



**Midocean University**  
**College of Management**  
**Department/Specialization: Master of**  
**Project Management**

**Title of the research**

Cost of change

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**Academic year:**

2024

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# CHAPTER 1: Introduction

## 1.1 Introduction:

Change is the process of transitioning from a current state to a new state that is different from it, whether this transition is at the level of individuals, organizations, or societies. Change is an integral part of the nature of human life and social, technological, and economic development. Change can occur in a planned or spontaneous manner, and it can be simple and temporary or large and radical.

At the individual level, change can be related to personal or professional development, such as acquiring new skills, changing lifestyles, or even changing jobs. In the context of organizations and companies, change may include modifying business strategies, implementing new technologies, changing the organizational structure, or even restructuring business activities to keep pace with market developments.

One of the most important reasons for change is to respond to the challenges and opportunities imposed by the surrounding environment. In the business world, companies often need to adapt to volatile economic conditions, rapid technological developments, changing customer needs, and competitive pressures. For example, adopting digital transformation in organizations is a type of necessary change that helps them improve operational efficiency and remain competitive.

Change can be positive, leading to improved performance or increased productivity, or negative if not handled effectively, leading to disruption and loss.

In today's ever-changing world, the issue of "change" has become an essential part of the reality that organizations and companies face at all levels. Change is not limited to technological advancements, but also includes changes in consumer behavior, legal and regulatory systems, the global economic climate, and social and cultural trends. Organizations must embrace and adapt to change to remain competitive and achieve sustainable growth.

However, change comes at a cost. The cost of change is not only material, but includes multiple other dimensions that affect individuals, organizations, and society as a whole. These costs can be financial, psychological, cultural, and even environmental. Hence, it is important to understand

the cost of change comprehensively, in terms of the resources invested in the change processes, and the long-term effects that may result from them.

This research aims to explore the different aspects of the cost of change and how it affects the performance of organizations, with a focus on change management strategies that enable the desired benefits to be achieved at the lowest possible cost. We will start by defining the concept of the cost of change and its importance in different business environments, then we will review the factors that affect this cost such as resistance to change by employees, lack of training and guidance, and the costs of innovation and development. We will also study real-life cases of companies that faced the challenges of change, allowing for a better understanding of the dimensions of the cost and how to address them effectively.

Finally, the research will address the role of leaders and managers in facilitating change processes and achieving success in its implementation, through motivation strategies, capacity development, and improving communication within organizations.

In the era of globalization and advanced technology, change has become an inevitable reality that requires organizations and individuals to adapt to it in order to keep pace with rapid developments in various fields. Change is not just an option, but a necessity to survive in competitive markets, whether in companies, government institutions, or even the daily lives of individuals. However, change does not come without a cost.

The concept of "cost of change" is a term that expresses all the financial and non-financial resources consumed to achieve the change process, whether this change is technological, organizational, strategic, or cultural. The importance of studying the cost of change lies in its ability to help organizations make informed decisions about the extent of their readiness for change, and what the potential consequences are. Change requires redistributing resources, retraining employees, and updating technologies, in addition to careful management of the social and psychological impacts that individuals may face as a result of this change. Therefore, knowing the costs associated with change is an essential part of any organizational strategy to ensure that radical transformations do not disrupt activities or cause unexpected losses.

-Change as a necessity in the modern era:

Change can occur in many forms. It may be a response to external pressures such as changes in the market or technological advancements, or it may be the result of an internal transformation resulting from rethinking the organization's goals and strategies. For example, adopting digital solutions in organizations that previously relied on traditional processes is a significant form of change that can be costly due to the training of employees, investments in new software, and modifications to existing work methods.

Regardless of the nature of the change, it requires careful planning and an assessment of the costs associated with it. Change may be accompanied by strong resistance from employees, especially if it affects the stability of their jobs or requires them to learn new skills. This type of resistance can lead to disruption of workflow and increase the cost of change due to the need to motivate employees to accept the change, in addition to the resources required to address the psychological and practical problems that arise during that period.

#### - Financial and Non-Financial Costs of Change:

From an economic perspective, the cost of change includes the direct financial costs incurred by organizations in the form of investments in new technologies, training, and restructuring. However, the true costs of change go beyond the direct financial outlays to include hidden, non-financial costs, such as the time spent implementing the change, the psychological impact on employees, and the loss of productivity in the short term.

Time and effort are among the most valuable resources consumed in the change process. The longer the change period, the higher the cost; the time spent training employees on the new system or setting up the necessary technologies is time that could have been spent on normal operational activities. Therefore, there is always the risk of decreased efficiency and productivity during the transformation period, which can increase the overall costs in the long run.

#### - Psychological and Social Dimensions of the Cost of Change

In addition to the financial and time costs, there are social and psychological costs to change. When employees are required to adapt to new systems or different strategies, this can lead to feelings of anxiety and uncertainty. Resistance to change is a common phenomenon in organizations and may stem from fear of losing job security or feeling unable to adapt to new requirements. To overcome

this resistance, organizations need to invest additionally in effective communication processes and provide a supportive environment that helps employees embrace change more easily.

The psychological cost also includes the stress that may arise from the demands of rapid learning and overcoming practical obstacles. In some cases, psychological stress can lead to low morale and loss of motivation among employees, which translates into decreased productivity and quality of work. Therefore, change management needs to focus on the psychological and social dimensions, and develop strategies to support employees during this period.

## **1.2 Study Problem:**

Studying the cost of change is one of the major challenges facing organizations when planning to implement any major change. This problem requires a thorough analysis to identify all potential expenses and side effects associated with the change. Below we will review some of the main problems that arise when studying the cost of change and the importance of solving them to ensure the success of strategic transformations.

### **1- Determining the total cost**

**Hidden costs:** There are often invisible or unexpected costs that appear only after the change has begun to be implemented, such as costs associated with technical problems or employee resistance.

**Indirect costs:** It is difficult to accurately estimate indirect costs such as lost productivity or the impact of change on customer satisfaction.

### **2- Predicting and managing risks**

**Unexpected changes** may present unexpected challenges and risks that affect the total cost and make it difficult to adhere to the specified budget.

**Managing resistance:** Resistance to change by employees can increase the cost due to the need for additional resources for training and support.

### **3- Allocating resources efficiently**

**Project overlap:** The change project may overlap with other projects, leading to the dispersion of resources and increased costs.

Prioritization: Difficulty in prioritizing change can lead to resources being wasted on ineffective initiatives.

#### 4- Benefit-Vs-Cost Analysis

Difficulty in measuring: It can be difficult to accurately measure the expected benefits of change, making it difficult to determine whether the benefits outweigh the costs.

Long-term benefits: Some benefits may only become apparent in the long term, making it difficult to justify immediate costs.

Therefore, the performer must take into account the following:

- 1- Planning and comprehensive analysis.
- 2- Involvement of stakeholders.
- 3- Use appropriate analysis tools.
- 4- Manage risks effectively.

### **1.3 Significance of the study:**

In a fast-paced and competitive business environment, studying the cost of change is a vital step to ensuring the success of any change initiative within the organization. The major importance of studying the cost of change lies in its ability to provide accurate and comprehensive insights into the resources needed, potential risks, and expected returns. Below we explain some of the main reasons why studying the cost of change is necessary:

#### 1- Estimating the required financial resources:

Avoiding unexpected expenses: Studying the cost of change helps identify all potential expenses, including direct and indirect costs, which reduces the likelihood of unexpected expenses.

Preparing the budget accurately: This study enables the preparation of an accurate budget for change initiatives, which helps in better allocating financial resources and ensuring the continuity of funding.

#### 2- Determining the economic feasibility of change:

Analyzing benefits versus costs: The study helps in assessing whether the expected benefits outweigh the costs associated with the change, which enables informed decisions to be made about moving forward with the change or modifying it. Achieving return on investment (ROI): By assessing the expected returns, the organization can ensure that the change will achieve a rewarding return on investment.

### 3- Effective Risk Management:

Identification of potential risks: The study helps identify the risks associated with change, whether technical, financial, or human, which enables the development of strategies to mitigate these risks.

Preparation of contingency plans: By understanding the potential risks, contingency plans can be prepared to address any unexpected challenges that may arise during the implementation of the change.

### 4- Improving planning and implementation of change:

Effectively allocate human resources: By identifying the required human resources and their associated costs, tasks can be better distributed and the available competencies can be maximized.

Reducing operational disruptions: The study helps in planning how to implement the change with the least possible impact on daily operations, which reduces disruptions and ensures business continuity.

### 5- Increasing the chances of success of the change:

Enhancing senior management commitment: By providing an accurate financial analysis, senior management support can be obtained and their commitment to the change ensured.

Reducing employee resistance: By understanding the impact of change on employees and allocating the necessary resources to support them, resistance can be reduced and acceptance of the change increased.

### 6- Achieving sustainability of change:

Long-term impact assessment: The study helps in understanding the long-term effects of change on the organization, which enables decisions to be made that ensure the sustainability of the achieved benefits.

Continuous monitoring and review: By tracking actual costs against initial estimates, continuous adjustments can be made to ensure that the desired goals are achieved efficiently.

Thus, studying the cost of change is an essential element in the decision-making process within any organization. It allows for estimating the necessary resources, managing risks effectively, and balancing cost and return, which increases the chances of success of strategic changes. Through this study, organizations can improve the planning and implementation of change, mitigate disruptions, and ensure that their goals are achieved efficiently and sustainably.

#### **1.4 Study objectives:**

The cost of change study is an important strategic tool that aims to achieve a set of basic objectives that help organizations manage change efficiently and effectively. These objectives include the following:

- Accurately estimating costs:

Analysis of direct and indirect costs: The study aims to identify all potential expenses associated with the change, including the costs of materials, labor, training, and operational costs.

Avoid hidden costs: Through a comprehensive study, hidden costs that may appear during the implementation of the change can be revealed, which helps in preparing an accurate and comprehensive budget.

