ERP Implementation at Atlantica Mechanical Contractors Inc.: Applying Change Management

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Abstract

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The purpose of this paper is to determine an appropriate approach for Atlantica Mechanical Contractors Inc. to successfully conduct their newest ERP implementation while avoiding the pitfalls of their previous ERP implementation experience. The paper provides a review of three change management theories as well as the effect of resistance on change efforts. By comparing the theories to the organizational needs a custom model was created and conceptually applied to determine what could take place in each step of the model. The custom model is also compared to the previous implementation to determine where the faults were and based on the new model what the expected outcome of the new ERP implementation will be.

April 8th, 2013

Executive Summary

Atlantica Mechanical (Atlantica) has grown over the past several years to the point that they have outgrown their current Enterprise Resource Planning (ERP) system. Five years ago they implemented an ERP system based on the prerequisites of the group of companies they joined. The new product was forced on the employees with very little effort in managing the change. Management believes that there would be value in implementing a change management model based on their needs, in an effort to minimize the likelihood of failure or slowdown in business.

Preliminary research showed that although there are many change theories, they are all generalized and need tweaking to properly apply them to an organization. In the end three models were selected out of a large pool of change theories based on their popularity and applicability. The theories selected were:

- Lewin's Three Step Model
- Kotter's 8 Step model
- McKinsey's 7-S Framework

Additional research was done on resistance and how to best harness it to create utility during the ERP implementation versus trying to avoid it. After reviewing the three models and resistance, a custom framework was created for Atlantica that consist of 17 steps, creating a precise direction for Atlantica to follow during their implementation. The custom model focuses heavily on Kotter's change model with the addition of three areas of focus. The first area of improvement is in the preliminary stages of the change effort to make sure that the change is feasible and the organization is prepared. The

second addition focused on reducing as well as obtaining and harnessing resistance during the change initiative. The final expansion is focused on maintaining the change. When comparing Kotter's model to Lewin's, it would seem that Kotter's model does not put a lot of emphasis on the refreezing stage and could potentially use some support. Since the ERP implementation is a long term solution, it is important to make sure the new system is firmly imbedded in the cultural norms of the company and is reinforced during the first year to maintain optimal acceptance.

The old ERP implementation was then compared to the new model to determine the difference between what was done previously versus what should have been done and also what the expected outcome might be for the new ERP implementation.

Table of Contents

List of Tables

List of Figures

Chapter 1: Introduction

In today's fast paced business environment, organizations of all sizes and maturity face the same difficulty when trying to make improvements internally or externally; Change Management. With numerous models and theories on change management, it can be difficult for organizations to decide which change management approach best fits their particular circumstances. For the purpose of this Major Research Project, change management theories will be reviewed and applied to a local organization by creating a customized model based around their current situation while applying best practices common to popular change models.

Company Background

Atlantica Mechanical Contractors Inc. (Atlantica) is a small/medium size mechanical contracting company located in Dartmouth, Nova Scotia. They currently employee 61 office employees and an average of 250 trade workers depending on the current construction project cycle. During the past five years of operation, Atlantica's revenues have been steadily growing requiring the addition of more and more office employees each year. Paired with this growth, comes the need to improve many aspects of the company in an effort to sustain its development and maintain or improve efficiencies.

In 2007, the Atlantic division of Sayers and Associates joined forces with a prominent mechanical contractor from Ontario, Modern Niagara Group Inc. (Modern), to create Atlantica Mechanical Contractors Inc. Since the company now had new ownership, some of the processes, tools and organization process assets (OPA) required updating. In an effort to create a synergy between the two companies, Atlantica chose to implement many of the processes, tools and OPAs that Modern already had in place. By far the largest tool that Atlantica implemented at the time of transition was Modern's Enterprise Resource Planning system (ERP), called Timberline. Timberline offers the staff a platform for sharing information between departments while assisting in tasks such as purchasing, accounting and project management. Although this system would prove to be more streamlined than Atlantica's previous system, there was a great deal of change management needed to implement the ERP.

Timberline Implementation

The implementation for this new system was very similar to a shotgun approach, whereby it was rolled out to all employees in all of the departments at the same time. As well, there was very little thought behind what stages would take place during the implementation and how to minimize the negative effects and attitudes toward the new system, while additionally looking to maximize buy-in. The approach at the time was that the new system was the way it was being done by Modern and therefore Atlantica would be doing the same, which consequently meant that although there was change, very little management of the change was taking place. Even with that lack of proper change management a few steps did take place that unknowingly helped with the change management in this IT implementation:

- A pre-implementation meeting was held to familiarize the staff with the upcoming ERP system change.
- Group training sessions were setup for various divisions.
- Customized reports were made for senior management.
- Online factory training videos and user guides were made available for the staff.

In the end the transition to the new ERP system proved to be slow, caused in part by resentful acceptance of the new system that was forced upon the employees. After the role out, Atlantica did not reach full intended performance with the Timberline ERP until well into their third year of use, while management's expectation was to reach this performance level in less than one year. To date, more than 5 years after implementation, some users still refuse to use all the functionality of the software and come up with workarounds outside of the program, to perform their job responsibilities. Currently, the low conformance rates coupled with a quickly growing workforce is creating much inefficiency, which has left a lot of room for improvement. In particular the Timberline ERP, which was originally developed as accounting software and later made into a full enterprise solution, is no longer capable of effectively dealing with the information transfer that is needed between departments. There were many failures in the change management process for this implementation, which include:

- Implementation took almost three times as long as intended
- Full buy-in was never achieved
- No effort was made to overcome or harness the resistance
- Limited effort to maintain change after implemented
- Sub optimal enthusiasm created around the change

SharePoint Implementation

Because of the need for a new ERP based on company growth, the Modern and Atlantica management team have decided that it is in the company's best interests to upgrade to a new ERP for the majority of the staff members while leaving the core accounting functions in Timberline. To accomplish this, the Atlantica Mechanical will implement a new ERP system, SharePoint, to perform all non-accounting based tasks and interface with Timberline for the financial information transfer. This change to SharePoint will affect all office employees in some capacity. Some employees will need to use it to perform the majority of their job related tasks, while others will use it less frequently to look up information or update a document library. Similar to the previous ERP implementation, the upgrade to SharePoint could suffer the same fate, if the change management is not properly executed. To increase the chance of success for this project it is imperative to establish a change management model that is appropriate to Atlantica's situation. Management hopes by doing so they will be able to achieve the following:

- Obtain buy-in from all stakeholders
- Create a new cultural norm around the new ERP
- Reach full implementation within the targeted time frame of one year
- Create excitement among future users about the upcoming ERP and its improvements in usability and functionality compared to the previous system
- Minimize resistance
- Eliminate the urge for users to create workarounds

As we will see in the coming chapter of this paper, there are many different change management models, each with their own attributes that make them better suited to certain type of changes. For this project we will explore three of the most common change management theories and briefly discuss the impact of resistance on change management in an effort to create a fully customized change management framework for the SharePoint ERP implementation.

