

## 2. Objective of the Research

In general, academic researches conduce to systematic, methodical and comprehensible gain in new knowledge. This knowledge helps to prevent, solve or at least better control current and future practical problems. Academic research evaluates theories with regard to cause-effect relationships (causality) to provide recommendations for action.<sup>1</sup>

The increasing importance of change management in the last decades led to a great number of researches which are addressed to the problem of unsuccessful change initiatives. Nevertheless, the question why some organisations are more successful in transforming than others is not easy and universal to answer. The literature and present studies provide a large number of different concepts, rules as well as approaches. In most cases, several factors influencing the success of a change project are identified by overcoming resistance to change. Yet there is no one best way of managing and leading change.

The aim of this dissertation is to investigate critical success factors of change management in successful small and medium-sized enterprises (SMEs) in Germany. The empirical research differs from other empirical investigations as most of the studies such as the researches carried out by Capgemini<sup>2</sup>, IBM<sup>3</sup>, KPMG<sup>4</sup> and McKinsey<sup>5</sup> focus on large corporations in an international context.

This research however, focuses on the German 'Mittelstand' which is often referred to as the backbone of the German economy. The German 'Mittelstand' is characterised by roughly 3.7 million SMEs and self-employed professionals in the crafts, industry, tourism and retail business as well as the service

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<sup>1</sup> Cf. Töpfer (2009), p. 2 ff.

<sup>2</sup> Cf. Capgemini Consulting (2011a); Capgemini Consulting (2011b).

<sup>3</sup> Cf. IBM (2011a); IBM (2011b).

<sup>4</sup> Cf. KPMG (2011).

<sup>5</sup> Cf. McKinsey (2011a); McKinsey (2011b); McKinsey (2011c).

industry, representing 99.7% of all businesses in Germany, producing 38% of taxable turnover and providing approximately 60% of all jobs requiring social insurance contributions.<sup>1</sup> Since up to now, little empirical work has been carried out on change management among German SMEs with the exception of Vahs and Leiser<sup>2</sup> who surveyed in majority small and medium-sized enterprises in the area of Stuttgart in 2002.

The second criterion that distinguishes this empirical research from other investigations is the focus on successful organisations. The research explores the issue how the companies that have been successful over the last years approach change management projects. Are these companies more successful in transforming and what are the most important factors for small and medium-sized enterprises when it comes to change management?

The nationwide empirical research has been carried out in cooperation with the Oskar-Patzelt-Foundation, a foundation focusing on small and medium-sized enterprises in Germany. The overall objectives of the Leipzig-headquartered foundation are to improve the public image of SMEs and to indicate the public to the importance of SMEs for the German economy. Every year, the Oskar-Patzelt-Foundation awards prizes for outstanding performances to German small and medium-sized enterprises.<sup>3</sup> These prizes are referred to as the most prestigious awards for German SMEs.<sup>4</sup> All surveyed SMEs are nominated for these prizes in 2011 or have been awarded with prizes in recent years. The prerequisites for being nominated are: the company must demonstrate an outstanding economic performance, be innovative as well as adaptable and must create as well as preserve jobs.<sup>5</sup>

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<sup>1</sup> Cf. BMWI (2011).

<sup>2</sup> Cf. Vahs/Leiser (2003).

<sup>3</sup> Cf. Oskar-Patzelt-Foundation (2011a).

<sup>4</sup> Cf. Kroker (2011).

<sup>5</sup> Cf. Oskar-Patzelt-Foundation (2011b).

The purpose of the dissertation is to understand failure to change and to provide specific recommendations for SMEs. Therefore, the empirical research focuses on the following research questions:

- What have been the reasons for the surveyed SMEs to undergo broad and far-reaching transformations over the last five years?
- To what extent did the surveyed SMEs achieve set targets in the change initiative with regard to content, budget and time objectives?
- Which factors determine the outcome of a change project? Are there critical success factors in the different phases of a change project which can be identified in most change initiatives in small and medium-sized enterprises?
- Are there any differences between the results of this empirical research and other studies?

The principal objective is to construct practicable as well as comprehensible recommendations for managing and leading change initiatives successfully. According to the mentioned research questions following hypotheses are verified.

The hypotheses can be classified into four categories. Some of the hypotheses are set up by the author of this research and others are adopted from previous empirical researches. The adopted hypotheses are indicated and the authors are mentioned in brackets. A more thorough examination of the empirical researches can be found in chapter 4.4.3 'Key Findings of Other Empirical Researches'. The four categories and hypotheses (H) are:

#### 1) Reasons for change:

- (H1-1) Change projects are ubiquitous in organisations. No differences can be observed between different industries or organisations having a different size (KPMG (2011)).

## 2) Success and failure in change projects:

(H2-1) Compared to other empirical researches (IBM (2011a)) the responding organisations of this survey show a higher success rate in implementing change projects. This is due to the fact that this survey was conducted among successful SMEs.

(H2-2) The most frequent objectives not achieved are budget-related goals. To meet objectives with regard to content and time, the budget of a change project is often exceeded (KPMG (2011)).

## 3) Critical success factors of change projects:

(H3-1) In change projects 'soft facts' are usually more important than 'hard facts' (IBM (2011a); Lucey (2008)).

(H3-2) Communication, employee participation and top-management commitment are the most important factors influencing the outcome of a change project (IBM (2011a); McKinsey (2011a)).

### *Communication:*

(H3-3) Communication is in particular important in the beginning of a change project to mobilise and engage employees as well as to create a shared problem awareness (Beer/Eisenstat/Spector (2011); Lucey (2008)).

(H3-4) Change projects are more likely to succeed if timely communication is guaranteed (KPMG (2011); Vahs/Leiser (2003)).

(H3-5) Change projects are more likely to succeed if more communication channels (in particular personal channels) are used (Vahs/Leiser (2003)).

### *Employee participation:*

(H3-6) Employee participation is in particular important in the beginning of a change project to create a sense of 'ownership'.

(H3-7) Change projects are more likely to succeed if affected employees are able to participate to the change project as early as possible (McKinsey (2011a)).

(H3-8) Change projects are more likely to succeed if affected employees are able to contribute their own ideas and thoughts to shape or cocreate the change initiative (McKinsey (2011b); Morgan/Zeffane (2003); Vahs/Leiser (2003)).

*Top-management commitment:*

(H3-9) Top-management commitment including acting in an exemplary manner is the most important task in a change project for the top-management. This behaviour is equally important in every phase of a change project (Beer/Eisenstat/Spector (2011); McKinsey (2011a)).

*Financial and other rewards:*

(H3-10) Financial and other rewards are in particular important in the implementation phase of a change project.

4) Organisational and personal willingness to change:

(H4-1) The fewer employees work in an organisation the higher the organisational willingness to change.

(H4-2) The more years an organisation is participating in the market the lower the organisational willingness to change.

(H4-3) Organisations that have implemented the last change project successful show a higher organisational willingness to change.

(H4-4) The willingness to change varies according to different hierarchical levels. Usually the top-management shows a higher personal willingness to change than employees in lower hierarchical positions (Capgemini Consulting (2011a)).

By analysing these research questions and testing these hypotheses this study evaluates the questions why some SMEs are more successful in transforming than others and what factors are increasing the likelihood for a successful change initiative. By doing so, the study aims to contribute to a better understanding of failure to change and to provide more contingent recommendations for implementing intended change successfully.

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