

# A Study on Internal Stakeholder Engagement – Through Change Management

Rohini Parimi\*, Dr. Y.V.V.S.S. Varaprasad

Research scholar<sup>1</sup>, Associate Professor<sup>2</sup>

Gitam Institute of Management, Visakhapatnam, India

## ABSTRACT

*Change is the process of learning, embracing and adopting new ways of thinking and discarding the old thoughts, habits, values or traditions. A human being witnesses these challenges of change right from birth or even before that in the mother's womb till the last breath of his/her life. In the present global scenario with technological changes and unprecedented events cropping up on a day-to-day basis, organizations have to compete in a world that is constantly changing. Employee attrition has become a serious problem due to inadequate succession planning and gap between attributes of HR and requirement of the organizational jobs. Organizational change management is all about shedding away the old routines, methods or processes that may cause a threat to the organization's existence and embracing the change with an open heart to survive in the business world. Keeping in view of all this, the authors aim to study and understand the challenges of existing HR practices in recruitment, retention and engagement of internal stakeholders (employees). "Change readiness" is the latest "Mantra" to grab the constant opportunities in the contemporary environment from the HR perspective, which, initiates and responds to change in ways that create advantage, minimize risk and sustain performance. Since the human resources are considered to be a key asset for an organization's progress, the authors offer to suggest an alternative framework in positively engaging the employees and bringing an element of cordiality in employee relations.*

**Keywords:** change, change management, change readiness and stakeholder engagement, succession planning

**\*Corresponding Author**

E-mail: [rohini.parimi@gmail.com](mailto:rohini.parimi@gmail.com)

## INTRODUCTION

Change is the buzz word of the Universe since times immemorial and simple proof is our galaxy "the milky way". History speaks that the first man, Adam and the first woman, Eve also demonstrated the first seed of change at the time of their creation. They were created innocent and did not know any shame. The Serpent – the *game changer* influences the woman to eat the fruit and thus, Adam and Eve gain wisdom through disobedience to God. The crux of the story is "Change".

## Employee Engagement

It is the process in which both the organization and the employee, having

accepted the original selves as they are, move forward to improving themselves to cater to the needs of each other and change for the betterment and best interests of all. This is what we call "Work is worship" and the employee is engaged positively with the organization and he/she is indifferent to the high rise in good time and downfall of the latter in the difficult time.

Thorough research has been done and HR practices have evolved in the last few decades to note this fact. The organizations have put in immense efforts to connect the employee in this kind of a relationship to

seek an emotional buy in from him/her and manage cordial relations with the internal stakeholder (i.e.) employee. Despite of this, the strings of the cord are disconnected somewhere, and the result is employee disengagement. It is becoming increasingly difficult to keep the employee happy and engaged through out. The question pondering in everyone's mind is how best and what best can be done to keep an internal stakeholder happy.

## REVIEW OF LITERATURE

Kurt Lewin, a German American Psychologist highlighted this human aspect of Change in three simple terms – unfreeze, change, freeze/refreeze. According to Lewin, change in individuals, group, or organization involves two opposing forces – learning anxiety and survival anxiety.

### Learning Anxiety

The prospect of learning something new itself produces anxiety and individuals are reluctant to learn anything new because they may appear incompetent and may feel rejected by those they care for or may risk losing their original self/identity. This learning anxiety causes resistance to change which is a force against change/force of stability.

### Survival Anxiety

This is the feeling that unless we learn something new – we are going to be out of business or we shall fail to achieve some important goals. This is the force in favor of change (i.e.) force of change.

Therefore, for change to happen either the forces of change need to be strengthened or the forces of stability need to be weakened.

Lewin is of the opinion that enhancing the forces of change would lead to a corresponding increase in the forces of stability. Therefore, weakening or reducing the forces of stability can more effectively

bring about change. This step is called as Unfreezing. Once the system is unfrozen, the existing forces of change will ensure that the system moves towards a new state and it is refrozen in that state by the adoption of new habits, structures or culture. Individuals tend to embrace change only if they experience a climate of psychological safety around them. The employees need to be persuaded to give up their old ways of thinking and give scope to new schools of thought. In an organization, this persuasion happens in a variety of ways.

### Persuasion Through Control

Persuasion through control directs the hands, getting people to do things without worrying about what they think. This is called coercive persuasion and not changing is associated with severe physical or psychological punishment. This occurs mostly in business organizations where employees may be threatened with prospects of job losses if they do not learn and change. This robs individuals of their choice to change.

