Providing quality and delivery, adding value to customers

In order for an enterprise to be able to learn and change promptly in a turbulent business environment of the modern world, it has to motivate its employees to acquire new work skills, to increase efficiency and creativity, supported by a feeling of sharing the same corporate vision with the owners, the customers, the suppliers and other stakeholders.

Current transitional challenges (economic and social) both worldwide and in Croatia shed a completely new light on the aspect of running an enterprise and managing change. The most important transitional challenges are:

- initiative for reorganizing and restructuring
- quick response to competitors' moves (new product or service placement, new market penetration, reducing lead time etc.) and adjustment to a new and unstable economy
- sufficient for enterprises only to declare the necessity to change. Managers also need to know how to implement changes quickly, effectively and economically, respecting principles of ethics and social responsibility. The key corporate focus is not on what to change, but how and how fast.

This paper presents some of the results of a research conducted among 29 Croatian managers, which focused on theoretical and practical study of change management, trends and experience, in order to contribute to the development of managerial practice and thought in a transition country such as Croatia.

3. DEFINING THE TERM OF CHANGE MANAGEMENT

Change management is not a distinct discipline with rigid and clearly-defined boundaries. Rather, the theory and practice of change management draws on a number of social science disciplines and traditions.

Managing planned changes includes a systematic implementation of people's knowledge, technological achievements and financial resources for a change the management singled out as the priority process in achieving the key strategic objectives. If they want to survive and make progress, enterprises need to embrace the inevitability of change.

The change process is an advancement from a present state, over transitional to a new, desired state of an enterprise.

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A variety of different definitions is a result of different understanding of the term. Samuel Certo defines organizational change as a change process, i.e. a process of transformation of the existing organization.²

American business consultants Potts and LaMarsh, authors of the book “Managing Change for Success”, define change management as a “systematic process of applying knowledge, procedures and resources necessary for a change to reflect on people who will be affected by it.“ The authors also say that the goal is „to successfully implement a wanted business solution in an organized and methodical manner, managing the impact of change on people involved.“³

Stephen F. Robbins differentiates between coincidental and planned changes. He describes the latter ones as “intentional activities aimed towards a goal”.⁴

According to Nenad Stojilković, organizational changes represent “the introduction of new processes or technologies order to align the organization with the dynamic demands of the business environment.”⁵

Changes are not introduced for their own sake, they are initiated in order to reach precisely defined goals, such as improved productivity or opening of new markets, i.e. reaching a higher level of the life cycle.

Experts from the American enterprise Infosys Technologies Ltd.⁶ define change management as a set of techniques and procedures which assist the development, the system and the policy of management in designing and implementing a subject or a system, which is monitored in a change process.

“Webster’s Ninth New Collegiate Dictionary” states that a Change Management System is “a structured process that will cause proposed changes to be reviewed for technical and business readiness in a consistent manner that can be relaxed or tightened to adjust to business needs and experiences.”⁷

We would like to conclude that “change management is a set of structured processes and actions, tools and techniques for managing the human side of business changes in order to align organization’s goals with changed demands of the environment.”

This definition makes it possible to differentiate change management from various other techniques used for business improvements. Regardless whether Six Sigma, BPR, TQM or some other technique is used to improve the business effect, change management can be considered an important competence for mutual supplementing, interaction and integration with those methods.

³ Potts R. & LaMarsh J., “Promjenom do uspjeha”, Šk. knjiga, Zagreb, 2005, p. 16
⁶ Global consulting firm (www.infosys.com) with over 75,000 employees worldwide, providing IT servicing, designing and implementing transformation initiatives in technology-oriented business fields
⁷ Webster’s Ninth New Collegiate Dictionary http://www.indiana.edu
4. TYPES OF BUSINESS CHANGE

The business changes can refer to a vision, mission, values and strategy of an enterprise, organizational structure and development, refinancing loans, human resources, promotion and communication with customers, sales policies and marketing, product and services portfolio, distribution and logistics, positioning (or repositioning) of the enterprise on the market, branding (and re-branding) etc.

The scope of change can be simple and short-term or complex and long-term.

The main goal of change management is to encourage employees to react and to take part in the implementation of change according to corporate goals. So far the case has been that about 80% of costs for organizational changes were invested in IT, and only 20% in managing change and the human factor.

In terms of focus and size of changes, most of these programs fall into one of the following categories:

- structural changes
- cost cutting
- process changes
- cultural changes

Structural changes include, for example, restructuring, consolidation, takeover, outsourcing etc.

Programs of cost cutting focus on elimination of all non-core activities (methods).

The purpose of process changes is to change and transform decision making, as well as the way business is conducted (e.g. Business Process Reingeneering).