Chapter 2: Literature Review

Change Management

With over 70 percent of change efforts failing, it can be tough to believe there are organizations that are capable of effectively navigating through the dangers of change. (Mortensen, 2005) This high percentage of failures is not surprising given people's reluctance to change as well as the typical company's views on how to create organizational change. There are numerous reasons why change efforts fail but often these reasons have similar themes and can be narrowed down to a much shorter list. The list below provides a few common reasons why organizational change efforts fail:

- Misstarts
- Making change an option
- Not involving those involved with the change
- Delegating to "Outsiders"
- Improper reward system
- Leadership does not walk the talk
- No follow though

Source: (Sanborn, 1999)

To overcome these hurdles, organizations must put together a plan for implementing their change initiative that addresses the common reasons for change failure and is customized to their specific organizational style and environment. With so many theories on change to choose from, it can be difficult for organizations to choose one theory that will best suit their particular situation. It would seem that in many cases there isn't one theory that perfectly fits the organizations situation and therefore it is in the organization’s best interest to look at many different change models to decide what elements of each model best suits their needs. Some of the more common change theories have been listed below and have been reviewed for the purpose of constructing an optimal change model for Atlantica’s ERP implementation:

- Kotter’s Eight Step Model
- Lewin’s Three Step Model
- McKinsey 7-S Framework
- GE’s Change Acceleration Process
- Netwon’s Laws of Change
- Prochaska and DiClemente’s Change Theory
- Luecke’s Seven Steps
- Jick’s 10 Step Model
- Maurer’s 12 Steps to build support for change
- ADKAR change management model
- Bridge’s Transition Model

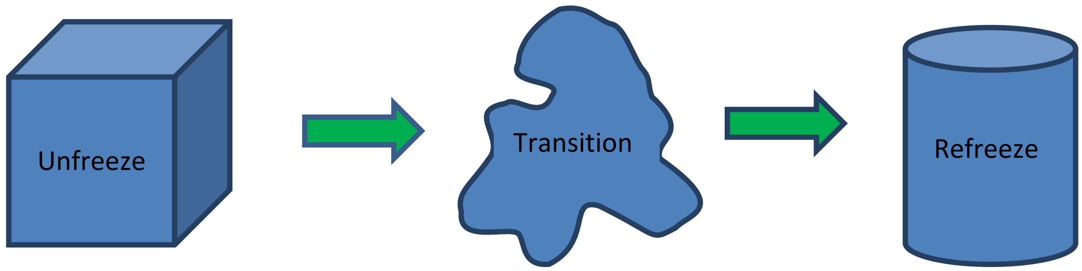
Of the change theories listed, it was found that Lewin’s Three Step Model, Kotter’s Eight Step Model and McKinsey’s 7-S Framework were the best theories to review for this project. Lewin’s three step model was chosen because it is often seen as the foundation that all modern theories are based on. (Connelly, 2011) Kotter’s eight step model was chosen because it covers many of the aspects that are generally associated with failed change management and is arguably the most well-known process model for change. The McKinsey 7-S Framework was chosen because unlike other theories it is designed to be a tool rather than a process model. The McKinsey Framework allows users to find the gaps that might exist before and during the change management process by using a content model format. The combination of these three theories should help with the discovery of a model that will best suit Atlantica’s needs for planned change and matches or exceeds the objectives, mentioned previously, by Atlantica management.

Lewin's Three Step Model

This model is the simplest of all the various change management models but may very well be one of the most well-known. Lewin's three step model to change was developed in 1947 with the intention of being one element of a large model for planned change development for not just organizations but individuals, groups and society. (Burnes, 2004) Part of this large model for planned change includes a tool called Force Field Analysis, which is the theory Kurt Lewin's three step change model is designed around. This is an investigative and analytical tool that suggests behavior is not static but instead it is an active balance of forces working in opposite directions. (Lewin, 1946) These forces, driving forces and restraining forces, are working against each other creating a state of equilibrium, making behavior appear to be static, when in reality a change in either force would cause the behavior to change. (Lewin, 1946) If there was an increase in driving forces and/or a decrease in restraining forces, the behavior would start to create an imbalance that would change behavior towards the desired planned behavior. Using this concept, Kurt Lewin created his model for change with the intent that his unfreeze and refreeze steps would be affected by changes in forces. During the unfreeze step, driving forces would be added and/or restraining forces would be removed to move the behavior away from the status quo. Once the change is complete some forces could be removed or restore to bring the behavior to a new equilibrium. (Lewin, 1946)

As the title suggests, this model is only three simple steps yet they are able to cover many different type of change. This is in part due to the fact that this model has a less formal structure than other change models. The three steps are as follows:

Figure 1 – Lewin’s Three Step Change Model



Step 1: Unfreeze

By unfreezing Lewin’s was suggesting that human behavior is somewhat stationary and therefore it is not as receptive to change. (Burnes, 2004) To create this change, people (organizations) must prepare for the change by starting the process of planning for change. This involves breaking down the organizational norms and showing employees the need to change and how the current process is not functioning. Lewin’s believed that by reviewing and challenging the beliefs, values, attitudes, and behaviors organizations could begin to unfreeze their current ways. (Mind Tools, 2007) By understanding what changes are necessary and preparing for the change, people will be more willing to leave their comfort zone. (Connelly, 2011) Additionally rallying a support group and maintaining open and honest communication with stakeholders as well as proving that the existing way is not working, will help employees build trust in the change agent’s efforts to create change. (Barron, 2011)