### Persuasion Through Convincing

Persuasion through convincing engages the head asking people to think and agree. This enables employees to reflect on their own mental models and choose to change them on their own free will.

### Persuasion Through Conversion

Persuasion through conversion goes for the heart seeking emotional buy in. Once the change is embraced, employees engage themselves positively and connect with their fellow employees through dialogue and conversations.

The focus of the change managers should be to use persuasion through convincing and conversion rather than persuasion through control which is the most commonly used but least effective in changing the minds of the employees.

## OBJECTIVES

- (1) To study and understand the challenges of employee recruitment, retention and engagement in the changing environment
- (2) To pursue the need and ability to handle change management aspects
- (3) To provide an alternative framework for better engagement of internal stakeholders right from the recruitment stage

## Research Problem

The basic research problem of this conceptual paper is how to engage the internal stakeholders in the contemporary environment through change management. The authors have assumed some alternatives and drawn their own inference through secondary data, which will give a direction towards the probable solution.

## Methodology/Approach

Organizations in the contemporary economic environment need to understand how to manage change and how it can be utilized efficiently in practices like recruitment, retention and engagement. This paper approach is to illustrate how organizations can manage their HR core functions more effectively through change readiness.

## Employee Recruitment Challenges in the Changing Environment

Recruitment is the most important process in the HR function. Finding a right candidate for the right job at the right time will avoid any potential employee issues that may arise in the future. But if the recruitment is not done effectively, this will lead to organization wide negative consequences in the long term.

Successful recruitment is about finding people with the required skills, expertise and qualifications to deliver organizational objectives and the ability to make a positive contribution to the values and aims of the organization. In spite of

knowing this fact, many employers end up getting it wrong either through negligence or due to ignorance.

There is a huge cost and time involved in the entire process may it be a walk-in interview, Employee referral, Advertisements, Government and private placement agencies or through educational institutions.

Statistics reveal that replacing a candidate for an existing job will cost two and half times the employee's salary. Going with the latest trend of absorbing candidates from the educational institutions, this has become even more costly. Huge costs are involved in the travel and stay for the interview panel. Apart from this, costs involved in training the employees are very huge. The lead-time taken to reap the benefits by an organization from the employee will range from a minimum of 3 to 6 months depending on the experience of the employee. This not only causes loss of revenues and opportunities in an expanding market but also poses a challenge to renew previously existing relationships with the external stakeholders.

## Employee Retention Challenges in the Changing Environment

Once the candidate is recruited in the organization, it is the prerogative of the organization to keep the employee retained for a long term. The key to this is adequate succession planning. Succession planning is a process for identifying and up skilling internal employees to fill in key business positions in the company. This increases the availability of a pool of experienced and capable employees who are prepared to assume these roles as they become available.

Keeping apart these organizational and financial aspects, the employee should be emotionally connected and tied up to the organization because where there is a

heart, there is a will and where there is a will, there is a way. It is like a wedlock between the employee and the organization and it is said that, “Marriage is an edifice that should be rebuilt everyday”. The thumb rule is that the spouse should always be kept happy may it be the employee or the organization and hence, it is a mutual give in relationship. Cognizant of this fact, it is unfortunate to note that the relations of employee and the organization mostly zero down to financial aspects and end up in parting ways within no time. There seems to be a vacuum in the relationship and the focus is getting shifted from loyalty to disloyalty in the current scenario. This could be because of inadequate succession planning. It has become more of a tick in the box activity to impress the employee and attract him to the job. The employees have to experience the taste of success and upward movement for them to feel secure and comfortable. Somewhere, the HR has been failing to recognize the leak in the system in spite of trying to do the things right and thus, failing to retain the employees, which is leading to high rate of employee attrition.

### **Employee Engagement Challenges in the Changing Environment**

Having stated that the organization-employee relationship has an emotional bonding and the common goal for both the parties is to contribute their efforts towards achieving that. Once the employee is a part of the organization, there is an acceptance time for both the employee and the organization just like in any emotional relationship. Aspirations and Expectations will be very high for both the parties but may lead to disappointment and dissatisfaction with the course of time. This is the law of nature for human beings and inference can be drawn from Abraham Maslow’s needs theory which speaks that people are motivated to achieve certain needs and when one need is fulfilled, a person seeks to fulfill the next one and so on.