- Evaluating economic feasibility:

Analysis of benefits versus costs: The study aims to assess whether the expected benefits of the change outweigh the costs associated with it, which helps in making informed decisions about moving forward with the change. Achieving return on investment: (ROI) By estimating the expected returns, it can be ensured that the change will add value to the organization.

- Risk management:

Identifying potential risks The study aims to identify and analyze the risks that the organization may face during the implementation of the change, whether technical, financial, or human.

Developing risk mitigation strategies: By understanding potential risks, contingency plans and strategies can be developed to mitigate their effects.

- Improving change planning and implementation

Identifying the human and material resources required: The study aims to identify the resources needed to implement the change efficiently, including personnel, equipment, and technology.

Minimizing operational disruptions: Through thoughtful planning, change can be implemented with minimal impact on daily operations, minimizing disruptions and ensuring business continuity.

- Ensuring support and commitment

Enhancing senior management commitment: By providing an accurate and comprehensive financial analysis, senior management support can be obtained and their commitment to the change process ensured.

Reducing employee resistance: By understanding the impact of change on employees and identifying the resources needed to support them, resistance can be reduced and acceptance of change increased.

- Achieving sustainability of change

Long-term impact assessment: The study aims to understand the long-term effects of change on the organization, which helps in making decisions that ensure the sustainability of the benefits achieved.

Continuous monitoring and review: By tracking actual costs against initial estimates, continuous adjustments can be made to ensure that the desired goals are achieved efficiently.

Various and comprehensive, it helps cover all aspects related to change from cost estimation, economic feasibility assessment, risk management, improving planning and implementation, ensuring support and commitment, and achieving sustainability of change. By achieving these goals, organizations can successfully implement strategic changes, enhancing their competitiveness and ensuring their continuity in the market.

## **1.5 Questions of the Study:**

When studying the cost of change, organizations must ask a set of important questions to ensure the comprehensiveness and accuracy of the analysis. These questions help in understanding all aspects of the change and assessing its impact on the organization at all levels. The following are the most important questions that must be considered:

1- What are the direct costs of the change?

Material and equipment costs: What are the expenses associated with purchasing or updating the equipment and materials needed for the change?

Labor costs: What are the costs of additional labor or extra hours required to implement the change?

Training costs: What are the costs of training employees on new systems or modified processes?

2- What are the indirect costs of the change?

Temporary loss of productivity: What is the impact of the change on productivity during the transition period?

Quality costs: Will the change lead to quality problems in the short term? If so, what are the costs of addressing them?

Impact of change on customer satisfaction: How can the change affect customer experience and satisfaction? What are the costs associated with addressing any decrease in satisfaction?

3- What are the potential risks associated with the change?

Technical risks: Which of them?

Technical risks that may arise during the implementation of the change? How can they be mitigated?

Financial risks: Are there financial risks associated with the change, such as budget overruns? How can they be managed?

Human risks: How might the change affect employees? Are there risks associated with their resistance or lack of acceptance of the change?

4-What resources are required to implement the change?

Human Resources: What human resources are needed to implement the change? Is there a need to hire new employees or allocate specific work teams?

Material Resources: What equipment and materials are required? Are they readily available or do they take a long time to provide?

Time Resources: What is the expected timeline for implementing the change? Are there specific stages that must be completed within specific time frames?

5 - What are the expected benefits of the change?

Improved Efficiency: How will the change improve operational efficiency? What are the tangible benefits that can be measured?

Increased Revenue: Will the change increase revenue? How can this increase be estimated?

Improved Customer Satisfaction: How will the change positively impact customer satisfaction? What indicators are used to measure this?

6 - How can the change be managed effectively?

Risk Mitigation Strategies: What strategies are in place to mitigate potential risks associated with the change?

Contingency Plans: Are there contingency plans in place to address unexpected challenges? What are the specific actions in these plans?

Communication with Stakeholders: How will all stakeholders be communicated to ensure they have the necessary information and support for the change?

7 - How will the success of the change be measured?

Key Performance Indicators (KPIs): What are the key indicators used to measure the success of the change? And how will they be tracked?

Periodic reviews: How will periodic reviews be conducted to assess progress and achievement of objectives?

Adjustments and improvements: What mechanisms are in place to make adjustments and improvements based on the results of the reviews?

## **1.6 Research hypotheses:**

When conducting a cost of change study, a set of basic assumptions must be developed that guide the analysis process and ensure its comprehensiveness and accuracy. These assumptions help provide a clear framework through which to evaluate the potential costs, benefits, and risks. The following are the most important assumptions that must be considered:

1 Change is necessary to achieve strategic objectives:

Hypothesis: The proposed change is necessary to achieve the organization's strategic objectives, such as improving efficiency, increasing revenues, or improving customer satisfaction.

2. Costs and benefits can be clearly measured:

Hypothesis: The costs and benefits associated with the change can be clearly measured and identified, allowing for accurate financial analysis.

3. The resources needed to implement the change are available:

Hypothesis: The human, material, and financial resources needed to implement the change are available or can be provided within the specified timetable.

4. Risks can be identified and managed:

Hypothesis: The risks associated with implementing the change can be identified in advance, and effective strategies can be developed to manage and mitigate their effects.

5. The change will lead to improved performance:

Hypothesis: The change will lead to improved overall performance of the organization, whether in terms of productivity, quality, or customer satisfaction.

6. The change will have a positive return on investment (ROI).

Hypothesis: The expected financial benefits of the change will exceed the costs associated with its implementation, resulting in a positive return on investment.

7. Impact on current operations is manageable:

Hypothesis: The potential negative impact on current operations can be controlled and managed effectively to minimize operational disruption.

8. Acceptance and support from all stakeholders:

Hypothesis: All key stakeholders, including senior management, employees, and customers, will support and accept the change, facilitating the implementation process.

9. The change can be implemented within the specified timeline:

Hypothesis: The change can be fully implemented within the specified timeline without missing critical deadlines.

10. The change is aligned with the organizational culture

Hypothesis: The proposed change is aligned with the organizational culture and values, reducing employee resistance and increasing the chances of its success.

## **1.7 Definition of Terms:**

### ***Change:***

Change is the process of transforming or modifying organizational policies, procedures, structures, or culture in order to achieve improvements or adapt to new conditions and requirements. Change can be in response to internal challenges, and changes in the work environment include modifications in work methods, leadership strategies, technology used, or even restructuring human resources.

### ***The organization:***

is an organizational entity created with the aim of achieving specific goals, whether economic, social, educational, or service, through a set of planned and organized activities. A business establishment is managed by an administrative structure that includes a set of policies and

procedures that guide its daily operations. A business establishment may be governmental, private, or non-profit, and works to provide products or services that meet the needs of customers or society in general.

## **Chapter 2: Literature Review**

### **2.1 Introduction:**

The study of the cost of change is a multi-dimensional subject, and previous studies have shown that the long-term benefits often outweigh the initial costs, especially when the change is planned and implemented properly. Organizations can benefit from these studies to develop effective strategies for managing change and achieving the desired goals.

### **2.2 Literature Review:**

The study of the cost of change is a multi-dimensional subject, and previous studies have shown that the long-term benefits often outweigh the initial costs, especially when the change is planned and implemented properly. Organizations can benefit from these studies to develop effective strategies for managing change and achieving the desired goals.

The study of the cost of change is a vital topic in the field of management and economics, and many previous studies have been conducted that have addressed this topic from different angles. Here are some notable studies that have addressed the cost of change in different contexts:

#### **1 - Study of the cost of change in information technology (IT):**

Study title: "Analyzing the cost and benefits of adopting modern technology in medium-sized companies"

Abstract: The study examined the direct and indirect costs associated with adopting new technological systems in medium-sized companies, including equipment costs, training, and temporary loss of productivity. Expected benefits such as improved efficiency and increased customer satisfaction were also analyzed.

Results: The study showed that companies that invest in modern technology achieve a positive return on investment over a period ranging from 12 to 24 months, despite high initial costs.

#### **2 - Study of the cost of change in manufacturing:**

Study title: "The cost and benefits of adopting smart manufacturing technologies in heavy industries"

Abstract: The study focused on analyzing the cost of switching to smart manufacturing technologies, such as automation and industrial robotics, in heavy industries. The cost was analyzed in terms of new equipment, training, and the impact on the workforce.

Results: The study found that the long-term benefits, such as improved quality and reduced operational costs, far outweigh the initial costs, making the switch to smart manufacturing a worthwhile investment.

### **3- Study of the cost of change in the health sector:**

Study title: "Analysis of the cost of adopting electronic health records systems in hospitals"

Abstract: The study analyzed the costs and benefits of adopting electronic health records systems in hospitals, including the direct costs of technology and training, in addition to indirect costs such as loss of productivity during the transition period.

Results: The study indicated that adopting these systems leads to a significant improvement in the quality of health care and saves time, which is positively reflected in the total costs of the hospital in the long run.

### **4- Study of the cost of change in the education sector:**

Study title: "The cost and benefits of switching to e-learning in universities"

Abstract: The study focused on analyzing the cost of switching to e-learning in universities, including the costs of developing electronic content, training, and technological infrastructure.

Results: The study found that universities that adopted e-learning witnessed an increase in enrollment and an improvement in academic success rates, which justifies investing in this technology.

### **5- Study of the cost of change in the services sector:**

Study title: "Analyzing the cost of switching to digital customer services in banks"

Abstract: The study analyzed the costs and benefits of switching to digital customer services in banks, including the costs of developing applications, training, and costs associated with changing internal operations.

Results: The study indicated that banks that adopted digital services witnessed an improvement in customer satisfaction and an increase in operational efficiency, which led to significant financial savings in the long term.

### **2-3 Conclusion:**

Change management is a structured process that aims to help individuals, teams, and organizations move from a current state to a desired future state. This process includes planning, implementing, and evaluating changes in policies, procedures, structures, or technologies within an organization. Studies have shown the extent to which change is possible within organizations, and the factors that can influence change.