Step 2: Transition

Once the norms have been broken, people will be more prepared to deal with change and become more accepting of the upcoming change. In some cases, because of insecurity, people will even start to look for ways to relieve their uncertainty and unknowingly will begin to support the new direction of change. (Mind Tools, 2007) With this said, “Transition” is often the most difficult step of the three, since this step involves people actually making a change in the way they do things, which can cause fear and resistance. An article by Mark Connelly, suggested that this step is similar to that of a person who is about to bungee jump for the first time and is standing on the edge waiting to jump. (Connelly, 2011) They have already made up their mind to do the jump, therefore unfreezing is complete, but have to take that next step to shift from unfreezing to transition. Because of the complexity of change especially during the transition stage, it can be difficult to identify what obstacles may come up and therefore it is important to be adaptive by using a trial and error method, commonly associated with the Learning approach. (Burnes, 2004) Peter Barron, a change management consultant, suggests the tips below to help improve an organization’s likelihood of successfully transitioning through change:

- Maintain communication
- Be involved and instill stakeholder involvement
- Address barriers of negativity and show the value to the organization
- Provide empowerment and reward appropriately
- Use milestones and measurements
- Be open to continual negotiation

Source: (Barron, 2011)

Step 3: Refreeze

Refreezing, also known as freezing, is the act of solidifying the change that has been created thus far. When all the aspects of the change have been completed and the change has come to an end, the refreezing process needs to begin. This process continues to take place until the change becomes the new norm or "the way we do things around here." (Barron, 2011) If the change is not reinforced by the freezing process then people may tend to go back to the way they used to do things, losing all the progress along the way and empowering cynics. (Connelly, 2011) The refreezing step involves assuring that the changes are used all the time and that they have become a part of everyday business, therefore creating stability and a sense of comfort for the employees. (Mind Tools, 2007) Some critics of the model suggest that stability is not a function that should happen during change since many organization's needs are ever changing. It has however been rebutted that without some form of closure the employee may become confused as to what is right and can become less productive, which in turn can make it more difficult to facilitate the next change. (Mind Tools, 2007) Lewin's also believe that is was important to approach change as a group activity and therefore refreezing would not just take place for the change itself but also for the new organizational culture, practices and norms. (Burnes, 2004)

Lippit's seven phases of change theory

This theory is an expansion on Lewin's model of change, which focuses on the relationships as well as the role of the change agent. (Pryor, Taneja, Humpreys, Anderson, & Singleton, 2008) Lippit also suggests that the change is more likely to become stabilized if other parts of the organization take part in the change direction or methods, since the more widespread it becomes, the more it becomes the organizational norm. (Kritsonis, 2004) The table below shows the seven phases of Lippit's change model and has compared each step to Lewin's model.

Table 1 – Lippit's 7 phases of change

Steps	**Related Lewin's step**
Diagnose the Problem	Unfreeze
Assess the motivation and capacity for change	Unfreeze
Assess the resources and motivation of the change leader	Unfreeze
Choose progressive change objects	Transition
Identify and clearly understand roles of change agents	Transition
Maintain the change	Transition
Change agent gradually withdraws from the role	Refreeze

Source: (Mitchell, 2013) & (Koller, 2012)

Lippit's model is of interest because it provides some consideration to Lewin's model but offers some additional consideration to the preliminary aspects of the change process. In particular it looks at aspects such as diagnosing the problem and assessing the company and its change leader for proper capability and motivation. Performing these measures before trying to create change in an organization will help to reduce the risk of change failure and potentially help streamline the entire process.

Kotter's Eight Stage Process for Successful Organizational Transformation

Kotter's change model was developed with the intention of being used at a strategic level within an organization to improve its vision and by doing so, change the organization. (Pryor, Taneja, Humpreys, Anderson, & Singleton, 2008) Like Kotter's model, many other models of change are specifically focused on change within an organization; however Kotter's model differs in how it approaches the change. While most models focus on getting people within the organization to "think" about change, Kotter believes that change really takes place when people "feel" differently. (Soundview Executive Book Summaries, 2002) In Kotter and Cohen's book, The Heart of Change" they wrote;

"People change what they do less because they are given analysis that shifts their thinking than because they are shown a truth that influences their feelings." (Kotter & Cohen, 2002, p. 1)

It can therefore be said that organizations will change when people change and people will change because of their emotions. (Harvard Business School Publishing Corporation, 2008) Kotter suggests that change initiatives are guaranteed to fail even with strong solid and rational information if it only appeals to their heads and not their heart. (Kotter International, 2012)

For change to succeed, leaders must focus on connecting with the heart of the people to help inspire them. (Kotter International, 2012) This perspective is what Kotter refers to as "See-Feel-Change" (Soundview Executive Book Summaries, 2002) To help guide a change agent though the process of change Kotter has developed eight practical principles of change that are simple enough for most change agents to follow.

Table 2 – Kotter's 8 Step Change Model

Steps	Description
1	Increase Urgency
2	Build the Guiding Team
3	Get the Vision Right
4	Communicate for Buy-In
5	Empower Action
6	Create Short-Term Wins
7	Don't Let Up
8	Make Change Stick

Source: (Kotter & Cohen, 2002)

Step1: Increase Urgency

The purpose of this step is to create a sense of urgency that change is needed. Kotter's beliefs are that it is more important to create urgency by forcing the team or organization into action through creating a sense of urgency. If they are left to discuss the upcoming change they will be more likely to come up with barriers for change in an effort to shield them from the need to change. By putting them into action before the plan has been set, they will already be on the path to change and therefore will be more receptive of the change when it takes place. Although this need for change is an important step in the process, it must be done carefully as the change agent needs to create a sense of urgency without instilling fear or anger in those involved with the change. (Kotter & Cohen, 2002) To achieve this with optimal results, Kotter suggests using a visual presentation as the best way to communicate the issues or problem, since this is more likely to get people to focus on how they feel about the situation instead of what they think about it. (Harvard Business School Publishing Corporation, 2008) This compelling visualization can often lead to people feeling as if they have been hit with the reality of the situation causing them to feel a need to act on the situation. (Soundview Executive Book Summaries, 2002)

Although creating a sense of urgency is important, it is essential for the change agent to make sure they are aware of what type of urgency they are creating. There are two types of urgency; false and true. False urgency is when people are busy working but their actions are not helping towards the company goals, while true urgency is when people are focused and make progress often. (Kotter International, 2012) It is essential to make sure the urgency that is being created during this step is true urgency; otherwise the change effort will have a difficult time moving forward through this process. Creating false urgency is counterproductive to the goals of this change model and therefore would likely decrease the chances of success on the project, possibly leading to change failure. When Kotter refers to creating urgency he is describing an urgency that will help the company move forward and progress through the change and therefore he is specifically referring to true urgency.

Kotter believes that urgency is such an important step to change that without it, large-scale change would not happen. (Soundview Executive Book Summaries, 2002) The following behaviors are some of the more common reasons that stop people from moving forward, causing change efforts to go off path.