Cultural changes focus on the overall approach to business, as well as relations between the management and employees (e.g. Organizational Culture and Common Values).

With regards to what can be changed within an enterprise, according to Richard Daft, four types of change can be discussed: 8

- technology changes
- product and services changes
- structure and system changes
- people changes

Taking into consideration the comprehensiveness of change and the necessary lead time, changes can be (figure 1.)

- radical (revolutionary) changes
- balanced (cyclical) changes
- evolutionary (gradual) changes

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4.1. Radical (revolutionary) changes

These changes include basic, radical and comprehensive changes in an enterprise and corporate philosophy in a situation when an activity, which will lead to market success, needs to be done in a relatively short period. In a modern enterprise, everything can be subject to rethinking, redefining and reforming. Such changes include, for example, BRP - *Business Process Reengineering*, fundamental redesign of business processes in order to achieve dramatic improvements of key performance indicators.

As an example, we will take the negative consequences of reducing lead time for developing a new model within *Mercedes*, which used to be a synonym with new and modern technologies. The production quality of its vehicles dramatically decreased when, due to merciless competition, the time needed to develop a new car model dropped from 5 years to only 32 months!

Due to halved lead time, *Mercedes* had to make radical changes so the reduction would not reflect negatively on their quality standards, among others on testing the reliability of new technical products built into their vehicles. Unfortunately, the management of *Mercedes* did not take any measures necessary to reform their business processes radically, which the large change on the market demanded. Consequently, this German industrial giant is going through a great crisis and achieving the poorest results ever.

The tendency of enterprises to make radical improvements and to react promptly to the changes of market trends often requires fast and determined downsizing, shutting down of certain production units or a reduction in the number of products and services in the portfolio.

4.2. Balanced (cyclical) changes

These planned changes are balanced and happen without any greater stress in relatively long time cycles, encompassing many parts of an enterprise. From time to time the organization changes and tries to achieve a state of business balance, which is hindered by constant dynamic changes of the environment. Such gradual changes are based on the idea that it is necessary to use benefits of previous changes before the start of a new cycle.
The examples of such incremental changes are: restructuring, deep organizational culture change, the implementation of a new IT system, program of permanent management training and education (learning organization), or, for example, benchmarking and an appropriate improvement in the process and employees’ behavior within an organization.

To illustrate, let us take the example of the „restructuring of Podravka, which is going to last until the end of 2008“\textsuperscript{9} – as Mr. Darko Marinac, the President of the Board said. This should mean that by that time, among other measures, redundant labor will be taken care of using expensive severance programs, just like the case was in the previous two years. Only in 2006 Podravka spent 5.5 million euro on restructuring, while in 2005 it spent 1.1 million euro. Podravka is a typical example of this kind of change, when an enterprise is trying to achieve a higher level of efficiency in a relatively long period of time.

4.3. Evolutionary (gradual) changes

This type of changes refers to daily and constant advancement and improvement of business processes and work organization. They are long-term changes which focus only on certain segments of business activities, i.e. they do not have significant consequences on the enterprise as a whole.

It is precisely because evolutionary changes are relatively quiet and painless, they are preferred by most managers. They include changes such as reorganizing of an enterprise, quality management, introduction of a balanced scorecard system or knowledge management, in order to improve quality and achieve results etc. The disadvantage of such changes is the fact that they are not comprehensive and fast enough to ensure competitiveness.

Let us remind ourselves of enterprises which used to develop their products in a slow rhythm. For example, in such an environment the development of new car models was able to take place according to a previously set time plan. Those idyllic times are long gone and far behind us!

For example, evolutionary changes can include the introduction of e-ticketing within Croatia Airlines (CA). With this change, since 29\textsuperscript{th} October, 2007, CA became the first regional airline that introduced and used e-ticketing. Instead on a printed ticket, which up until then a passenger had to keep during the entire duration of the journey, all data of an e-ticket are stored in a data base of the airline that issued it. CA’s example of an evolutionary (gradual) change is a proof that such changes are significant, since modern enterprises constantly strive to improve their business processes, in this case based on the achievements of IT and communication technology.

4.4. Theory E and theory O (and both theories combined)

If the management focuses on constant improvement of everything that goes on in the enterprise and its communication with the market, the strategy and corporate culture will focus on trying to find opportunities to change. They will not wait until the last second, and the introduction of changes will become a prerequisite for their survival.

\textsuperscript{9} Hrvoje Šlabek, “Odlazi višak zaposlenika, prodaje se višak imovine”, Večernji list, Zagreb, 11th July, 2007, p. 10
Change management confronts managers with a new reality and a challenge in leading the enterprise. So, what are real reasons for initializing a change process? Professors Beer and Nohria of Harvard University believe there are only two completely different goals that inspire the wish for a change: a quick improvement of the economic situation and the improvement of organizational skills. In order to describe those two goals, they use two different names: theory E and theory O.