# Chapter 3: Methodology

## 3.1 Introduction:

The research deals with one of the important topics related to the aspect of business institutions, which is change and its cost. In this chapter, the sample on which the research was applied will be explained, as well as the study design, the sample, and the study tool.

## 3-2 Design of the study:

When conducting a cost of change study, it is essential to follow a clear methodology and use research methods that meet the research objectives and provide accurate and comprehensive data. The following is a suggested methodology and common research methods in cost of change study:

### 1. Determine the research objectives

The first step in the methodology: Clearly define the research objectives. What does the organization want to achieve through the cost of change study?

Is the goal to evaluate economic feasibility, analyze risks, or understand the impact of change on organizational performance?

### 2. Research design

Develop a research plan: This includes choosing the appropriate methodology (qualitative, quantitative, or mixed), identifying data collection tools, and data analysis methods.

Sample selection: Identify the target sample of employees, customers, or business partners from whom data will be collected.

### 3. Data collection

Quantitative research methods:

Questionnaires: Design questionnaires to collect quantitative data from the target sample. These can include questions about the expected costs, potential benefits, and risks associated with the change.

Financial data analysis: Collect and analyze financial data related to the expected costs and benefits of the change.

Qualitative research methods:

Personal interviews: Conduct in-depth interviews with key stakeholders to understand their perceptions and opinions about the change.

Focus groups: Organize focus groups to gather different perspectives on the change and its expected impact.

#### 4. Data Analysis:

Quantitative Analysis: Using statistical methods to analyze data collected from questionnaires and financial data, Excel will be used to conduct the analyses.

Qualitative Analysis: Analyzing qualitative data collected from interviews and focus groups using content analysis or thematic analysis techniques.

#### 5. Cost and Benefit Estimation:

Identifying Direct and Indirect Costs: Analyzing the costs associated with implementing the change, including initial costs (such as equipment and training) and ongoing costs (such as maintaining new systems).

Identifying Direct and Indirect Benefits: Analyzing the expected benefits of the change, such as improved efficiency, increased revenue, and improved customer satisfaction.

#### 6. Risk Analysis:

Identifying Potential Risks: Identifying the risks that the organization may face during the implementation of the change, such as employee resistance or disruption to operations.

Risk Impact Assessment: Analyzing the impact of potential risks on the expected costs and benefits of the change.

#### 8. Make recommendations

Develop recommendations based on the analysis results, providing clear recommendations to management on whether

implementing the change and how to manage the costs and risks associated with it.

#### 9. Document the results

Prepare a final report: Document all results and analyses in a final report that includes all data, analyses, and recommendations.

Present the results Present the results to management and key stakeholders through presentations and meetings.

### **3-3 Conclusion:**

Following a comprehensive research methodology and using appropriate research methods helps provide an accurate and comprehensive cost analysis. By defining research objectives, collecting quantitative and qualitative data, and analyzing costs, benefits, and risks, organizations can make informed decisions about implementing and managing change effectively.

## Chapter 4: Results

### 4-1 Introduction:

The study is very interested in identifying the cost of change, and how institutions can work to change their policies at the lowest costs. The study relied on conducting a questionnaire for a sample of 10 business institutions in which the questionnaire was implemented, in order to arrive at the results of the research correctly.

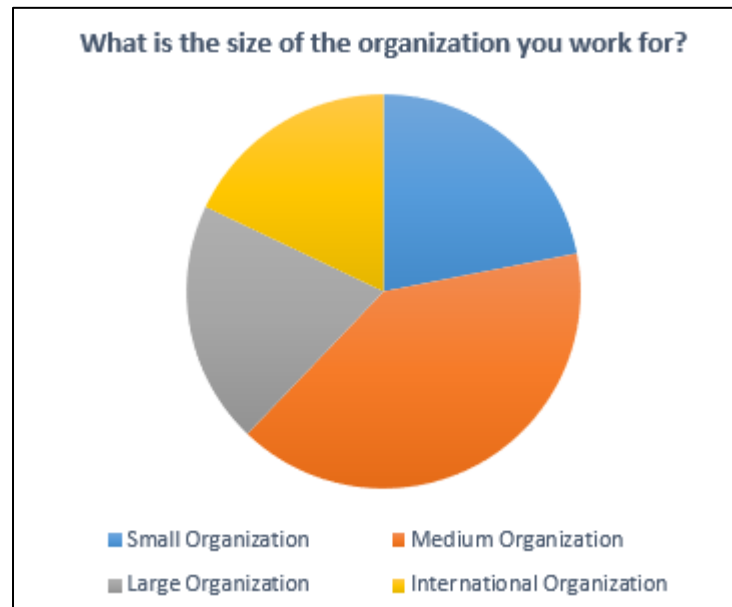
### 4-2 Results:

When answering the question (What is your job title in your organization?), which is a question that aims to know the job level of the sample, the answer was Company Owner at a rate of (23.1%), the answer was Manager at a rate of (40.4%), the answer was Assistant Manager at a rate of (26.5%), and the answer was Employee at a rate of (10%).

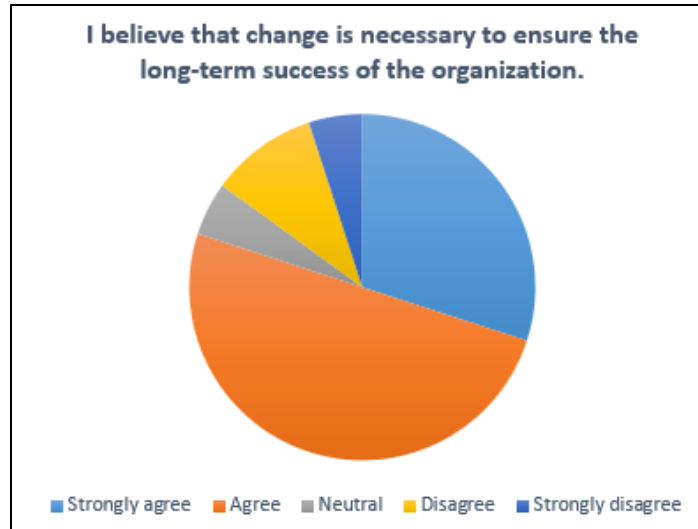


When answering the question (How many years have you worked in this organization?), which is a question that aims to know the employees and founders of the organization in all aspects of the work completely, the answer ranged from one to 10 years.

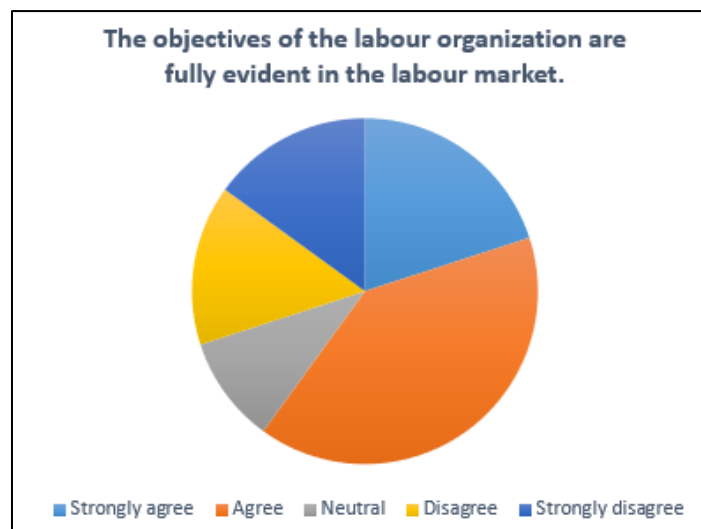
When answering the question (What is the size of the organization you work for?), the answer was Small Organization with (22%), the answer was Medium Organization with (40%), the answer was Large Organization with (20%), and the answer was International Organization with (18%).



When answering the question (I believe that change is necessary to ensure the long-term success of the organization), the answer was Strongly Agree with (30%), the answer was Agree with (50%), the answer was Neutral with (5%), the answer was Disagree with (10%), and the answer was Strongly Disagree with (5%).



When answering the question (The objectives of the labour organization are fully evident in the labour market), the answer was Strongly Agree with a percentage of (20%), the answer was Agree with a percentage of (40%), the answer was Neutral with a percentage of (10%), the answer was Disagree with a percentage of (15%), and the answer was Strongly Disagree with a percentage of (15%).

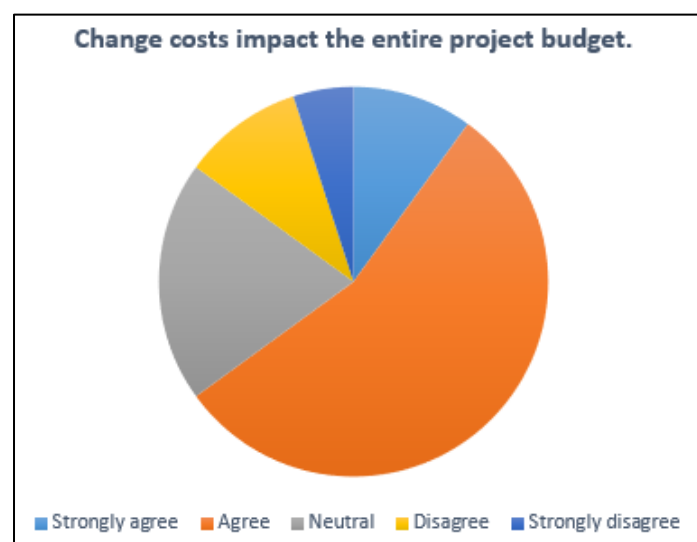


When answering the question (The labor organization needs to change to improve its production level), the answer was Strongly Agree with a percentage of (30%), the answer was Agree with a

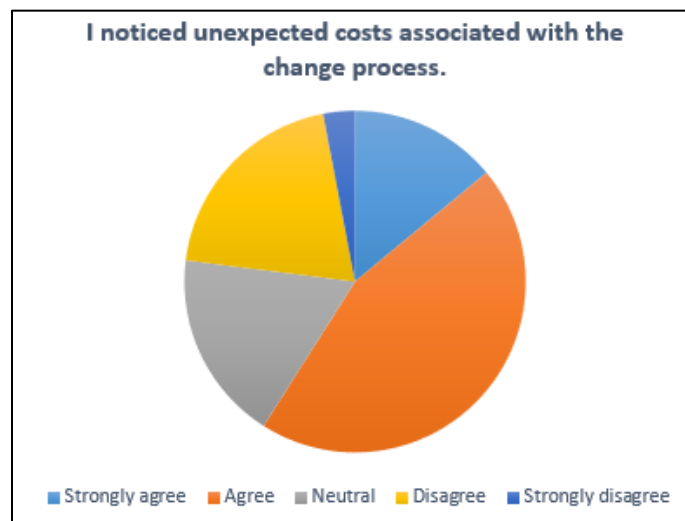
percentage of (20%), the answer was Neutral with a percentage of (15%), the answer was Disagree with a percentage of (15%), and the answer was Strongly Disagree with a percentage of (20%).