Table 3- Behaviors that stop change

Behaviors	Driver
Complacency	False pride or arrogance
Immobilization and Self -Protection	Fear and Panic
“You can’t make me move”	Anger
Constant Hesitation	Pessimistic Attitude

Source: (Soundview Executive Book Summaries, 2002)

Step 2: Build the Guiding Team

The task of guiding an organization through change cannot be done alone. It requires the right mix of people with varying levels of participation and shared objectives to achieve change success. (Kotter International, 2012) This team requirement is due in part to the fast paced environment that organizations work in today and is essential to properly accessing the challenges and making decisions on situations that are complex and uncertain. A strong guiding team has two main group characteristics, “it is made up of the right people, and it demonstrates teamwork”. (Soundview Executive Book Summaries, 2002) Table 4 below lists some of the individual characteristics that are needed to create a team suited to properly guide change.

Table 4 – Individual Characteristics

Characteristics	Details	Purpose
Expertise	Relevant knowledge about what’s happening outside the enterprise	Essential for creating vision
Expertise	Valid information about the internal workings of the enterprise	Essential for removing barriers that disempower people from acting on the vision
Credibility	Connections and stature within the organization	Essential for communicating vision

Position Power	Formal authority and the managerial skills associated with planning, organizing and control	Needed to create short-term wins
Leadership	The leadership skills associated with vision, community, and motivation	Required for nearly every aspect of the change process

Source: (Soundview Executive Book Summaries, 2002) & (Kotter International, 2012)

Over time, sub groups may form, creating multiple tiers of groups working on the change effort from different perspectives. These groups help keep the change moving within their own work teams.

Once the groups have been created it is essential to make sure that the teamwork that is done, is done effectively and efficiently. With the majority of the teamwork being done in meetings, the importance of making meetings work cannot be understated. By putting someone dependable in charge of running the team meetings, the group can better stay on topic allowing for a more results oriented meeting which will create trust and maintain credibility within the team. (Kotter J. P., 2007) Additionally, well managed meetings guided by a clear leader, will coordinate efforts and allow for a shared sense of urgency, resulting in a “real” teamwork experience. (Mortensen, 2005)

Step 3: Get the Vision Right

Kotter’s research has proven that organizations that have successfully implemented large change initiatives have had the following four things in place to help direct the change; Budgets, Plans, Strategies and Visions. (Kotter & Cohen, 2002) These are all equally important elements since they are all interconnected. The budget, plan and strategy are all very technical and are needed for the change to take place, but the vision is a view of the future state. As a result it is the only element that has a tie to emotions and therefore it plays a big role in the success of the change implementation, according to Kotter's Model. A properly functioning guiding team will be able to produce a clear sense of direction for the vision by conveying the right answers to the questions regarding the organizational strategy. (Soundview Executive Book Summaries, 2002) Kotter International has developed a list of characteristics that should be included in a good vision, as seen in table 5 below.

Table 5 – Characteristics of a good vision

Characteristic	**Description**
Imaginable	They convey a clear picture of what the future will look like.
Desirable	They appeal to the long-term interest of those who have a stake in the enterprise.
Feasible	They contain realistic and attainable goals.
Focused	They are clear enough to provide guidance in decision making.
Flexible	They allow individual initiative and alternative responses in light of changing conditions.
Communicable	They are easy to communicate and can be explained quickly.

Source: (Kotter International, 2012)

In addition to these characteristics, Jim Mortensen, who is a professional consultant and a graduate level management professor, suggests that it is important to create a captivating vision that will inspire people by providing clear and tangible benefits. (Mortensen, 2005) Kotter's book also suggests some things to do and not to do, when developing a vision for a change effort, which are listed below.

Do's

- Articulate a vision that is so clear that it fits on one page and takes less than a minute to share.
- Articulate a vision that is moving
- Create a bold strategy and move ahead quickly.

Don'ts

- Assume that logical plans and budgets are enough.
- Rely on overly analytical, financially based vision exercises.
- Rely on visions that just slash costs – these produce anxiety and depression, but rarely change

Source: (Soundview Executive Book Summaries, 2002)

Step 4: Communicate for Buy-in

To create buy-in among stakeholders the vision must be communicated regularly. All too often the vision is under communicated leading to poor buy-in. Kotter suggests, that many organizations under communicate the vision by as much as ten times. (Kotter International, 2012) It is important that the vision and strategies are communicated to all stakeholders and not kept locked behind the closed meeting doors. After all the goal of this is to have people buy-in to the ideas and then help with implementing the vision.

Often, some communication will be met with resistance but it must be addressed to be able to get people to start seeing the vision. To help deal with this, it is best to communicate the message personally as this gives the leader the opportunity to deal with emotional issues or resistance that is brought up during delivery. (Mortensen, 2005) This is the leaders chance to instill confidence in the people who are having reservations. It can also be beneficial to offer a question and answer session as this can help people feel comfortable with the change since they will have an opportunity to be heard. By increasing communication, overtime criticism and anxiety will reduce as people start to become more familiar with the concept. Although a company's vision may make sense to top management, it may not always be intuitive to all employees. To help increase buy-in, Kotter suggests that all visions be communicated using the components listed in Table 6.

Table 6 – Essential components of a Vision

Components	Description
Simple	No techno babble or jargon
Vivid	A verbal picture is worth a thousand words – use metaphor, analogy, and example.
Repeatable	Ideas should be able to be spread by anyone to anyone.
Invitational	Two-way communication is always more powerful than one-way communication.

Source: (Kotter International, 2012)

Step 5: Empower Action

Although this step is called "Empower Action", it would seem that the real focus is actually removing barriers. Kotter's intention behind this was to "remove barriers to allow people to do their best work." (Kotter International, 2012) So although it might be empowering people by removing restrictions in their path, it is not empowering in the traditional sense of the word. These barriers can come in many forms, as seen in Table 7, which will hinder the change process by limiting employee's actions. In Kotter's article on leading change, he suggests that one of the most important actions in the "Empower Action" step is to remove or change the systems or structures that challenge the vision

(Kotter J. P., 2007) This link to the vision is a reoccurring theme among many of steps in this model, as Kotter's seeks to create an emotional link to the change effort.