### **Change Management**

When organizations were going through this turmoil of challenges in Employee recruitment, internal stakeholder retention and engagement, change management emerged as a new function of HR which is rescuing the organization and the stakeholders from the so called Pandora box of troubles if executed properly.

### **Change Readiness**

It is a fact that change is the only constant thing in the world. Now the change trap is that- what comes first- preparedness to change or the change. Some Organizations believe that they need to prepare by investing resources, time and energy preparing for change rather than achieving its desired outcomes. Even with the pressure of turbulent times, these organizations recognize the need to change, create a vision for change but go about meticulously preparing the organization for the change rooted in the belief that Organization’s readiness is key to successful change efforts. However,

Some other organizations have a different school of thought altogether. They demonstrate boldness and new ways of thinking and acting. They demand the outcomes be achieved quickly with a sense of urgency-not after months and years of finally becoming “ready” for change. They respond faster by achieving early wins, improving performance and building confidence. These initial successes demonstrate what can actually work and helps build credibility, making longer-term changes possible in systems, structures and processes by making them more effective.

For exhibiting either school of thought, Successful change efforts need Strategic Visionaries who can study the macro environment, identify the business case for change and create the change vision for the organization to gain a competitive edge (price advantage, product innovation, customer satisfaction or internal stakeholder satisfaction).



## Transformation Leaders and the People Factor

Change is tough to handle, is unpredictable and demanding. It can shake up people and generate fear that can threaten the success of the organization in the market place.

Building organizations that are agile and nimble to manage change involves- being quick to market by designing and delivering more creative solutions for the customers, developing new business while retaining the existing customers. Transformation Leaders hire and retain people, who are resourceful, motivated and focused on delivering in a changing world.

They ensure people know and understand the boundaries and how to work within them while challenging the system, understanding the dynamics of change but coming to expect the unexpected at all times.

Building agile organizations and people resilience is key in today's era of perpetual unrest. Employers must be prepared to handle the relentless and complex changes that are prevalent and flooding the market place and the business. The trick is to remain change-ready and constantly challenging the status quo. To succeed in unpredictable environment, organizations need to be nimble. Nimbleness is the ability to consistently succeed in unpredictable environments by implementing changes more effectively and efficiently than the competition and being prepared to pro-actively drive change to achieve greater success. The alternative of remaining still does not exist. Transformation leaders drive their energies for managing change successfully rooted in the wisdom that the price of doing nothing is failure.

## Alternative Framework for Employee Recruitment, Retention and Engagement – In a Positive Direction With the Aid of Change Management Competency-Based Recruitment

To overcome the challenges of recruitment, organizations came up with a

structured and uniform approach for recruitment and employed a competency-based interviewing to make the hiring practices robust. This ensured to bring about a consistent and standardized understanding how an interview needed to be conducted and to also ask the right set of questions to identify “the right fit” for a particular job. In addition to this, the organizations are aiming to revamp the on-boarding process to ensure faster integration and early engagement of the new employees hired.

Bringing a science to the talent acquisition process and making leaders understand the relevance of a robust hiring process and its subsequent linkage with the value creation process is the real triumph for any organization. More rigor into who is permitted to wear an organization's badge is the key. Understanding and aligning to what the badge stands for is even more important.

## Change Management in Dr. Reddy's Laboratories

While addressing the issue of attrition it is key for organizations to conduct a diagnosis that enables going back to the drawing board / handling discordant information and acting on what the organization knows.

- Dr. Reddy's acknowledged that a not-so-robust hiring process was one of the key factors for their inability to retain their sales staff and hence, faced the challenge of “infant mortality”.
- Competency based interviewing skills workshops were periodically conducted and rigorous certification process was institutionalized to assess the participant's transfer of learning from the workshop to the workplace. This was followed by ensuring that only certified interviewers were eligible to conduct interviews for recruiting professional sales representatives.
- The organization induced technology assisted induction for lateral hires to enable seamless integration.

### Employee Friendly Retention Practices

Competency based recruitments rendered the selection of team players in the organizations, which is the need of the day. As part of the Talent retention, organizations are laying great emphasis on Employee friendly policies and practices, which create a secure work atmosphere, particularly in the midst of unprecedented change. This includes an effective recognition and rewards system. In order to ensure accountability and ownership, role clarity is ensured with clear job descriptions and functional boundaries being defined. Regular team meetings are conducted to reinforce assigned roles, which also allow for course correction as required with greater transparency and agility. Organizations now being aware of the fact that people are their greatest strength and asset, there is a need felt to develop knowledge, skills and perspectives on a continuous basis to harness the innovative and differentiated talent of the workforce.