According to theory E, the primary goal of initializing change is to increase the value of shares, i.e. the economic value. This approach rests on the theory that in a market economy a continuous existence of the enterprise depends on its ability to keep its investors satisfied.

According to theory O, change will be implemented more adequately if the enterprise acquires organizational skills which are necessary for a dynamic adjustment to the conditions in the environment. The goal of change is to develop an organization culture which will support learning and high staff efficiency.

Considering the purpose of the initiatives to change, both theories lack a wider perspective, i.e. a bigger picture. Theory E favors a fast increase of profitability, it often has a short-term success, but at the expense of future vitality. Theory O is also not an ideal solution. Refocus of corporate culture to employees' loyalty and education is a noble effort, but sometimes it takes several years to accomplish results.

Beer and Nohria therefore conclude that enterprises which successfully combine the soft and the hard approach to changes can achieve very good profitability and productivity results.

5. PEOPLE'S ROLES AND SPHERE OF INFLUENCE IN THE CHANGE MANAGEMENT PROCESS

An enterprise is usually set up according to key processes necessary to achieve the overall business strategy. The problem is that a current state of affairs can be outdated - it was maintained long after it ceased to be the most efficient or the fastest way - but no-one felt the need, had the strength or simply "does not see" the necessity to modernize. That is why understanding key aspects of change management and related traps is extremely important for a successful outcome.

Any person within an organization can notice the circumstances or become aware of the fact that a current situation is not as good as, objectively speaking, it could (or should) be. Potts and LaMarsh say that "people only follow introduced processes which they know and understand, so they don't want to disturb the status quo".

Stages in dealing with the human side of change (figure 2) suggest the following:

- Do not manage only the corporate side of change, but the human one as well!
- Develop a change management strategy for your project!
- Develop an appropriate communication plan!

11 Michael Beer and Nitin Nohria, ibidem, p. 133-141
12 Potts R. & LaMarsh J. ibidem, p. 36
Figure 2. Managing the human side of change

Stage 1 – Preparations for a change
- Determining a change management strategy
- Preparing a team for managing change
- Developing a sponsorship model

Stage 2 – Managing change
- Preparing a change management plan
- Taking action and implementing corporate change
- Collecting information and analyzing feedback

Stage 3 – Stabilizing change
- Determining week points and managing resistance
- Implementing corrective measures

The best practices show that different people have to (and are able to) be involved in the process of managing the human side of changes, which means they have to “play” four different roles, i.e. there are four fields of influence in the same process (figure 3):

1. Change Sponsor
2. Change Advocate
3. Change Agent
4. Change Target

Figure 3. People's roles in the change process

<table>
<thead>
<tr>
<th>Change Sponsor:</th>
<th>Change Advocate:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a person who makes decisions and has the authority for change institutionalization (the Board); one sponsor can also include other highly ranked directors (“sponsors”) in their environment</td>
<td>a group (top management) or a person (manager) who identify needs for a change, have reasons and a change strategy, but do not have the authority to institutionalize change</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change Agent:</th>
<th>Change Target:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a group or a person who is involved by the sponsor and is in charge of planning, implementing and monitoring change</td>
<td>a group/division/department that has to acquire concepts supported by the change process; a change in one group can lead to changes in other groups</td>
</tr>
</tbody>
</table>

Source: authors’ own research
5.1. Change Sponsor

A modern manager can realistically expect that people he reports to, whether it is executive managers, Board members, owners or, for example, a supervisory board, will ask him to initiate a change process. On the other hand, according to his specific authorities, he will often have the opportunity to decide himself whether the time for a change has come or not.

In both cases his co-workers will regard him as the Change Sponsor. It is usually a “key player”, a highly ranked person who makes decisions and has the authority to institutionalize change and to include and acquire other sponsors, highly ranked managers in his environment. With his status, reputation and position the Sponsor gives a “specific weight” to the change, he allocates funds and the support necessary for a quick implementation of change, and is responsible for the final outcome of the initiative.

Above all, sponsors have to be aware of the fact that it is not enough to approve changes and determine their initiator, and then withdraw, because their role in this process is usually much bigger than just authorizing someone who is on a lower level within the hierarchy. Responsibilities of a sponsorship are: they have to understand the change, manage or monitor it, and they have to take care of the people affected by it.

5.2. Change Advocate

If we talk about managers (individuals or a group) who identify the circumstances, i.e. the need to introduce changes but who do not have the authority or, for some reason, simply do not want to formally express it, i.e. initialize it as a business process, we are talking about Change Advocates.