Table 7- Barriers to Empowerment

Barriers	Description
Boss Barrier	Not producing change because of your boss or having to create workarounds because of role limitations
System Barrier	Improperly aligned rewards system
Information Barrier	Self and environment
Self-imposed Barriers	Believing you aren't able to do something

Source: (Soundview Executive Book Summaries, 2002)

Step 6: Create Short Terms Wins

In an effort to instill enthusiasm in the change effort and decrease negativity, it is important for change agents to produce some short term wins. Short term wins have a tendency to keep the negative people quiet and help buildup to bigger wins. A short term win, will produce little change if no one knows that it took place or what it was about, so it is very important to make the wins highly visible, timely and meaningful, in an effort to reduce potential problems and aid the change initiative. (Soundview Executive Book Summaries, 2002) Good leaders will find ways to create short term wins and announce them within the organization, to show progression in their change efforts and build interest. (Mortensen, 2005) At the beginning of the change, it is important that the change agent pick only a few projects that are likely to get good results and to make sure they are in a logical order as some wins may take longer to achieve than others. (Kotter J. P., 2007) If the wins take too long to achieve it will leave time for doubt to take place and will slow the momentum of the overall change effort. (Kotter & Cohen, 2002) A list of some of the benefits to short term wins has been provided below:

Benefits

- Provides feedback to change leaders about the validity of their visions and strategies
- Gives those working hard to achieve a vision a pat on the back and an emotional lift
- Builds faith in the effort, attracting those who are not yet actively helping
- Takes power away from the cynics.

Source: (Soundview Executive Book Summaries, 2002)

Step 7: Don't Let up

With the end of the change in sight, it can be easy to forget to maintain momentum by allowing one's self to lose urgency. (Kotter J. P., 2007) This often happen in two ways: the effort is slowed because the change agent is getting wins or because of exhaustion. In some cases the change agent will get comfortable with the wins and become complacent, which can lead to a reduced push to accomplish the change. (Kotter & Cohen, 2002) However, the more common cause for losing urgency is through exhaustion. Even if the change effort is going well and employees are still excited about the change, the additional work during the stages of change can be overwhelming and in turn causes those involved to reduce their efforts on the change. To combat this sometimes the removal of work is required. Look at the activities being done on a daily basis and decide if anything can now be eliminated, reduced or delegated. (Kotter

International, 2012) In the end the change agent needs to maintain motivation of the participant and themselves to succeed in the change initiative. (Mortensen, 2005)

Step 8: Make Change Stick

Old habits can be hard to break, causing change to be more difficult to maintain. Change is generally only held together by the initiator or team that created it and once those members leave the team, the change initiative is at risk of falling apart. (Kotter & Cohen, 2002) This risk can be mitigated by creating a culture around the new process, allowing the change to become the new norm. It is important to pass this culture on to new employees through the hiring and orientation, to instill the cultural norms early. (Mortensen, 2005) Additionally, culture doesn’t have to be limited to internal aspects of the company; it can also be made evident through new marketing promotions or external communications. (Kotter International, 2012)

In addition, having people in positions of power be advocates for the new culture will help give the change a firm footing and increase its stability. (Kotter & Cohen, 2002) These individuals can help through influence but also through rewarding and promoting individuals, who reflect the new culture. By supporting employees who support the new change, the company is reinforcing the new way. (Mortensen, 2005)

McKinsey’s 7S Framework

The McKinsey 7-S Framework is differentiated from other change theories because rather than suggesting steps that must take place in a particular order, the framework looks at the separate elements and how well they work with each other. Each element of the framework is inter-related and therefore changes in one element will create changes in all the other elements. (Peters, 2011) The elements can also be compared in any order without affecting the outcome, since the main objective is to look for gaps in the overall framework and then make adjustments accordingly. (Waterman, Peters, & Phillips, 1980) Because applying a series of steps could still end up resulting in a failed project if the conditions are not correct, applying the McKinsey framework prior to applying the change process may help organizations eliminate potential pitfalls. The seven elements of the McKinsey framework are listed below in Table 8.

Table 8 – Seven elements of the McKinsey Framework

	Elements
1	Strategy
2	Structure
3	System
4	Shared Values
5	Skills
6	Staff
7	Style

Source: (Vector Study, 2012)

When this framework was first developed in 1980, most businesses focused solely on what the McKinsey framework refers to as “Hard Elements”. These elements are easier to define and can be directly influenced by the organization, since they are more clear cut to identify and therefore adjust. (Mind Tools Ltd., 2012) On the other hand, the McKinsey model also discusses what they call “Soft Elements”, which are equally important but more difficult to define since they are often intangible and influenced heavily be the culture. (Mind Tools Ltd., 2012) In table 9 below, the elements have been categorized into hard and soft, to give a better understanding of the breakdown of these categories.

Table 9 – Categorized Elements

Hard Elements	**Soft Elements**
Strategy	Shared Values
Structure	Skills
System	Staff
	Style

Source: (Mind Tools Ltd., 2012)

Hard Elements

Strategy

This is the way an organization plans to use its resources to reach its defined objectives while navigating the change in the external environment, its customers and competitors. (Vector Study, 2012) It is in effect the way a company is saying, “Here is how we will create unique value.” (Waterman, Peters, & Phillips, 1980)

Structure

This is defined as the way an organization's divisions or departments relate to each other and who reports to whom. (Mind Tools Ltd., 2012) This structure will affect how things get done and who has the ability to influence and lead within the organization. Organizational structure is often broken down into many categories including: centralized, decentralized, functional divisions, projectized divisions, matrix and more. (Vector Study, 2012)

System

Within an organization the system is considered to be the processes and procedures that dictate how work is done on a day to day basis. (Waterman, Peters, & Phillips, 1980) This accounts for all the various components of a standard work structure in organizations, such as accounting, project management, estimating, design, fabrication, operations, etc.

