The Role of Herd Behavior in Implementing Planned Organizational Changes

Aleš Popovič
University of Ljubljana, Faculty of Economics, Ljubljana, Slovenia
ales.popovic@ef.uni-lj.si

Peter Trkman
University of Ljubljana, Faculty of Economics, Ljubljana, Slovenia
peter.trkman@ef.uni-lj.si

Abstract

To implement planned organizational changes, that is, premeditated interventions intended to modify the functioning of an organization, the potential resistance from members of the organization needs to be overcome. Change applies to transitions (e.g., restructuring, reorganization, new information technology, cultural change) that are, for employees at least, often undesirable. Such transformations lead to a great deal of uncertainty and stress and may reduce employee morale and productivity, thus hindering the success of the change effort itself.

Many different approaches have been suggested for studying organizational change. In organizational change literature, business process management (BPM) has been established as a management practice which encompasses all activities of identification, definition, analysis, design, execution, monitoring and measurement, and continuous improvement of business processes, and an integrated system for managing business performance by managing end-to-end business processes.

A study by McKinsey of over 3,000 executives reports that two-thirds of respondents indicated that their organizations had failed to realize a true “step change” in performance after implementing organizational changes. The relatively high failure rate of organizational change projects has led researchers to determine that factors other than organizational- and system-level variables are equally important in implementing successful change. Many change efforts fail because change agents underestimate the importance of this individual nature of organizational change and researchers often only study very generic critical success factors. For an organization to deal with change, alterations in various design factors (e.g. technology, structures, or systems) will not be enough. The individual commitment to change depends heavily on the attitudes, openness and motivation to change of its employees.

Nevertheless, an investigation of these individual factors per se is insufficient as other members of the organization may importantly influence the individual employee’s affective, continuance and normative commitment to change. Previous organizational change studies link employees’ change uncertainty to commitment to change. It is therefore essential for organizations implementing change to better understand employees’ reactions to change uncertainty in order to manage their commitment more effectively. When deliberating about being “in” or “out”, employees consider both their own beliefs and the actions and choices of others when making a decision. In the context of BPM acceptance, the latter is captured by the concept of herd behavior, which reflects the degree to which one follows the actions of others when adopting BPM. Herd behavior has been recently emphasized as an important phenomenon vastly impacting the adoption of new practices within organizations.

The primary focus of this research project is to introduce herd behavior as a mediating mechanism transforming employees’ change uncertainty concerns in relation to their commitment to proposed organizational change. To this end, we aim to develop a conceptual model that links various types of employee change uncertainty (i.e. strategic, structural, and job-related) with herd behavior concepts (i.e. discounting own information and imitating others) and, in turn, their relationship with three forms of employee commitment (i.e., affective commitment, continuance commitment, and normative commitment) during organizational change implementation.