They can also be described as the “gray eminence” behind the change, i.e. those who encourage change, but do not want to be publicly exposed or officially involved in those processes. In other words, a Change Advocate is a person who has the idea and a wish for an initiative, but does not want to be officially exposed.

5.3. Change Agent

Regardless of manager’s ranking within the hierarchy, the Sponsor can give him authority and the responsibility for planning, implementing and controlling the change process. In this way the manager becomes a Change Agent. He is not a decision maker and he does not allocate funds for implementing the change, so in that sense he is not the “owner” of a change. The change belongs to the Sponsor and the people who will need to change. Therefore, the task of the Agent is to plan and implement change on their behalf.

It can be said that one of the most important qualities of a successful Change Agent is the ability to listen. If he possesses that quality, he will carry out his task with fewer stressful situations, and help Change Targets to reduce their resistance and overcome changes much easily. Just like Sponsors, they have to fully understand all aspects of change and have good relationships with all people involved in the process.

\[13\] Potts R. & LaMarsh J., “Change do uspjeha”, Šk. knjiga, Zagreb, 2005, p. 77
If large and long-term changes are planned, which, for example, include the whole organization, a bigger business unit or a core market, the Agent can be given a special task which will have to include a full-time dedication to it.

5.4. Change Target

Change Targets can include groups of people, departments, sectors or individuals who have to acquire and use new action concepts, as a result of the implementation of a business change.

Change Targets are business units and people who need to change. However, we have to keep in mind that change targets can also include people outside the enterprise, such as suppliers and customers. Each target has the choice to resist to changes or not, which is a complex issue discussed in more detail in chapter 5. It can often occur that one person in the process of managing change can “play” more roles at the same time; for example the same person can be the Sponsor, the Agent and the Target, or the Advocate and the Target.

Furthermore, each of the four roles has a separate function, characteristics and responsibilities, but at the same time each role depends on the other three. If the Sponsors do not decide to initiate change, or if they do not ensure funds necessary for the change, Advocates’ efforts will be useless, and the initiators of change will have nothing to do.

If the initiators’ timing is not right or they do not manage change well, there is always a danger change will not take place and the commitment of others will also be in vain. In the same way, the activities of the Sponsor, the Advocate or the initiator of change can have no result if they do not affect the target group. That is why it is necessary to define responsibilities and activities of all four roles at the beginning of the change process.

6. BARRIERS IN IMPLEMENTING THE CHANGE PROCESS

Management of the enterprise needs to understand that the task of reducing employees’ resistance is highly important, and that winning each individual over in favor of change is a critical and highly sensitive stage in the whole process of managing change. Modern managers have to develop and teach employees to be open to change on all levels within the organization, as well as to accept the need for the transition from one state into the other.14

Changes which require the biggest change in people, especially older ones, bring about the strongest resistance. For example, they can include downsizing or transfer to a new work place, transfer from a higher to a lower level in the hierarchy, demand for additional training, i.e. acquiring new knowledge and skills, or the most dramatic ones, such as a new owner of the enterprise, bankruptcy or merging of the enterprise into a new alliance.

Resistance to change can be a source of functional conflict and often does not necessarily need to become obvious in a usual way, because the manifestation of resistance can be open or implicit, immediate or deferred. Organization’s management will be able to deal with resistance more easily and more efficiently if resistance is manifested openly and immediately.15

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15 Robbins P. Stephen, ibidem, p. 279
If employees’ resistance is more open, and in that way more recognizable, it will be easier for the management to implement planned changes. The biggest difficulties for the management occur if resistance is hidden and deferred.\textsuperscript{16} It is much harder to spot such types of resistance, i.e. to implement activities in order to reduce their harmful consequences. They can be manifested through a reduction or loss of loyalty to the enterprise, lack of interest and reduced motivation to work, an increase in big mistakes and oversights at work or increased absenteeism.

In most cases employees do not know what to expect from a change, what it will mean to them, what it will bring or take away from their colleagues and friends and, in the long run, the enterprise.

In that context, according to Richard L. Daft\textsuperscript{17}, barriers in implementing change in an organization can be divided in two categories:

- \textit{individual}, i.e. \textit{human barriers} (insecurity the changes bring to employees and the fear of losing their earlier positions) and
- \textit{organizational barriers} (excessive focus on costs, oversized risk, lack of co-ordination and co-operation, incompatibility of the system etc.)

In the real world, those two categories often overlap and managing change presents an important activity in the running and the development of the enterprise and the strategic management.

\textbf{6.1. Individual sources of resistance to the introduction of corporate change}

Enterprises manage change by establishing change models and structures in order to control it, and to anticipate possible outcomes and minimize problems on each level.