Soft Elements

Share Values

Shared Value, previously "Subordinate Goals" in the original model, (Mind Tools Ltd., 2012) are essentially the core values of the organization. They express what the organization believes in as well as its attitude and is generally seen through its corporate culture and general work ethic. (Waterman, Peters, & Phillips, 1980) & (Vector Study, 2012)

Skills

These are the attributes and capabilities of the employees and the organization that determine how well the company does at a particular task. (Waterman, Peters, & Phillips, 1980) Often this is considered to be the "core competencies" of the organization. (Vector Study, 2012)

Style

When referring to style, McKinsey's framework is in fact talking about managerial style and how it impacts the culture of the organization. (Cellars, 2007) Tom Peters, one of the creators of the McKinsey Framework, suggests that the way top managers go about doing business and leading others has a significant impact on the outcome of a change initiative. (Waterman, Peters, & Phillips, 1980)

Staff

Staff is likely the simplest of the seven elements of the framework as it is rather intuitive. It merely refers to the number of people in the organization and the roles and responsibilities within the organization. (Vector Study, 2012)

Resistance

When considering change, one factor that can't be ignored is resistance. Resistance is a critical factor that influences the success of an organizational change effort. (Waddell & Sohal, 1998) Yet, few models of change management directly discuss resistance, but rather they warn of the possibility of the effects of resistance on the change effort. Resistance can be caused by many factors such as the ones listed below:

Factors

- Fear of the unknown
- Loss of control
- Loss of face
- Loss of competency
- Need for security
- Poor timing
- Force of habit
- Lack of support
- Lack of confidence
- Lingering resentment

Source: (Mabin, Forgeson, & Green, 2001)

In most cases resistance is viewed as a problem that must be overcome or managed, otherwise the change effort may not be successful. (Mabin, Forgeson, & Green, 2001) Some people who believe this even go as far as to say that, if there is only minimal resistance then the change effort must have been managed well, yet there is very little theoretical support for these claims. (Waddell & Sohal, 1998) Newer studies are finding that there is some benefit to be gained from resistance and therefore it should not be avoided but instead harnessed. (Waddell & Sohal, 1998) By working with the resistance and finding ways to overcome it, the channels of communication will be opened allowing for information sharing and if overcome the employee will be more committed to the change effort. (Waddell & Sohal, 1998)

To deal with resistance during the change process, one article suggests using the Theory of Constraints (TOC) to overcome resistance and gain the utility of the knowledge it provides. (Mabin, Forgeson, & Green, 2001) If the resistance can be identified then the change agent could use the Theory of Constraints to identify issues in the change effort and adapt their strategy and plan to create better buy-in. (Mabin, Forgeson, & Green, 2001) There are five simple steps involved in the TOC as listed below in Table 10.

Table 10 - Theory of Constraints Approach to Resistance

Step	Description
1	Identify the constraint
2	Exploit the Constraint
3	Subordinate the other activities to the constraint
4	Elevate the constraint
5	If anything has changed go back to step 1

Source: (Mabin, Forgeson, & Green, 2001)

Chapter 3: Applying the findings to Atlantica Mechanical

Of the three theories of change summarized in the literature review only two of them have commonalities in how they approach change. Lewin’s and Kotter’s Models both view change as a process that a change agent must work their way through to implement change in the organization. Certainly the Lewin’s model is much more simplistic than the Kotter model, but the concept of how to create change is fairly similar between the two models, with the exception that the Kotter model is somewhat more robust in detail. In fact it would appear that the Kotter model is almost an expansion on Lewin’s model for change. Table 11 below is a comparison between the two models that tries to position each of Kotter’s steps into one of Lewin’s three steps.

Table 11 – Comparison of Kotter’s Model to Lewin’s Model

Kotter’s 8 Step Model	Lewin’s 3 Step Model
Increase Urgency	Unfreeze
Build a Guiding Team	Unfreeze
Get the Vision Right	Unfreeze
Communicate for Buy-In	Unfreeze
Empower Action	Transition
Create Short-Term Wins	Transition
Don’t Let Up	Transition
Make Change Stick	Refreeze

When Kotter’s model is viewed in comparison to Lewin’s model it would seem that Kotter’s model puts a lot of emphasis on “Unfreezing” within the organization and less emphasis on refreezing. This may be due in fact to the popular shift away from the concept of refreezing to a final step that is a little bit more flexible such as “soft serve ice cream in the current favorite favor” (Connelly, 2011) Many experts believe the reason behind this is that change in organizations today is constantly happening and it is just a matter of time before the next change comes, therefore they feel that it best to be in a state that can be more easily adapted to change.

The McKinsey's Framework did not prove to offer many similar factors when compared to the Lewin's and Kotter Models. It did however seem like it could be used as a useful tool for identifying gaps within the organization before starting and during the course of the change initiative. A combination of the McKinsey 7-S Framework with a mix of the Kotter and Lewin's model will likely provide a good solution for implementing change at Atlantica.

Before we can identify what steps will be taken during the process we must first become familiar with what types of change exist and which type of change is most applicable to Atlantica at this time. Without a firm understanding of why Atlantica is performing the change, it may be difficult to fully customize a change model to their particular needs.

Although there are many types of change, which fall into different categories such as personal, systems and organizational, the three types of change that happen most often in organizations are; Developmental, Transitional and Transformational. (Tucker, 2007)

Developmental change is more of an incremental change, which often occurs when companies are improving processes, methods or performance metrics. (Queensland

Governement, 2013) This change is often low stress and fairly easy to implement since the organization is just improving on a function of the business instead of completely replacing it.

Transitional change is more disruptive than developmental change, since instead of upgrading a process or method it is being replaced. This often means dismantling one product and applying a new product. This can be quite stressful on employees as they fear the lack of stability during the transition period. (Tucker, 2007)

Transformational change is often caused by an external driver that has forced the company to make radical change in the way it does things. This often results in a culture change which can instill fear, doubt and insecurity in employees. (Queensland Governement, 2013) Transformational change will often include transitional change as part of the change since the organization will need to make a shift from one method to the next. This type of change is the most difficult of the three changes listed and unlike the other two types of change, is for the most part unplanned in nature, since it is spurred by outside factors. (Tucker, 2007)

The purpose of creating a change management model for Atlantica is to deal with planned change in an orderly and strategic way, while reducing the chance of failure. Since the construction industry is a fairly consistent market and Atlantica is a local industry leader, there is little need for transformational change at this time. Additionally, it would seem that developmental change is less demanding in its requirements to overcome resistance and is more incremental in nature, through small upgrades versus replacements. Given Atlantica's need to implement a new ERP system and eliminate the old ERP, it would seem that Transitional change is the best fit. For optimal results in a transitional change it is imperative that Atlantica has a clear two way communication with the stakeholders and keeps them updated regularly while accepting feedback along the way. It is also important to reassure the stakeholders that their jobs are secure and that they will be given the support and training needed for the new ERP implementation. (Queensland Governement, 2013)

Custom Model based on Atlantica's needs

Based on the information provided regarding Atlantica and the change theories that have been reviewed, a customized model has be created with a step by step process for Atlantica to follow. The suggested model will be first laid out in a general context so it can be applied to future change efforts within the organization, then in chapter 4 the new model will be applied to the ERP implementation giving more specific details on how the steps will be performed.