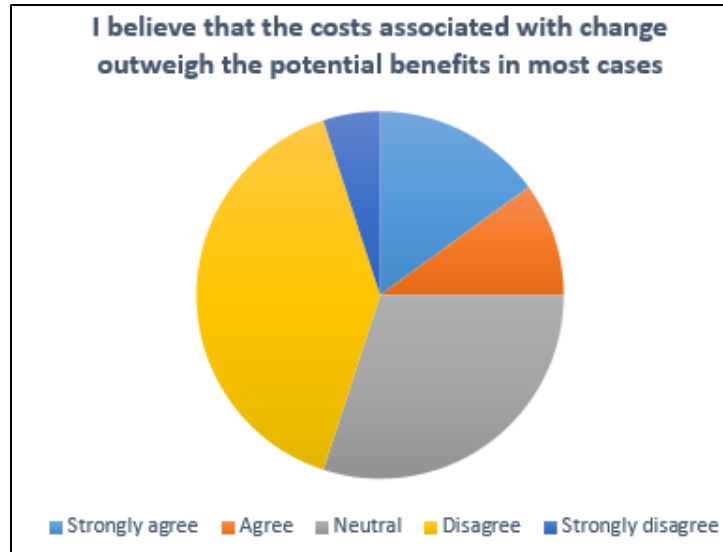
When answering the question (Change costs impact the entire project budget), the answer was Strongly Agree with a percentage of (10%), the answer was Agree with a percentage of (55%), the answer was Neutral with a percentage of (20%), the answer was Disagree with a percentage of (10%), and the answer was Strongly Disagree with a percentage of (5%).



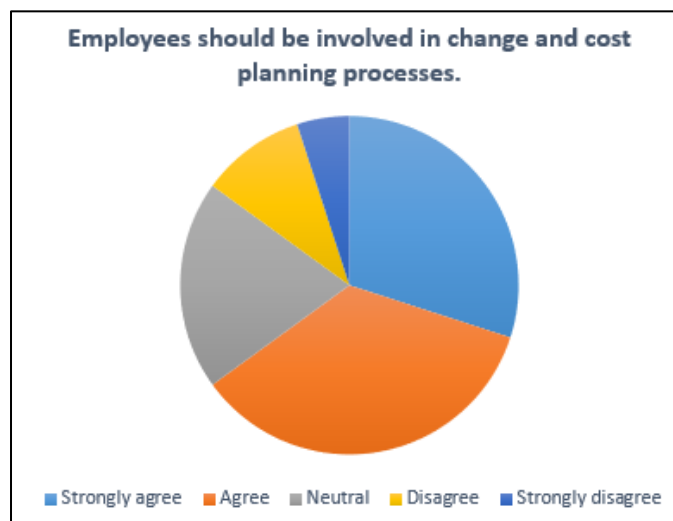
When answering the question (I noticed unexpected costs associated with the change process), the answer was Strongly Agree with (14%), the answer was Agree with (45%), the answer was Neutral with (18%), the answer was Disagree with (20%), and the answer was Strongly Disagree with (3%).



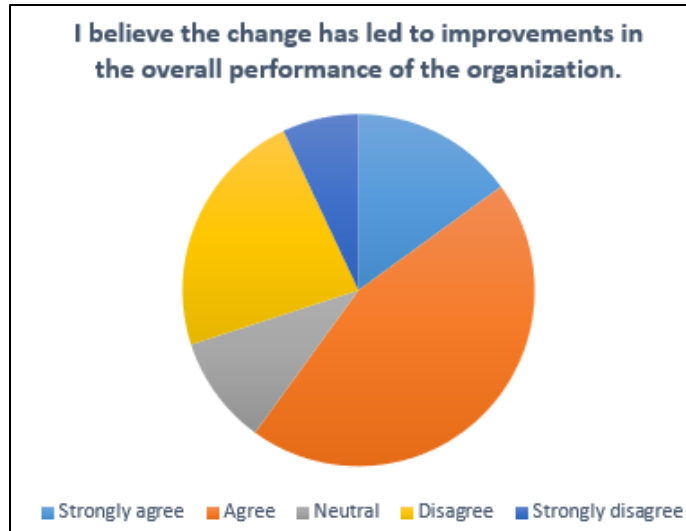
When answering the question (I believe that the costs associated with change outweigh the potential benefits in most cases), the answer was Strongly Agree with (15%), the answer was Agree with (10%), the answer was Neutral with (30%), the answer was Disagree with (40%), and the answer was Strongly Disagree with (5%).



When answering the question (I noticed unexpected costs associated with the change process), the answer was Strongly Agree with (30%), the answer was Agree with (35%), the answer was Neutral with (20%), the answer was Disagree with (10%), and the answer was Strongly Disagree with (5%).



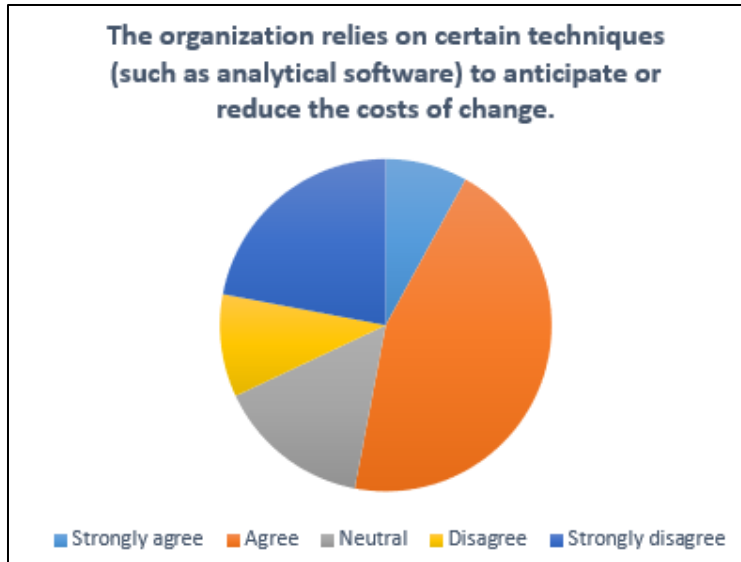
When answering the question (I believe the change has led to improvements in the overall performance of the organization), the answer was Strongly Agree with (15%), the answer was Agree with (45%), the answer was Neutral with (10%), the answer was Disagree with (23%), and the answer was Strongly Disagree with (7%).



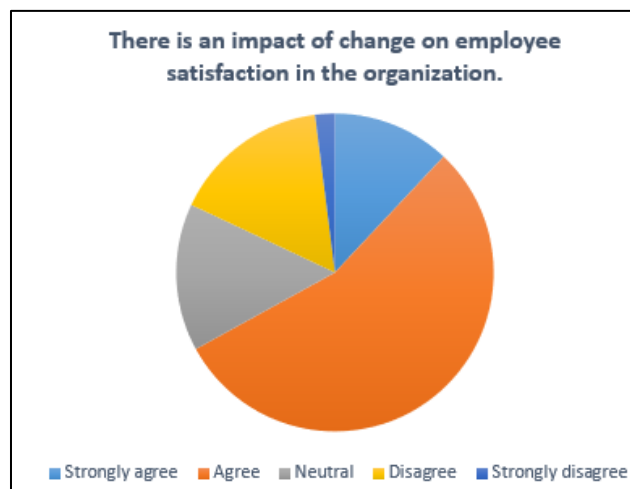
When answering the question (The business organization adopts strategies to reduce the costs of change), the answer was Strongly Agree with (10%), the answer was Agree with (35%), the answer was Neutral with (19%), the answer was Disagree with (20%), and the answer was Strongly Disagree with (16%).



When answering the question (The organization relies on certain techniques (such as analytical software) to anticipate or reduce the costs of change), the answer was Strongly Agree with (8%), the answer was Agree with (45%), the answer was Neutral with (15%), the answer was Disagree with (10%), and the answer was Strongly Disagree with (22%).

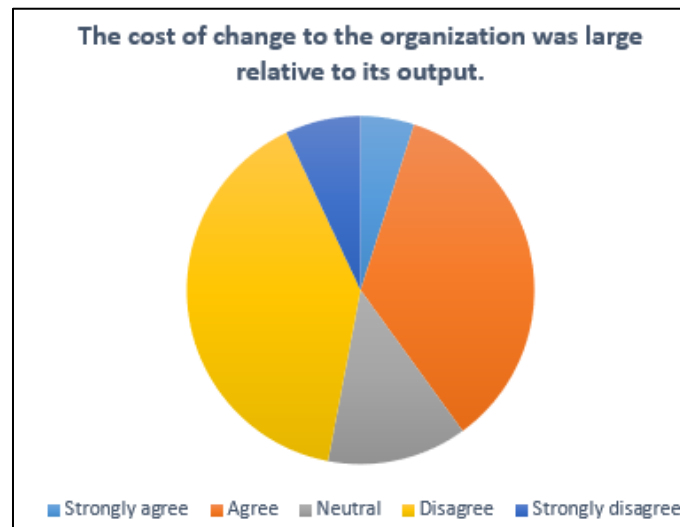


When answering the question (There is an impact of change on employee satisfaction in the organization), the answer was Strongly Agree with (12%), the answer was Agree with (55%), the answer was Neutral with (15%), the answer was Disagree with (16%), and the answer was Strongly Disagree with (2%).