Dealing mostly with operative aspects of change, the management usually neglects the most important one - the human aspect of change. Studies have shown that employees are stressed when they are confronted with expectations that are too big, when their activities are being closely monitored (micromanagement) and when their responsibilities change.\textsuperscript{18}

Taking into consideration that resistance to change is closely linked with individual perception of each human being as a creature of habit, we can conclude there are different causes of such resistance:

1. \textit{Power of habit} for routine way of work, techniques and procedures;
2. \textit{Not knowing the reason for change}; in fact, to those affected by the change it is often unclear why the change is necessary.
3. Feeling of \textit{injustice or damage}, which is, due to the implementation of change, in the eyes of an individual, done to him personally and/or to his colleagues, i.e. to work processes in the organization.
4. Danger of possible \textit{social} (work environment, the relationship between the superior and the subordinate) and \textit{economic losses} (salary, incentives, benefits, bonus, work

\textsuperscript{16} Mencer Ivan, “Strateški menadžment i poslovna politika”, Vitagraf, Rijeka, 2003 , p. 229
\textsuperscript{17} According to Pere Sikavica, Mijo Novak, ibidem, p. 575: Richard L. Daft
\textsuperscript{18} N. Stojiljković, ibidem
place, caused by, for example, cost cutting, informatization, modernization, transfer to another business unit or maybe an unprofessional assessment of the management.

5. Fear of the unknown and the uncertainty (what has been known and certain is replaced by the ambiguity and uncertainty of change; for example, organizational restructuring can make a person fear for their job). People want to feel secure and have some kind of control during the course of change.

6. Previous success (if people were successful in the past, they tend to have more difficulty in accepting changes which inmanently lead to an uncertain future).

7. Feeling of belonging to an existing organization culture and work team.

8. Level of confidence encouraged by tradition, standards and competitive spirit within the organization.

9. Threat of a decrease or a loss of influence, power, benefits and control, caused by a possibility that, due to structural or personnel changes, individuals’ or groups’ authorities and competence might be minimized or cancelled.

10. Requirements for additional professional training, education and learning, which individuals often perceive as a barrier impossible to overcome, as something they are forced to accept and which causes their unwillingness.

Speaking of individual resistance to change in organization’s structure, Croatian author Ivan Mencer differentiates five sources: 19

- habits
- security
- economic factors
- fear of the unknown
- individual perception of the environment

6.2. Organizational sources of resistance to the introduction of business changes

By nature, enterprises are conservative and actively resist change with all their might. Resistance to change in all structures and doubts about the success of innovations are usually intensified by the lack of success and the way of implementing all previous changes, as well as the fear of another failure and the unnecessary waste of energy. Of course, everyone starts from themselves and resistance to change often results from personal insecurity, fear of losing status, influence or economic position. 20

Stephen P. Robbins identifies six major organization’s resistance to change: 21

- structural inertia
- partial approach to changes
- group inertia
- threat to established professionalism
- threat to established power and
- threat to established allocation of resources

Structural inertia includes the establishment of an inner mechanism which reproduces the stability of connections and relations within the organization’s structure.

19 Mencer Ivan, ibidem, p. 229
21 Robbins P. Stephen, ibidem, p. 281
Partial approach to changes includes the circumstance in which a change in one part of the enterprise requires a change in other parts of it and vice versa.

Group inertia includes group standards and respecting values in an association or institution (e.g. in a labor union).

Threat to established professionalism is connected to the resistance of employees with specialized knowledge and skills (e.g. IT experts).

Threat to established power, i.e. the power to make decisions on any level of decision making (as a result of longer-term processes), undoubtedly creates resistance to changes which could possibly minimize or take away that power.

Threat to established allocation of resources often causes individuals or groups to feel that, due to changes, they will lose control over established resources.

There are many ways to reduce resistance. Including the members of the organization in the process of planning changes can reduce their insecurity. Communication on suggested changes can also assist to explain the purpose of change.

Some of the approaches focus on people involved in changes, while others include changes in the organization's structure or technology. The social and technological system approach suggests that in an efficient organization both, i.e. the social and the technical aspect of the enterprise, need to be taken into consideration.22

7. RESULTS OF THE RESEARCH

In order to understand change management in the international context, this paper compares results of survey among 29 Croatian managers, with surveys conducted in the European Union (Germany and Austria). German study "Change management 2003./2008.-Bedeutung, Strategien, Trends", by Martin Claßen, Björn Alex and Stefanie Arnold of the consulting company CapGemini, was used for relevant comparison and as a framework for our research.