The customized model will follow closely with Kotter's model but will be expanded upon to cover components from other theories that may be of value. The benefits of each of the elements of the custom model have been discussed in detail in the literature review and will therefore not be included in this section. Additionally the change process has more steps than the other theories but because it is specific to one organization and focused on planned transitional change, it can be more specific without the worry of it being a one size fits all solution. Table 12 below list the components of the custom change model.

Table 12 – Atlantica's Custom Change Model

Steps	Description
1	Diagnose the Problem
2	Apply McKinsey 7-S framework
3	Assess the motivation and capacity for the proposed change
4	Increase True Urgency
5	Prove to stakeholders the change is needed
6	Build a Guiding Team
7	Get the Vision Right
8	Communicate for Buy-In
9	Offer two way communication for feedback and updates
10	Overcome any resistance using Theory of Constraints
11	Empower Action
12	Create Short-Term Wins
13	Don't let up
14	Reward and Praise
15	Make it Stick
16	Provide Ongoing Support
17	Follow up on change implementation

Similar to other step by step change models, Atlantica's customized change model needs to be implemented in sequence, however it is expected that there will be significant overlap between the steps. Because of the fine granularity of the custom change model, there is the potential that, unlike other models, if certain steps are skipped the change effort may not fail but it will likely have a less optimal outcome than if it had been completed. The custom model has a few variations from that of Kotter's Model but there are three prominent variations that should help strengthen the model. As noted earlier, Kotter's Model doesn't seem to focus much on refreezing the change when compared to Lewin's model. Therefore steps 14, 16 and 17 have been added to create a more firm footing for the change. By creating mechanisms that support, reward and follow up with stakeholders, they are more likely to maintain the change with the hopes of it becoming a habit or the new norm. The second major variation from Kotter’s Model is the addition of steps 1, 2 and 3 which are used as check measures to affirm that the change is needed and achievable within the current organizational constraints. Further variations have also been made to Kotter’s Model through the addition of steps 5, 9 and 10. All of these steps focus on reducing the amount of unneeded resistance while harnessing the constructive resistance. Step five is used to solidify the purpose and need of the change for the stakeholder and to minimize the amount of upfront resistance from the stakeholders who don’t want to change simply because they fear change. This may also help get some of the stakeholders on the change agent’s side early, causing fewer issues further into the implementation. Steps nine and ten are designed to offer tools to discover resistance and provide solutions as well as make adjustments to the implementation based on valuable feedback. These steps will continue on throughout the remainder of the change initiative in an effort to provide the optimal outcome. By completing these steps Atlantica will be more likely to be successful in the change effort and make the decision to proceed or cancel the change effort.

Chapter 4: Atlantica ERP Implementation Change Model

Since business is constantly moving forward, at the time of writing this research paper the ERP implementation at Atlantica had already begun. However the implementation is still in the beginning stages and will benefit from the application of the new customized model.

Step 1: Diagnose the Problem

To date management has decided that the current ERP system is not capable of providing the full scope and capability that is needed for our growing organization. They have determined that a problem exist with the project management portion of the ERP system and therefore believe it should be replace with a newer more customized ERP that will be specifically built to meet the organizational requirements.

Step 2: Apply McKinsey 7-S framework

The project is too far along to be able to apply the McKinsey framework in an effort to identify gaps. However, the framework can be applied throughout the project to identify any upcoming gaps and to confirm that the future state after the change will be stable. It is recommended that this framework be applied around step 13 to determine if there will be any gaps before efforts are made to refreeze the change or make it stick.

Step 3: Assess the motivation and capacity for the proposed change

At this point in time the motivation and capability of the organization has already been assessed and found to be in an optimal position to implement change. The financial growth of the company can support the change at this time and the IT infrastructure has the capacity to run the new ERP. Additionally some employees are dissatisfied with the current ERP and are requesting a more complete solution.

Step 4: Increase True Urgency

The new ERP is currently being developed based on feedback regarding the previous ERP. This break in time between having assessed the motivation and capacity and the product being ready for Beta testing is an optimal time to move forward with the next few steps from the custom model. This is an opportunity for the change agent to make personal contact with the stakeholders of the new ERP and get them excited about the new product that is in the works. By providing the employees with a few snapshots of the new ERP and creating visual representations of the new system, the employees will get the opportunity to create an emotional attachment to the new system. It is imperative that the change agent make sure they are achieving true urgency as discussed previously.

Step 5: Prove to Stakeholders the change is needed

With many of the stakeholders looking to improve on the current ERP, this step will take little effort. A few users of the current ERP have proven to themselves that an upgraded is needed. There are however some users who are happy with the current ERP and other users that are not technology savvy and are just starting to become fully competent in the use of the current ERP. These users will need to be proven why the new product will help the organization and themselves grow.

Step 6: Build a Guiding Team

This process has been developing over the course the past few months. Managers see the need to make the switch and are onboard with the change effort. Some managers will play an active role in the change effort while others will passively support the change efforts. For this implementation the construction managers for the different PM divisions will need to be part of the guiding team. Additionally some of the users, who have come forth regarding the current ERP and its downfalls, will also be selected to be part of the guiding team. These users are familiar with needs of the project management teams and can relate to the other users at a coworker level instead of a managerial level. They have credibility among the other PMs and will be able to take the lead within their divisions.

Step 7: Get the Vision Right

Through the meetings of the guiding team and the input of the president of Atlantica and the CEO of Modern, the team will create a vision of what the future will be for users of the new ERP. The vision will help to provide a descriptive visual of how the company will benefit from the new ERP and how the project managers interaction with the new ERP will be more simplified and intuitive than the previous ERP while providing additional useful information through the use of a dashboard.

Step 8: Communicate for Buy-In

This step will involve the change agent as well as the construction managers and project managers from the guiding team to personally discuss the vision for the new ERP. The construction manager can do this through the use of meetings which occur on a regular basis, while the project managers and change agent can have one on one discussion with the future users and try to create an image for them of what the end result will look like.

Step 9: Offer two way communication for feedback and updates

By now the communication will have been started between the guiding team and the future users. The next step is to open up the channels of communication by asking for feedback on the vision thus far. The guiding team will ask the stakeholders what they do and don't like about the current ERP and what they would like to see in the next ERP. This will also give them an opportunity to gauge the user's level of resistance to the change. Additionally the guiding team members should be letting the stakeholders know that they will continue to give them updates on the progress and welcome their feedback along the way.