When answering the question (The cost of change to the organization was large relative to its output), the answer was Strongly Agree with (5%), the answer was Agree with (35%), the answer

was Neutral with (13%), the answer was Disagree with (40%), and the answer was Strongly Disagree with (7%).



#### **4-3 Conclusion:**

The questionnaire was implemented in a way that ensures that the results are fair and unbiased, so that the results are reached correctly.

# **Chapter 5: Discussion and Recommendations**

## **5-1 Introduction:**

Managing the change process and its costs is one of the most important factors that contribute to the success of institutions in general, as the institution must keep pace with all developments occurring in the world, and if the change occurs incorrectly, it will negatively affect the institution as a whole.

## **5-2 Discussion:**

Direct costs of change are those expenses that an organization incurs immediately and specifically in order to implement the change. These costs are tangible and can be easily identified through financial and management reports. These costs include items such as training, new technology, consulting, and additional human resources. Direct costs vary depending on the size and type of change required, but they are still an essential element that must be planned for in advance to ensure the success of the change.

Different Types of Direct Costs:

### **1. Training and Development Costs**

One of the biggest challenges organizations face when implementing change is the need to train employees on new skills or technological systems that will be implemented. This process requires time and effort, in addition to direct financial costs related to organizing training courses or workshops for employees. These costs include:

- Costs of external trainers.
- Costs of training materials.
- Employee travel costs if the training is external.
- These costs are considered an investment in human capital, which is essential to enable employees to deal with change efficiently.

## 2. Technology and Infrastructure Costs

Often, organizational change requires implementing new technologies or upgrading the technology infrastructure. This includes purchasing new software and hardware, installing new systems, and ensuring their compatibility with legacy systems. These costs include:

- Purchasing the necessary software and licenses.
- Costs of new hardware and equipment.
- Maintenance and technical support costs for the new infrastructure.

An example of this is when a company decides to switch to a new enterprise resource planning (ERP) system. The company will need to invest heavily in software, in addition to the costs of installing and supporting the new system.

## 3. Consulting costs

Organizations often turn to external consultants to help them manage change. These experts analyze the current situation of the organization and provide strategies to improve its operations and adapt them to changes. Consulting costs include:

- Consultant fees.
- Costs of studies and analyses they provide.

These costs are especially necessary if the organization lacks the internal expertise needed to manage change effectively.

## 4. Communication Costs

Communicating with employees and stakeholders is an essential part of the success of any change. An organization needs to inform all stakeholders about the change being implemented, and manage expectations around it. Communication costs include:

- Preparing promotional and informational materials.
- Organizing internal meetings and workshops.
- Managing communication campaigns via email or social media.
- These costs help build internal awareness of the change and reduce employee resistance to it.

## 5. Human Resources Costs

The organization may need to hire new employees or allocate dedicated teams to manage the change process. Human resources costs include:

- Costs of hiring additional or temporary employees.
- Overtime fees for existing employees working to implement the change.
- These costs are essential to ensuring that there are dedicated teams to implement the change effectively.

## 6. Reorganization Costs

In some cases, change requires restructuring the organization or organizing new departments. This process may result in costs associated with transferring employees or laying them off if the change requires it. These costs include:

- Severance costs.
- Costs of reassigning employees to new locations.

## 7. Costs of temporary shutdowns or slowdowns in production

During the change period, the organization may experience temporary shutdowns in production or slowdowns in operations, which negatively impacts revenues. These losses are part of the direct costs, especially if production operations depend on the systems or processes being changed.

### **Real-world examples of direct costs of change:**

#### Case Study 1: Technological Change at General Electric (GE)

In the 1990s, GE decided to adopt a comprehensive information technology system to improve operations and streamline management. This change involved a large investment in purchasing new software and training employees to use it. The company incurred huge costs in training and software, but benefited from improvements in productivity and efficiency in the long run.

#### Case Study 2: Organizational Change at Toyota

When Toyota implemented “Lean Production” to improve its manufacturing operations, the company had to allocate a large budget to train employees on this new system. In addition, it hired

outside consultants to help implement the change. These costs were high, but they ultimately led to significant improvements in efficiency and quality.

### **The Importance of Managing Direct Costs of Change:**

It is one of the essential elements in ensuring the success of the change process within the organization, because it directly affects the financial and productive capacity of the organization during and after implementing the change. Here are some points that illustrate the importance of managing these costs:

#### **1. Maintaining financial sustainability**

The change process requires large financial investments that may affect the organization's budget. Through effective management of direct costs, organizations can control spending and not exceed the budget allocated for change. If costs are dealt with carelessly, they may lead to financial losses or cash crises. Therefore, good financial planning and accurate cost assessment are essential to maintaining the organization's financial stability.

#### **2. Balancing costs and benefits**

It is important for the organization to analyze the potential benefits of the change compared to the direct costs associated with it. This analysis helps determine whether the change is worth the direct costs invested in it. Cost management ensures that the expected benefits of the change outweigh the costs and achieve added value for the organization in the long term.

#### **3. Increasing implementation effectiveness**

By controlling direct costs such as training or technology costs, organizations can improve the effectiveness of the change process. When costs are managed well, resources can be allocated appropriately and the support needed to implement change can be ensured smoothly and without delay.

#### **4. Reducing financial risks**

Organizations that do not manage change costs properly are exposed to high financial risks. They may find themselves facing cash flow difficulties or increasing debt if costs exceed the expected

budget. By effectively managing direct costs, organizations can reduce these risks and ensure that their financial health is not harmed.

#### 5. Reducing employee resistance

Managing direct costs effectively, such as allocating sufficient resources to train and mentor employees during the change period, helps reduce employee resistance to change. When employees feel that the organization is investing in their training and support, they are more willing to embrace and adapt to the change, which increases the chances of its success.

#### 6. Controlling the duration of change

If costs are not managed well, they may lead to delays in implementing the change due to lack of resources or funding. Proper cost management ensures that the necessary funding is provided in a timely manner and avoids unnecessary disruptions, which helps to complete the change on schedule.

#### 7. Enhance Competitiveness

When direct costs are managed efficiently, an organization can achieve change faster and more effectively than its competitors. This leads to improved operational performance and increased competitiveness in the market. Cost management helps direct investments towards the areas that are most important and most impactful to the success of the organization.

#### 8. Achieving Stakeholder Satisfaction

Managing direct costs in a sound manner contributes to the satisfaction of all stakeholders, whether they are employees, investors, or customers. Customers expect to benefit from changes that benefit them, and investors want to see greater profits as a result of change. If costs are managed effectively, an organization can meet these expectations and increase stakeholder satisfaction.

### **Indirect costs of the project:**

Indirect costs are costs that cannot be directly traced to a specific project or activity, but that affect the progress of the project and are taken into account when determining its total costs. These costs include overhead resources such as electricity, rent, and administrative costs. Most often, these

costs are spread across several projects or departments within an organization, making it difficult to determine the exact value that goes to each project.

Indirect costs include several aspects, such as general operating costs that indirectly support the project and human resource costs not directly related to project implementation. Organizations must carefully manage these costs to ensure that projects achieve maximum effectiveness and profitability.

#### **- Classification of indirect costs:**

Indirect costs vary and can be divided into several types based on their nature and impact on the project:

##### **1. Administrative costs**

Include administrative costs associated with operating the project, such as salaries of administrators and employees not directly related to project operations. These costs also include the cost of office materials and logistics.

##### **2. General and operating costs**

These costs are associated with operating the facility as a whole, such as:

- Electricity and water bills.
- Heating and cooling.
- Maintenance and repair costs.
- Rents.

Although these costs are not related to a specific project, they are necessary to ensure a suitable working environment for project implementation.

##### **3. Technology costs**

Include costs associated with the use of technology within the project, such as the cost of IT infrastructure, technical maintenance, and software license fees. These costs are necessary to ensure the operation of systems that support workflow, but are not directly related to production activities.

#### 4. Financial and accounting costs

Include financial costs such as accounting fees, taxes, and bank interest. These costs may not be directly related to the project, but they affect the overall financial management of the organization and are reflected indirectly in the performance of the project.

#### 5. Compliance and regulatory costs

These costs include fees and expenses related to compliance with government laws and regulations or environmental and professional standards. Although they do not directly affect production, failure to comply with them may result in penalties that affect the project as a whole.

#### 6. Insurance costs

Include property insurance costs, accident insurance, and employee health insurance. These costs protect the organization from unexpected risks but do not directly affect the implementation of project-related activities.

### **Real-world examples of indirect costs:**

#### Case Study 1: Overhead Costs in a Production Company

In a television production company, indirect costs may include rents paid to rent production offices, as well as costs associated with electricity, water, and communications. These costs are not associated with a specific television program, but they affect the overall production cost.

#### Case Study 2: Administrative Costs in a Construction Company

In a large construction company, administrative costs such as salaries for administrative and supervisory staff are part of the indirect costs. In addition, insurance costs and rent for the company's headquarters also fall into this category. These costs indirectly affect the individual projects that the company manages.

#### Case Study 3: IT Costs in a Consulting Company

In consulting companies, IT infrastructure is an essential part of operations. Indirect costs for these companies include software license fees, maintenance and technical support costs, and IT specialists' salaries. These costs are not associated with a single consulting project, but are essential to ensuring the efficiency of all projects.

## **Impact of Indirect Costs on Projects:**

### **1. Reducing Profitability**

Indirect costs make up a large portion of a project's total costs, and if not managed properly, can reduce profitability. These costs are usually fixed, meaning that projects that require longer time or additional resources will be less profitable as a result of the accumulation of indirect costs.