7.1. Sample analysis of surveyed Croatian managers

Research was based on a questionnaire which was filled out by managers in Croatian companies of different profiles, size and businesses during 2007. In order to obtain representative results and indicators, comparative research and a careful selection included 29 highly ranked and competent managers from those Croatian enterprises, 58% of which are based in Zagreb, while the other 12 (42%) are based in 7 towns throughout Croatia.

Selected enterprises belong to different sectors. Most of the enterprises, i.e. 9 of them, come from the food and beverage industry (32%), followed by four banking, financial and insurance organizations (14%), three enterprises from the energy sector (10%), three trading enterprises (10%), three enterprises from the tourism, hotel and hospitality industry (10%) etc.

The sample includes enterprises of different size: smaller ones, with a total revenue of up to 7 million euro (14% of enterprises), and large ones, with a total revenue of over 700 million euro (7%). Since this research focused on managers with certain competence in change management, 10% of the sample were senior managers. More than a half (55%) of surveyed managers is on the middle level, closer to the top of the enterprise. Regarding their formal education, most surveyed managers have a university degree.

The sample of surveyed managers in Germany and Austria was very similar to Croatian one regarding the number of participants, their qualifications and the size of included enterprises, as well as the proportion of different industries.

7.2. Results of the research on defining the term “managing changes”

On of the goals of the research was to analyze a very heterogeneous understanding of change management, so the surveyed managers were asked the following question: How would you define the term “managing changes”?

They were offered nine definitions, from which they had to choose the most suitable one.

1. “A structured process that will cause proposed changes to be reviewed for technical and business readiness in a consistent manner that can be relaxed of tightened to adjust to business needs and experiences.”
2. “Introducing new processes or technologies in order to align the enterprise with dynamic demands of the environment.”
3. “A planned process to change the organizational culture, system and behavior with the tendency to improve efficiency of the organization, solving problems and reaching goals.”
4. “Active and managed monitoring of the change process in order to achieve business objectives and results.”
5. “It eliminates the causes of resistance to change by detecting and overcoming the symptoms of resistance.”
6. “Creating the synergy of processes, tools and techniques in order to ensure results of change.”
7. “A continuous process for ensuring results of change (planning, implementing, stabilizing, controlling.”

Figure 4. shows the frequency of choice between the seven definitions stated above. The most preferred definition was definition No. 1 taken from the “Webster’s Ninth New Collegiate Dictionary”, aimed at the system, which was chosen 9 times (32%).

The second most frequently chosen definition was the behavior definition No. 2 by Nenad Stojiljković, which was chosen 8 times (28%). The third most frequently chosen

23 Managers chose only seven definitions!
definition was the definition taken from CapGemini’s study\textsuperscript{25}, aimed at planning, which was chosen 5 times (17%).

Croatian managers chose the definition No. 4, taken from CapGemini’s study, three times (10%), the definition No. 7 two times (7%), while definitions No. 5 and 6 got only 3% of their votes.

7.3. Results of the research on “reasons for initializing the change process”

There can be many different reasons for change management: strategic, operative, financial, technical, internal, external, intended, accidental, comprehensive and partial.

Croatian managers who participated in the survey were asked the following question: \textit{What have been the most common reasons for initializing the change process in your enterprise since 1\textsuperscript{st} of January 2004?}

From the following 12 reasons they had to choose three of the most common reasons for change in their enterprise from 1\textsuperscript{st} January to the present.

| 1. Restructuring/reorganizing | 2. Changes in corporate strategy |
| 3. Radical cost cutting programs | 4. Acquisitions / mergers |
| 5. Internationalization | 6. Technological innovations |
| 7. Complying with principles of sustainable development and social responsibility | 8. Changes in HR management |
| 9. IT innovations | 10. Changes in market strategy |
| 11. Environmental / external changes | 12. Changes in market segmentation / target group |

The study “\textit{Change management 2003./2008.-Bedeutung, Strategien, Trends}” showed and analyzed the answers about the most common reasons for the introduction of organization changes, given by more than 20 managers from Germany and Austria. The same as Croatian managers, they could choose the three most common reasons from the same set of 12 possible answers.

Figure 5. shows a comparative overview of the most common reasons for business changes in Croatian, German and Austrian enterprises.

Chosen 22 times, the most common reason for introducing business changes in Croatian enterprises was “restructuring/reorganizing” (76%). The second most common reason for changes was “environmental/external changes”, which was chosen 10 times (34%). The third most common reason, chosen 9 times, was “changes in corporate strategy” (31%). The fourth most common reason, chosen 8 times, was “acquisitions/mergers” (28%), followed by


15
“technological innovations”, “complying with principles of sustainable development and social responsibility” and “cost cutting programs”, with 24% each, and “changes in market strategy” with 21%. As the least common reason, the managers chose the following answers: “changes in market segmentation/target group” (14%), “changes in HR management” and “internalization”, with 10% each, and finally, “IT innovations” (3%).