Step 10: Overcome any resistance using Theory of Constraints

If at this time there is any resistance to the implementation of the new ERP the change agent should use the Theory of Constraints methodology to discover the root cause of the resistance and follow the process in an effort to use this situation to create utility for all users. One of the likely constraints that will present itself is the simple fact that non-technical users will not want to switch for fear of the unknown or loss of competency. By reinforcing with them the strategy behind the change and describing some of the support mechanisms that are in place, the resistance may be able to be mitigated. It may also be beneficial to set them up with a tech friendly user to help them through the process.

Step 11: Empower Action

With many of the barriers already removed prior to this step, empowering the users into action should be relatively easy. Because the user's boss will be on the guiding team the boss barrier is no longer a factor. Additionally the information barrier should have been resolved through the early communication channels that were opened earlier in the model. The system barriers, if not already aligned, will need to be changed so the future users are being rewarded for their application and usage of the new ERP. The reward system is directly controlled by the construction manager and the president, who are both in full support of the project and therefore should be fairly simple to modify. The remaining barrier to empowerment will be self-barriers, which will need to be dealt with on a one by one basis if they haven't been overcome through the Theory of Constraints application.

Step 12: Create Short-Term Wins

At this point in time the programming for the ERP systems should be coming to an end. Since the ERP system has many different facets that are combined to make up the entire system, the change agent could release the components individually to the guiding team for testing and then once the component is finalized it could be released to all the stakeholders. By releasing the components one by one, it gives the users and opportunity to review the product and show that progress is being made on the entire system. This will offer a highly visible deliverable and help to reduce any fears from those who were unsure of the new product. It will also give those non-tech savvy users a chance to get familiar with the individual products before it is formally rolled out, giving them some time to overcome their fear and get support.

Step 13: Don't let up

After getting many wins from all the components being released it may be easy to become complacent and allow the change effort to slow down. With the finish of the transition in sight, it is important to maintain momentum to get it completed in a timely fashion. If the efforts slow down, some of the users may become unmotivated about the change and become negative. By maintaining the pace and continuing to get short term wins the stakeholders should remain at bay. The final step before full implementation and the last win should be a training session in small groups with all of the users to transfer the knowledge and knowhow to the users.

Step 14: Reward and Praise

Since old habits aren't easy to break, without properly rewarding users for making the switch, some of the users may fall back into their old habits. By rewarding them and giving them praise when they are doing the right things, they are more likely to continue with the good behavior. This reward could be financial in nature through the profit sharing, or it could be a simple praise during the weekly meetings.

Step 15: Make it Stick

With all the project managers using the new software for reporting and daily activities, it will begin to become the new norm. The only thing that could make it not stick is the availability of the old ERP system. At this point in tie it would be best to notify users and remove the old ERP system. The lack of options combined with the new way of doing things, should solidify the use of the ERP, but further work will be needed to make sure that the product is being optimized.

Step 16: Provide Ongoing Support

Since this is an in-house design there will not be any factory user manual or videos to provide for the users. However it would be in the company's best interest to create a user manual for those users who may have a difficult time navigating the software as well as for new employees. Additionally if training videos could be produced and posted on a shared network drive available for all users, then any users that were having difficulties would not have to feel embarrassed by their loss of competency during the transition and could simply watch the video as a refresher. The change agent and guiding team will also be available to provide ongoing support on a one to one basis for those who seek out the help.

Step 17: Follow up on change implementation

To assure the ERP implementation continues as a success, the change agent should preform follow ups with the users over the course of the following year. This will help reduce the workarounds that people try to create and allow them an opportunity to discuss any new issues they may have before trying to find their own solution. If problems do arise then the change agent can meet with the guiding team and look at the possibility of creating an update for the product.

Chapter 5: Conclusion

With a custom model in place, there is value in comparing the model to the previous implementation to see what was missed and could have been improved upon. This will also help determine the potential for success on the new ERP implementation based on what was and wasn't completed in the previous ERP implementation.

Table 13- Comparison of previous implementation to custom model

Steps	Description	Completed
1	Diagnose the Problem	✗
2	Apply McKinsey 7-S framework	✗
3	Assess the motivation and capacity for the proposed change	✗
4	Increase Urgency	✗
5	Prove to stakeholders the change is needed	✓
6	Build a Guiding Team	✓
7	Get the Vision Right	✗
8	Communicate for Buy-In	✗
9	Offer two way communication for feedback and updates	✗
10	Overcome any resistance using Theory of Constraints	✗
11	Empower Action	✗
12	Create Short-Term Wins	✗
13	Don't let up	✓
14	Reward and Praise	✗
15	Make it Stick	✓
16	Provide Ongoing Support	✓
17	Follow up on change implementation	✗

As table 13 shows, only 5 of the 17 steps from the new custom model were completed in the old ERP implementation, which suggests that many aspects that would have helped create a successful implementation were not present. With that said it is no surprise the previous change effort was considered a failure. To make matters worse, some of the steps that did take place in the model were only done because there was no choice in the matter. At the time Atlantica was transitioning and no longer had access to their initial ERP system and therefore were forced to switch. Consequently it was easy to prove the need for change and letting up was not an option. Additionally the employees and organization had no other option but to make it stick since they had nothing to fall back on. In reality only two steps were actually implemented by choice; creating a guiding team and providing ongoing support. These two steps alone are certainly not enough to expect a successful change effort. It is apparent that the lack of change management process in the previous ERP implementation was the root cause for its failure. Had the implementation followed a structured change management process, such as Kotter's model, it is possible that the implementation might have been somewhat successful.

Since very few of the steps from the custom change model were actually accomplished during the previous ERP implementation, it is evident that the addition of a structured change process for the new implementation will certainly increase the odds of success. Furthermore, the custom change model offers a model that not only follows a popular change model but also focuses on areas of improvement that could have been useful in the previous implementation. Given that Kotter's model, when used properly, is met with great success, the addition of steps to deal with resistance and solidifying the change will strengthen the overall change model. This will also reduce the likelihood of encountering the obstacles from the previous implementation such as employees not having buy-in or trying to find workarounds only a few months after implementation.

With the new model, the probability of success is significantly higher for the ERP implementation and the organization should be able to meets its desired objectives.

Although this model was designed with the intent of applying it to an ERP implementation, it can most certainly be used for most of the organizations planned change efforts. While the model is more robust and detailed than most change models its fine granularity will allow an inexperienced change agent to navigate the difficulties of change management with relative ease and a high chance of success.

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