### **2. Impact on Cash Flow**

Indirect costs can affect the flow of cash within a project, especially if they accumulate unexpectedly. High indirect costs can reduce the funds available to implement the project, leading to delays or reduced quality of implementation.

### **3. Difficulty in Fairly Allocating Costs**

Since indirect costs are often spread across multiple projects, it becomes difficult to determine how to fairly allocate these costs between different projects. This can lead to some projects incurring increased costs without a direct return.

## **Indirect Cost Management Methods:**

Effectively managing indirect costs is essential to ensure the success of projects and achieving the desired profitability. Here are some important methods for managing indirect costs:

### **1. Cost Analysis and Evaluation**

Cost analysis is the first step in managing indirect costs. Through a careful analysis of the costs associated with the project, the organization can determine which categories fall under indirect costs and how they affect the overall budget. This analysis includes:

**Fixed and Variable Cost Analysis:** Indirect costs can be fixed (such as rents) or variable (such as electricity bills). Understanding the type of costs helps in managing periods when variable costs may rise.

**Identifying the activities that cause indirect costs:** Tools such as Activity-Based Costing can be used to understand which activities result in indirect costs and how to improve those activities.

## 2. Develop an accurate budget for indirect costs

Preparing budgets requires careful financial planning for indirect costs. This includes:

- Accurately estimating costs: Based on historical data and reviewing previous expenses.
- Allocating separate budgets for indirect costs: A portion of the budget can be allocated to cover expected indirect costs to avoid any shortage of financial resources when needed.
- Including indirect costs in the overall project budget: Although these costs are not directly related to production activities, they affect the overall budget and must be included to ensure that project costs are fully estimated.

## 3. Using cost management tools and programs

Modern cost management programs provide effective tools to manage indirect costs accurately and transparently. These programs help in:

- Track costs in real time: Through them, indirect costs can be tracked directly during project implementation.
- Issuing detailed spending reports: Allowing periodic reports on indirect costs to be prepared and determining whether there is a budget overrun or unexpected expenses.
- Distributing costs to projects fairly: These tools help distribute indirect costs to different projects based on specific factors such as working hours or space used.

## 4. Improving operational efficiency:

Indirect costs can be reduced by improving the efficiency of operational and administrative processes. This includes:

Reducing resource consumption: Energy and resource efficiency improvement techniques can reduce costs such as electricity and water bills.

Automate administrative processes: Leveraging technological tools to automate administrative processes (such as document management, billing, and communication) reduces the need for administrative human resources and thus lowers costs.

Leverage flexible management: Promoting a flexible work culture such as remote work can reduce costs associated with offices and facilities.

#### 5. Monitor performance regularly:

Continuously monitoring project costs, including indirect costs, helps detect any overruns before they become major problems. Managers should:

Conduct periodic budget reviews: Review budgets on a monthly or quarterly basis to ensure that indirect costs are within expected limits.

Compare expected costs with actual costs: Evaluate gaps between expected and actual costs and take corrective action when needed.

#### 6. Allocate costs fairly and effectively:

Allocating indirect costs is a major challenge in managing multiple projects. To ensure fair distribution:

Use accurate allocation factors: Indirect costs can be allocated based on factors such as the number of hours worked or the percentage of shared resources used.

Define accurate cost loading rates: Cost loading rates can be applied to ensure that indirect costs are distributed equitably across projects and departments.

#### 7. Negotiating with suppliers and suppliers:

Sometimes, better terms can be negotiated with suppliers and suppliers to reduce some indirect costs such as maintenance or technical support costs. Leveraging good relationships with suppliers can help in obtaining reduced prices or additional services.

#### 8. Improving internal policies:

Improvements in internal policies can lead to reduced indirect costs. For example:

Establishing clear policies for the optimal use of resources: such as reducing energy consumption during non-working hours, or reducing the use of office materials.

Promoting a culture of teamwork: By improving internal communication between different departments, indirect costs associated with management and coordination can be reduced.

#### 9. Reducing waste:

Reducing waste in the use of resources can reduce indirect costs. This requires identifying areas that can be improved to reduce unnecessary spending:

Improving the use of facilities: Ensuring the optimal use of office space and facilities can reduce maintenance and energy costs.

Managing inventory effectively: Reducing the number of stored resources or improving the inventory management process can reduce indirect costs associated with storage.

### **Potential risks associated with organizational change:**

Change in organizations is an ongoing process that aims to modify or improve organizational processes, systems, and structures to meet new challenges or take advantage of available opportunities. Change can be gradual or radical, and the types of risks associated with change are characterized by:

#### 1. Employee Resistance to Change:

One of the most common risks that organizations face when implementing change is employee resistance. Employees are often reluctant to accept change for reasons such as:

- Fear of the unknown: Employees may feel uncertain about new changes and fear losing their jobs or not being able to adapt to new roles.
- Getting used to exist routines: Getting used to working with old systems and processes can lead to resistance to change.
- Lack of trust in leadership: If there is not enough trust in leadership or the goals of the change, employees may be reluctant to accept the change.

## 2. Temporary loss of productivity

A change in systems or processes can lead to a loss of productivity in the early stages. For example, if a new technological system is implemented, employees may need time to learn the new system, leading to slower performance and lower productivity.

## 3. Financial risks:

Change is an investment project that requires specific budgets. The financial costs associated with change can exceed expectations, especially if:

- The costs associated with training and technology were not well planned.
- Projects are delayed due to unexpected complications.
- Resistance to change causes additional costs such as retraining employees or hiring new employees.

## 4. Deterioration of work culture:

Change can cause a deterioration of work culture if it is not handled well. Change can lead to:

Disturbances in employee relationships.

Increased psychological stress, especially if the change occurs quickly without employee involvement.

Loss of trust between employees and management if they feel they have not been consulted or their opinion has been ignored.

## 5. Impact on product or service quality

When major changes are implemented, the quality of the product or service may be affected. For example, if the quality management system is changed or work teams are restructured, this may lead to a temporary decrease in quality or an increase in errors.

## 6. Technological Risks

Technological change exposes organizations to technological risks, such as:

Failure of new systems: There may be integration issues or malfunctions in new systems.

Data security: The transition to new systems may be vulnerable to undiscovered security vulnerabilities.

Inability to adapt: Some employees may fail to adapt to new technologies, which negatively impacts overall performance.

#### 7. Legal and regulatory risks

Regulatory or technological changes may lead to legal risks if regulatory or legal requirements are not complied with. For example, if an organization changes its work policies, employees may be exposed to issues related to the rights and duties imposed by local laws.

#### 8. Impact on customer relationships

Change can also affect an organization's relationships with its customers. If customers feel that the change negatively impacts quality or service, they may stop dealing with the organization or move to other competitors.

### **Real-world examples of the risks associated with change:**

#### 1. Kodak Technological Change

Kodak was a pioneer in the photography industry, but it faced a major risk when it ignored the shift to digital photography. Failure to adapt to the new technology eventually led to the company's collapse and near-exit from the market. This example illustrates the risks of not adopting technological change in a timely manner.

#### 2. General Motors Restructuring

During the global financial crisis, General Motors undertook a major restructuring to improve its financial performance. However, the company faced strong resistance from employees and management, resulting in delays in implementation and increased costs. This case demonstrates the importance of managing employee resistance during organizational change.

## **Strategies to mitigate the risks associated with change:**

### **1. Effective change management:**

One of the most important ways to avoid the risks associated with change is to implement effective change management. This can be achieved through:

Transparent and continuous communication with employees and stakeholders.

Involving employees in the change process to make them feel that they are part of the decision and not just recipients.

Developing a clear plan for change that includes goals, stages, and expected outcomes.

### **2. Training and development:**

To reduce the risk of losing productivity or resisting change, training and development programs should be provided to employees. These programs help them adapt to new systems or organizational changes faster and more efficiently.

### **3. Good financial planning:**

Organizations should develop accurate financial plans that take into account all costs associated with change, including potential costs of risks. Good financial planning helps avoid financial crises associated with change and helps in the continuity of operations.

### **4. Technology risk management:**

When implementing technological changes, it is important to ensure that:

- New systems are tested extensively before implementation.
- Providing alternative plans in case the new system fails.
- Ensuring data security and protecting sensitive information from breaches.

### **5. Compliance with laws and regulations:**

Avoiding legal risks requires full compliance with local and international laws and regulations. Organizations should consult with legal advisors to ensure that changes do not conflict with applicable laws.

## 6. Managing customer relationships:

To maintain customer confidence during change, you should:

- Communicate clearly with customers about the changes and their reasons.
- Ensure that the change does not affect quality.
- Provide the necessary support to customers during the period of adaptation to the new changes.

## **Resources Required to Implement Change:**

### 1. Human Resources:

Human resources are the foundation of any change process. Implementing change requires a trained workforce that is able to adapt to the new changes. Human resources include:

**Leadership and Management:** The change process requires leaders who manage the change and direct teams towards achieving the new goals. Change leaders must be able to communicate clearly with employees, provide direction, and manage resistance to change.

**Staff:** Employees are an essential part of the change process, as they must be trained and developed to keep up with the new systems and processes. Training and development programs are designed to help them adapt to the change.

**Change Teams:** Sometimes, change may require the formation of dedicated teams to manage and implement the project. Change teams include specialists in specific areas such as technology or strategic planning, who are responsible for ensuring that the change is implemented smoothly.

### 2. Financial Resources

Financial resources are an essential element in the success of any change process. Each stage of the change process requires dedicated budgets to support it. Financial resources include:

**Direct costs:** such as the costs of purchasing new equipment or technology, consulting costs, or the cost of training employees.

Indirect costs: such as the costs of temporarily stopping production or slowing down operations while adapting to change.

Investing in innovation: Sometimes, change requires additional investments in research and development to adopt new technologies or innovative ways of working.