Figure 5. Comparative overview of the most common reasons for starting a managing corporate change process in Croatian, German and Austrian enterprises

There are both similarities and differences in answers chosen by managers from those three countries. For example, the survey in German and Austrian enterprises shows the most common reason for introducing changes, just like in Croatia, was “restructuring/reorganizing” (in 69% and 63% of the cases respectively). In German economy the second most common reason for starting a change were “changes in corporate strategy” (57%), whereas in Austrian enterprises it was “acquisitions/mergers” (41%).

As a third reason for starting a change, German managers chose “radical cost cutting programs” (39%), whereas 32% of Austrian managers chose “changes in corporate strategy” and “changes in market strategy”.

The least common reasons for initiating a corporate change in German enterprises are “changes in market segmentation/target group“ (4%), and in Austria it is “internationalization” (5%).

7.4. Results of the research on “the roles of participants in the business change processes”

Stakeholders include all groups who have an interest in a successful and responsible running of an enterprise. They include only the internal levels of hierarchy (without the external ones, such as customers, suppliers, partners etc.)
The purpose of the question was to find out the strength of participants in the corporate change processes, i.e., the importance of individual levels of hierarchy for the success of the whole process, from the idea to the implementation of a change. Managers were asked the following question: *In previous change processes in your enterprise, which participants played the most important or ‘main roles’?*

Surveyed managers were offered the following nine groups of stakeholders, and each manager had to choose three of the most important groups which played the most important roles in previous change processes in their enterprises.

1. Project team in charge of changes
2. President and the members of the Board/CEO
3. Highly ranked executive managers
4. Legal and HRM department
5. Line managers in charge
6. Internal change management specialists
7. Workers’ council
8. External change management advisors (consultants)
9. Strategy and business development department

Figure 6. shows that Croatian managers said that in 76% of the cases the “president and the members of the Board/CEO” had the most important role in previous corporate change processes in their enterprise. With 62% the “highly ranked executive managers” take the second place, followed by “external change management advisors (consultants)” with 52%. Speaking of previous change management processes in Croatian enterprises, it is clear that those groups were convincingly “the main players” in more than 50% of the cases.

Figure 6. **Participants in present managing changes processes in Croatian and German enterprises, who played the most important role**

Far behind them are “line managers in charge” with 34%, “project team in charge of changes” with 28%, “legal and HRM department” with 21% and “strategy and business development department” with 17%.
department” with 17%. “Internal change management specialists” (7%) and “workers’ council” (with only 3%) had minor roles.

By comparing those results with results of CapGemini’s study, we can see that German roles were substantially different. “Project team in charge of changes” has had the most important role in previous corporate change processes in as much as 75% of the cases, followed by “line managers in charge” with 58%. Unlike in Croatian enterprises, the “president and the members of the Board/CEO” come in third with only 43%. It is obvious that in previous processes of managing change managers from those three groups were the “main players”.

They are followed by “legal and HRM department” with 31%, “internal change management specialists” with 26%, “external change management advisors (consultants) with 24% and “highly ranked executive managers” with 22%. “Strategy and business development department” (11%) and “workers’ council” (with only 3%) had minor roles.

7.5. Results of the research on “biggest obstacles in corporate change processes”

Each change takes place only through employees’ activities. When people think about changes, they instantly try to foresee the effects it will have on them. Due to prejudice, feeling of comfort, routine habits and various other motives, employees put up greater or smaller resistance to change.

Surveyed managers in Croatia were asked to answer the following question: Indicate the biggest obstacles (barriers) which usually slow down and obstruct the implementation of the change process in your enterprise?

They were offered to choose 7 of the following 20 answers:

1. Employees were neither encouraged to co-operate nor empowered enough
2. The goal was not clearly defined
3. Too many activities which were not a priority
4. Long-term measures were sacrificed because of a short-term result improvement
5. Insufficient correlation of communication channels “top down” and “bottom up”
6. Endless reorganizing which obstruct the progress of the enterprise
7. Bad project management
8. Abandoning change management
9. Insufficient support/inclusion of line management
10. Non-existence and inconsistency of monitoring/controlling the activities' success
11. Imprecise delegation of individual and team tasks/responsibilities
12. Lack of knowledge/skills/competence within the organization
13. Conflicts due to different interests/goals of the participants in the change process
14. Incompatibility between the type of change and corporate strategy
15. Insufficient strength/commitment of the Change Sponsors in the Board
16. Inappropriate organizational culture
17. Lack of recognition/ignoring the resistance to change
18. Untimely informing, unclear means and invisible support “from the top”
19. Undefined communication, learning and rewarding plans
20. Bad timing in reacting/taking the initiative to change

Figure 7 shows a comparative overview of major barriers for business changes in Croatian and German enterprises. It is clear there are four types of reasons which include the largest obstacles for Croatian managers.
First, “conflicts due to different interests/goals of the participants in the change process” with 61%, followed by “imprecise delegation of individual and team tasks/responsibilities” (57%), “too many activities which were not a priority” (54%) and “the goal was not clearly defined” (50%).