### Succession Planning

Adequate succession planning is the focus for the current day organizations. With the change management discipline in the HR function, initiatives are designed to build a strong leadership pipeline at middle to senior levels. These are introduced to include high performing high potential employees.

Subject matter experts from the top-level management are assigned as mentors and mentor-mentee meets are periodically organized to create an incubating culture to encourage and nurture talent. Customized individual developmental plans are created for each identified high performing high potential leader and cutting-edge learning resources are periodically shared to build technical and functional capability. This creates a positive impact on the customer centricity and execution excellence and leads to higher engagement of the

employees, as there is a buy-in from the top leadership substantially reducing attrition.

### Change Story at Punjab National Bank

PNB Housing Finance Ltd undertook a business Transformation exercise (christened Project Kshitij) to enhance market share and build capabilities among the internal stakeholders.

A financial institution, once a fully owned subsidiary of an established Public Sector Bank, was operating via the Public Private Partnership model since 2009–2010 and needed to reposition itself as a leading player in the financial service sector.

- The existing employee base was categorized based on estimated engagement levels (measured in terms of perceived alignment) post implementation of Project Kshitij. To manage initial resistance key influencers were identified and earmarked as Change Champions.
- Disoriented and cynical employees were geographically segregated and assigned to members of leadership team who were made responsible for their engagement and involvement.
- Regular communication mechanisms were undertaken in the form of periodic town halls, the MD's address and an innovative email-based communication channel christened MD's post.
- The company's objectives and strategy was elucidated across the organization by change champions- a new HR policy was institutionalized to incorporate best practices from the industry.
- A formal performance management system was set up to align individual goals with business objectives. This was followed by the launch of a new Rewards and Recognition program across the organization.

- The best talent from the mortgage industry was hired in leadership positions. Extensive skill up gradation programs were conducted to bridge observed technical/functional/developmental gaps of internal stakeholders.

### Change Story at WIPRO

The Wipro Hi-Tech SBU institutionalized the Transcend program with the objective of developing a pool of middle to senior level managers who would epitomize the Wipro leadership behaviors and facilitate the process of SBU becoming a strategic business partner for key stakeholders. The initiative was primarily designed to build a strong Leadership pipeline, especially given the strategic positioning of the Hi Tech SBU as one of the organizations largest business units.

- The program was extended to include high performing high potential employees and the 70-20-10 principle was adopted to facilitate optimum learning transfer.
- Knowledge experts in the domain acted as mentors to train the employees.
- Action Learning Projects (termed Bubble Assignments) were set up to enable the identified talent pool to work on real life business challenges and propose executable solutions.
- A well-defined rewards and recognition mechanism was conceptualized to sustain and enhance motivation levels.
- The program positively impacted customer centricity and execution excellence and led to higher engagement scores substantially reducing attrition.

### CONCLUSION

Inference can be drawn from the above stories, that the key factors contributing for

any People change process to be successful and to positively engage the internal stakeholders is to:

**Identify vision:** Clearly define the vision of the organization and how it wants to transform itself (i.e.) the origin and the destination of the change journey.

**Clarify impact:** Clearly define the positive / negative impacts associated with the change and should be transparent enough to withstand the resistance to change.

**Communicate:** Clearly involve in dialogue and conversations to engage and connect with people and persuade them to change their dominant mental models.

**Team up:** Clearly share the success with the team involved in influencing the change.

**Lead:** Involve the top leadership to seek an emotional buy in and celebrate the early wins.

The change leaders should possess the follow factors to lead a positive change:

**Being there/showing up:** For the success of the change program, the leader should vouch the responsibility of being always available/showing up to safe guard the team.

**Speak up/power of voice:** The leader should empower the team to speak up without hesitation and inhibition as required and should be able to influence in shaping up ideas.

**Look up:** The leader and the team should have a common vision and values and complete focus should be vested on achieving the same.

**Team up:** The leader and the team should stand together at times of adversity for a smooth transition.

Never give up: The leader should relentlessly motivate the team not to give up irrespective of the obstacles/roadblocks that come across in the change journey.

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