### 3. Technology resources:

Change in organizations often requires updating technology or implementing new technologies to support operations. Technology resources include:

Software systems: An organization may need to implement new software systems such as enterprise resource planning (ERP) systems or customer relationship management (CRM) systems.

Technological infrastructure: Some changes may require upgrading technology infrastructure such as servers, networks, or computers to support new operations.

Maintenance and technical support: It is essential to have technical support teams available to ensure that new systems run smoothly and are maintained when needed.

### 4. Information resources:

Information is a key strategic resource that helps organizations make informed decisions during the change process. Information resources include:

Performance data and analysis: Organizations need accurate data on the performance of current operations to identify areas that need change. Analytical tools can be used to analyze this data and suggest solutions.

Market Research: In the case of strategic or developmental change, organizations need market research to understand customer needs and future trends in the industry.

Feedback from employees and customers: Feedback allows the organization to understand the acceptance of the change and identify areas that need improvement.

### 5. Time Resources:

Time is one of the most important resources in any change process. Good planning for time allocation and ensuring clear timelines ensure that the change is implemented smoothly. Time resources include:

- **Adaption period:** Employees need time to adapt to new systems or changes in work methods.
- **Implementation timeline:** A specific timeline should be developed for implementing the change that includes the different stages and tasks required.
- **Training and development time:** Training on new systems or processes requires time that should be included in the overall timeline.

### **The Importance of Managing These Resources:**

Efficiently managing resources is crucial to ensuring the success of change. Good resource planning allows:

- **Reducing costs:** Managing financial resources intelligently helps reduce unnecessary costs and ensures that budgets are not exceeded.
- **Increasing productivity:** Allocating human and technological resources appropriately contributes to maximizing the benefits of change without compromising production efficiency.
- **Reducing risks:** Effectively managing resources reduces the risks of failure to implement change, such as employee resistance or technological failures.

### **Real-world examples of resources required to implement change:**

#### **1. Toyota – Lean Production:**

When Toyota implemented Lean Production, the resources required included training employees in new methods, implementing new technology to support operations, and investing heavily in restructuring production lines. The company achieved tremendous success after implementing this change due to effective resource management.

## 2. Amazon – Digital Transformation:

Amazon has applied artificial intelligence and data analytics technologies to improve its services and increase efficiency. This change involved huge technological resources, including developing software systems and investing in large data centers, in addition to allocating specialized teams to work on these improvements.

### **Resource Management Strategies:**

#### 1. Advance Planning

Good planning is the foundation of resource management. Organizations must identify the resources required for each stage of change and establish clear budgets and timelines to ensure that resources are available in a timely manner.

#### 2. Ongoing Communication

Effective communication between teams helps distribute resources evenly and ensures that all stakeholders are aware of the stages of change and their needs.

#### 3. Leveraging Technology

Using technological tools to manage resources such as resource planning software can help track resource use more efficiently and reduce waste.

#### 4. Risk Management

Identifying potential risks associated with resource shortages or misallocation helps take proactive measures to address these risks before they negatively impact the change process.

### **Expected Benefits of Change:**

#### 1. Improved Performance and Efficiency

One of the biggest expected benefits of change is improved performance and operational efficiency. Change can lead to:

Reduced operational costs: By improving processes and eliminating waste in resources, an organization can achieve greater efficiency and reduce costs.

Increased productivity: Change may involve adopting new technologies or reorganizing work teams, which increases productivity and enhances employee performance.

Improved quality: Change can lead to the implementation of new systems that focus on improving the quality of products or services provided to customers, which increases customer satisfaction and reduces defects or errors.

## 2. Promoting Innovation:

Promoting innovation is one of the main benefits that organizations gain from change. When organizations encourage change, they create an environment that is receptive to new ideas and continuous development. Some examples include:

Adopting new technologies: Technological change can lead to the adoption of new tools that help improve performance and provide new services to customers.

Stimulating creativity among employees: Change can motivate employees to come up with new ideas to improve processes or products. An organization that embraces innovation is better positioned to respond to new challenges.

Improving competitive capabilities: Through innovation, the organization can develop distinctive products or services that distinguish it from its competitors and increase its competitive ability in the market.

## 3. Increased customer satisfaction:

Change can improve customer satisfaction by:

Improving customer experience: Customer-focused change can include improving customer experience by providing faster and better services, improving digital channels, or improving product quality.

Responding to changing customer needs: Continuous change helps an organization adapt to changing customer expectations and better meet their needs.

Increasing customer loyalty: By offering innovative, customer-oriented solutions, an organization can build a stronger relationship with its customers and increase their loyalty.

#### 4. Improving market adaptability:

Change allows organizations to adapt more quickly to changes in the market. In a fast-paced business world, the ability to adapt to changing conditions is one of the most important success factors. Benefits related to adaptability include:

Responding to changes in demand: Organizations that embrace change are able to quickly modify their products and services to meet changes in demand or consumer preferences.

Keeping up with competition: Change makes an organization more agile in the face of new competitors, helping it maintain its market share.

Entering new markets: Change may open up opportunities to enter new markets or expand product ranges to new customer segments.

#### 5. Enhancing organizational culture:

Effective change can lead to improved organizational culture within an organization. When change is implemented in a comprehensive and thoughtful manner, it can transform behaviors and attitudes that enhance the work environment. Benefits include:

Enhancing collaboration: Change can encourage a collaborative environment between different teams within an organization, which increases effectiveness and enhances understanding between departments.

Enhancing belonging: Organizations that embrace change that includes employee participation in decision-making are better able to create a work environment where employees feel a sense of belonging and appreciation.

Encouraging continuous learning: Change requires learning new skills and adapting to new ways of working, which leads to building a culture of continuous learning within the organization.

#### 6. Enhancing financial growth:

Change can contribute to enhancing the financial growth of an organization by:

Increasing revenue: By improving processes, introducing new products, or entering new markets, an organization can achieve an increase in its revenue.

Reducing costs: Change that focuses on improving efficiency can reduce operating costs, which increases profit margin.

Increased competitiveness: When an organization becomes more adaptable and innovative, it is in a better position to attract customers and generate greater profits.

### **Measuring the Benefits of Change:**

To measure the benefits of change, a range of tools and indicators can be used, such as:

- Financial indicators: such as revenue, profitability, and return on investment (ROI) to measure financial improvement.
- Operational performance indicators: such as productivity, product quality, and delivery time.
- Customer satisfaction indicators: such as surveys and customer retention rates.
- Work culture indicators: such as job satisfaction surveys and employee turnover rates.

### **Steps to Effectively Manage Change:**

#### **1. Identify the need for change:**

Change management begins with identifying the reason or need that drives the organization to make the change. This need may be due to changes in the market, technology, regulations, or in response to internal challenges. In this stage, an analysis of the organization's internal and external environment is conducted to identify opportunities and threats.

#### **2. Determine the objectives of the change:**

After identifying the need for change, clear and specific objectives must be set. These objectives must be realistic and measurable. This requires identifying the desired outcomes of the change and how its success will be measured.

### 3. Impact assessment:

This stage includes assessing the potential impact of the change on the organization, whether it is an impact on employees, processes, or the technology used. Areas that need additional resources or support are identified, and how employees will be affected by the change are analyzed.

### 4. Develop a plan for change:

Develop a comprehensive change management plan that includes all the steps and resources required to implement it. This plan includes:

- Identifying the timelines for implementing the change.
- Assigning responsibilities to the change management team.
- Providing the necessary financial and human resources.

### 5. Continuous communication:

Effective communication is a critical part of change management. Communication should be continuous and clear to all stakeholders, including employees and customers. Communication should include:

- Explaining the reasons and objectives of the change.
- Clarifying expectations from employees.
- Providing support and guidance.
- Transparent communication helps reduce rumors and concerns that may arise among employees during the change process.

### 6. Gradual implementation of change:

Gradual or phased implementation of change helps reduce stress and gives employees the opportunity to adapt to the new situation. Instead of implementing the change all at once, it can be divided into smaller stages that are evaluated after each stage to ensure that things are going as expected.

### 7. Training and support:

To avoid resistance to change, employees should be provided with the necessary training to enable them to deal with new systems or changes in work processes. This includes providing opportunities for skill development and providing technical and psychological support if necessary.

#### 8. Monitoring progress and evaluating results:

The progress of change should be monitored periodically to ensure that objectives are being met. This requires collecting data and evaluating performance after each stage of the change. Financial and non-financial indicators can be used to evaluate the success of the change and the achievement of the desired objectives.

### **Change Management Strategies**

#### 1. Kotter's 8-Step Change Model

Kotter's 8-Step Change Model includes 8 steps that help organizations successfully manage change. These steps are:

- Create a sense of urgency for change.
- Form a strong leadership coalition to support the change.
- Develop a vision for the change.
- Continuously communicate the vision.
- Remove barriers to implementing the change.
- Achieve short-term wins to maintain motivation.
- Build the change and embed it in the organization's culture.
- Install the changes and achieve sustainability.

#### 2. Lewin's Change Management Model

This model divides change management into three main stages:

- Unfreezing: This requires preparing the organization for the change by breaking down old barriers and preparing employees to accept the new situation.
- Changing: Changes are implemented in this stage by providing the necessary training and support.

- Refreezing: In this stage, the new changes are installed to become part of the organizational system.

### 3. ADKAR Model of Change

This model focuses on the individual elements that influence successful change, which are:

- Awareness: spreading awareness about the need for change.
- Desire: motivating employees to accept change.
- Knowledge: providing employees with the information needed to implement change.
- Abilities: providing the training and skills needed to implement change.
- Reinforcement: ensuring the sustainability of changes through follow-up and support.

### **The Role of Leadership in Change Management**

Leadership plays a pivotal role in the success of change management. Leaders are responsible for:

- Directing teams towards achieving change goals.
- Continuous communication with employees and stakeholders.
- Motivating employees to accept change and providing the necessary support.
- Managing resistance: Leaders play a vital role in dealing with resistance to change and removing barriers to its implementation.
- Successful leaders are those who have the ability to influence others, communicate effectively, and motivate their teams to achieve the desired change.