Figure 7 Major barriers in change processes in Croatia and Germany

Croatian and German managers (54% in Croatia and 52% in Germany) agree on obstacles due to “too many activities which were not a priority”. That was the most common obstacle in Germany and the third most common in Croatia.

The second most chosen obstacle was “long-term measures were sacrificed because of a short-term result improvement” (48%), followed by “non-existence and inconsistency of monitoring/controlling the activities’ success” (47%).

Croatian and German managers agree fully on the barrier “the goal was not clearly defined” (44% in Germany and 50% in Croatia), which is the fourth most chosen obstacle according to German managers. The percentages are very similar in ranking the importance of many other types of obstacles, e.g. “endless reorganizing which obstruct the progress of the enterprise” (32% in Croatia, 35% in Germany). It is interesting to see that the obstacle “imprecise delegation of individual and team tasks/responsibilities” takes the high second place in Croatia (57%), whereas in Germany it was chosen as the least important one (13%).

Therefore, it can be well understood that managers in charge of the managing change process need to establish a positive relationship of employees, in order to overcome barriers and obstacles. Gravity and the force of resistance are directly dependent on the complexity and radicalism of changes.
Education, communication and participating should impact the change of awareness, the anticipation of potential risks and misunderstandings, which should ensure a maximal transparency of change. New behavior, codes or procedures which want to be introduced, need to be reflected in everything that is done and in some way contribute to the alignment of large organizations and its dispersed, often unconnected parts. Employees need to be encouraged, rewarded and publicly praised.

8. CONCLUSION

We live in an age of dominant processes of internationalization, globalization and new economy, when each change, no matter in which part of the developed world, more or less reflects on the planet as a whole.

A modern enterprise has to do everything it can to pre-empt and anticipate future events, continuously reminding each employee that life is a motion. Competition, forcing enterprises to be adjustable and flexible, excellence of heritage through market rivalry, constant struggle to survive, movement, competences and business changes across the planet 24 hours a day - these are all characteristics of a modern capitalist society.

Change and risk management is a methodology that integrates change and the capability to apply it within the enterprise.

Above all, a good manager has to know how to run a company in the space and time of its cultural environment, recognizing trends and the criteria in the process of regionalization, Europeization, internationalization and globalization. Thus, the approach to change management in each national economy depends on patterns of local culture, tradition and customs, which are guidelines for managers' perception of priorities.

The economic situation in Croatia implies a development towards 'learning organization' and 'knowledge society', which demand the implementation of a new approach and new principles of leading an enterprise.

In order to understand change management in the international context, this paper presents some of the results of a research conducted among 29 Croatian managers and compares these results with similar surveys conducted in the European Union (Germany and Austria).

It is obvious different authors took a different approach to defining the term and the meaning of change management. According to our research, the most preferred definition, aimed at the system, was as follow: "A structured process that will cause proposed changes to be reviewed for technical and business readiness in a consistent manner that can be relaxed of tightened to adjust to business needs and experiences."

The surveys in Croatian, German and Austrian enterprises shows the most common reason for introducing business changes is "restructuring/reorganizing" (in 76% (CRO), 69% (D) and 63% (A) of the cases respectively).

Croatian managers said that in 76% of the cases the "president and the members of the Board/CEO" had the most important role in previous corporate change processes in their enterprise, followed by "highly ranked executive managers" with 62%. By comparing those
results with German enterprises, “project team in charge of changes” has had the most important role in previous corporate change processes in as much as 75% of the cases, followed by “line managers in charge” with 58%.

Finally, the survey shows four types of largest barriers in change processes for Croatian and German managers. In Croatia, barrier No. 1 is “conflicts due to different interests/goals of the participants in the change process” with 61%, followed by “imprecise delegation of individual and team tasks/responsibilities” with 57%. Croatian and German managers (54% in Croatia and 52% in Germany) agree on barriers caused by “too many activities which were not a priority”. That was the most common barrier in Germany and the third most common in Croatia. The second most chosen barrier in Germany was “long-term measures were sacrificed because of a short-term result improvement” (48%).

BIBLIOGRAPHY