### **Challenges of change management and how to overcome them:**

Organizations face many challenges while managing change, including:

Employee resistance to change: Employees may fear losing their jobs or adapting to the new situation. Overcoming this challenge requires effective communication and providing the necessary training.

Lack of resources: Change may require huge financial and human resources. Organizations must ensure that the necessary resources are allocated before starting to implement the change.

Lack of clarity of vision: If the goals of change are not clear, this may lead to distraction and failure. Leadership must develop a clear and understandable vision for the change.

Delayed implementation: Change that is implemented slowly may lead to a loss of motivation or commitment. Overcoming this challenge requires setting specific timelines and monitoring progress periodically.

Real-world examples of effective change management:

#### 1. Nike

When Nike realized the need for digital transformation to keep up with technological developments, it implemented a comprehensive digital transformation program. The process included updating technology systems, improving the online customer experience, and training employees on new digital tools. Good change management helped achieve positive results and increase its market share.

#### 2. IBM

IBM needed to shift its strategy from focusing on hardware to software and services. Through strong leadership and continuous communication with employees and customers, the company was able to successfully transform to become one of the largest technology and services companies in the world.

### **Measuring Change Success in Organizations:**

The importance of measuring change success comes from the need to ensure that the efforts made to implement the changes have achieved the desired goals. Measuring success helps in:

Assessing the impact of change: Measuring success enables management to evaluate the extent to which the change has affected the operational and financial performance of the organization.

Improving operations: Based on the results of the measurement, the organization can identify areas for improvement and make the necessary adjustments.

Learning and development: Measuring success provides valuable lessons to the organization on how to implement change more effectively in the future.

Identifying financial returns: Measuring success helps determine whether investments in change have achieved the expected financial returns.

Enhancing employee confidence: Measuring success can contribute to enhancing employee confidence in leadership and motivating them to embrace the change more if the results prove successful.

### **Indicators for measuring the success of the change**

#### **1. Financial indicators:**

Financial indicators include measuring the financial performance of the organization after implementing the change. These indicators include:

Revenue: Increase or decrease in revenue after the change.

Profit margin: Did the change improve profitability?

Operating costs: The extent to which the change reduced or increased costs.

Return on investment (ROI): Did the organization achieve the expected returns from the investments made in the change?

#### **2. Operational performance indicators:**

These indicators focus on the impact of the change on operational efficiency. They include:

Productivity: Did productivity increase as a result of the change?

Quality of products or services: Did quality improve or decrease as a result of the change?

Time spent on operations: Did the change reduce the time spent on completing operations?

#### **3. Employee satisfaction indicators**

Employee satisfaction indicators play an important role in measuring the success of the change, as the success of the change depends largely on the acceptance of it by employees. These indicators include:

General satisfaction level: Employee satisfaction can be assessed through opinion polls conducted after the change.

Turnover rates: Did employee turnover rates increase or decrease after the change?

Level of commitment: The extent to which employees are engaged and committed to achieving goals after the change can be measured.

#### 4. Customer satisfaction indicators:

Customer satisfaction indicators are an important measure of the success of a change, especially if the change is about improving the quality of services or products. They include:

Customer satisfaction surveys: How satisfied are customers with the services or products after the change.

Customer retention rates: Have customer retention rates increased or decreased?

Criticisms and complaints: Have customer complaints increased or decreased after the change was implemented?

#### 5. Cultural adaptation indicators:

These indicators include assessing the extent to which the change has improved the organizational culture within the organization. This can be measured through:

Organizational culture surveys: Measuring the extent to which new values and practices fit with the organization's culture.

Improvements in internal collaboration: Has collaboration between departments or teams increased as a result of the change?

## **Tools and Methods for Measuring Success:**

### **1. Surveys:**

Surveys are an effective tool for measuring employee and customer satisfaction and assessing their acceptance of change. Surveys can be conducted periodically during and after the change is implemented to gain insights into the impact of the change.

### **2. Operational Data Analysis:**

Operational data can be used to assess the performance of the organization after the change. This data includes productivity rates, delivery times, product quality, and other key performance indicators. This data helps provide a clear picture of the impact of the change on daily operations.

### **3. Financial Performance Reports:**

Financial performance reports are an essential tool for measuring the financial success of the change. By comparing revenues and profits before and after the change, it can be determined whether the change has led to the achievement of financial goals.

### **4. Benchmarking:**

Benchmarking is used to compare the organization's performance after the change with previous performance or with competitors in the market. This tool helps determine whether improvements have made the organization more competitive.

### **5. Feedback from Leadership Teams:**

Getting feedback from leadership teams is an important tool for measuring progress and challenges faced by the change. Leadership is in a good position to assess how well the achieved goals match the previously set goals.

## **Challenges in Measuring Change Success:**

### **1. Identifying appropriate performance indicators:**

It can be difficult to identify indicators that accurately reflect the success of a change, especially if the change is comprehensive and affects several different areas.

### **2. Measuring long-term impact:**

Some of the effects of change may only become apparent in the long term, making it difficult to measure success in the early stages. Organizations should be aware that measuring success may take a long time for all results to become apparent.

### **3. Employee resistance:**

If employees resist change, it may be difficult to accurately measure success. Leaders need to overcome this resistance by providing ongoing support and guidance.

### **4. Incomplete or inaccurate data:**

In some cases, organizations may face challenges related to insufficient or inaccurate data, which affects the ability to effectively measure success.

Real-world examples of measuring change success:

#### **1. Amazon**

During its shift to an online retail model, Amazon implemented several large-scale changes in technology and services. The company used indicators such as customer satisfaction, repeat purchase rates, and improvements in delivery times to measure the success of this shift.

#### **2. Toyota and Lean Production**

Toyota adopted the Lean Production model to increase efficiency and reduce waste. The company used indicators such as improved vehicle quality, reduced defects, and increased productivity to measure the success of the change that led to strengthening its position in the market.

### **The role of leadership in measuring success:**

Leadership plays a pivotal role in measuring the success of change through:

Strategic direction: Leadership is responsible for setting goals and determining the criteria needed to measure success.

Performance monitoring: Leaders are responsible for monitoring performance and ensuring that the selected indicators are in line with the set goals.

Continuous communication: Leaders should communicate regularly with employees to provide guidance and emphasize the importance of change.

### **How to improve change processes based on measurement results**

Organizations can improve change processes based on measurement results by:

Learning from mistakes: When it is discovered that goals were not achieved, the factors that led to this should be identified and worked on to avoid them in the future.

Resetting goals: Based on the results, the organization may need to adjust the change goals to be more realistic and appropriate.

Enhancing communication: If measurement results indicate problems related to employees' understanding of the change, communication efforts can be enhanced to ensure clarity of vision.

### **5.3 Recommendations:**

Finding the cost of change can be a complex process, requiring companies to analyze several aspects to ensure that the change will achieve the desired benefits without being too expensive. Here are some recommendations for companies to research the cost of change:

- Financial impact assessment: Direct and indirect costs, such as operating costs, training costs, new equipment or systems, and the impact of the change on short- and long-term profits should be calculated.

- Benefit and cost analysis: Compare potential costs with expected benefits. Financial analysis tools, such as return on investment (ROI) analysis or net present value (NPV) analysis, can be used to estimate whether the change is worth the investment.
- Helping experts and analysts: It is useful to get independent opinions from consultants specializing in change management or economics to identify hidden costs that may not be apparent at first.
- Consider the human cost: This includes examining the impact of the change on employees, such as the need for training, resistance to change, or even job burnout resulting from adapting to new systems.
- Evaluate alternatives: There can be different ways to achieve the same goal at different costs. It is important to compare different scenarios to determine the most efficient option.
- Review the impact on customers: If the change will affect the customer experience, consider how the changes will affect customer satisfaction and loyalty.
- Assess the risks: Identify the risks associated with the change, such as potential failure or negative impact on the company's reputation, and how they could lead to additional costs.

## **5.4 Conclusion**

In conclusion, the cost of change is a critical element that companies must carefully consider before embarking on any strategic or operational transformation. Understanding this cost requires a comprehensive assessment of all influencing factors, including financial, human, and operational costs, as well as potential risks. Change can be challenging, but it is also an opportunity for growth and innovation. Therefore, companies must rely on strategies based on careful analysis to determine whether the potential benefits outweigh the costs, and thus make informed decisions that support sustainable growth and improved performance.

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## Appendix

### Questionnaire:

| The Question                                                                            | Choices                                                                                       |
|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| What is your job title in your organization?                                            | Company Owner<br><br>Manager<br><br>Assistant Manager<br><br>Employee                         |
| How many years have you worked in this organization?                                    | .....                                                                                         |
| What is the size of the organization you work for?                                      | Small Organization<br>Medium Organization<br>Large Organization<br>International Organization |
| I believe that change is necessary to ensure the long-term success of the organization. | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree                           |
| The objectives of the labour organization are fully evident in the labour market.       | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree                           |

|                                                                                                |                                                                     |
|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| The labor organization needs to change to improve its production level.                        | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |
| Change costs impact the entire project budget.                                                 | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |
| I noticed unexpected costs associated with the change process.                                 | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |
| I believe that the costs associated with change outweigh the potential benefits in most cases. | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |
| Employees should be involved in change and cost planning processes.                            | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |
| I believe the change has led to improvements in the overall performance of the organization.   | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |

|                                                                                                                          |                                                                     |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| The business organization adopts strategies to reduce the costs of change.                                               | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |
| The organization relies on certain techniques (such as analytical software) to anticipate or reduce the costs of change. | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |
| There is an impact of change on employee satisfaction in the organization.                                               | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |
| The cost of change to the organization was large relative to its output.                                                 | Strongly agree<br>Agree<br>Neutral<br>Disagree<br>Strongly Disagree |