

CHANGE MANAGEMENT IN INTRODUCING INOVATION IN LOCAL SELF-GOVERNMENTS

UPRAVLJANJE PROMJENAMA U UVOĐENJU INOVACIJA U LOKALNIM SAMOUPRAVAMA

Slobodanka Krivokapić, associate professor, PhD⁴²

Abstract: *The need to improve knowledge in public administration aims at increasing the capacity for the implementation of a more efficient operation and directing local self-governments towards the needs of citizens. The introduction of e-learning, as a platform for learning and knowledge in the local self-governments is followed by numerous challenges, and barriers. Change management provides the conditions for the implementation of e-learning.*

The paper presents the results of the implementation of e-learning in eight municipalities in Montenegro. The guidelines for change management were the basis for the activities taken. The research method is qualitative research in focus groups conducted for the implementation of e-learning as an innovative learning method. Data collection is based on semi-structured interviews, observations of stakeholders' representatives and diagnostic workshop with the representatives of municipalities. The research has shown that the change management regarding the introduction of e-learning is very complex. The analysis has revealed a number of barriers whose elimination can initiate actions and establish a strategic approach to human resource management with the support of innovative technologies.

Keywords: *change management, innovation, e-learning, local self-governments*

1. INTRODUCTION

Innovation is the key to improving operations and increasing efficiency. The dynamism of the environment and the need for the introduction of innovations in public administration emphasizes the need for change management, not only as a conceptual theoretical framework, but as a problem of development and increasing efficiency of entities that perform public affairs. Focusing on change becomes a reality of all subjects of the societies in transition countries.

As for the dynamic changes taking place in societies in transition, the changes are necessary as a response to the increasing demands of citizens and businesses. Ehm (2009) pointed out that „The administration needs to provide better, faster and sometimes even more services; it often needs to find new solutions in order to accomplish this.“ The introduction of innovations such as e-learning in bureaucratic organizations is more complex and slower than in other types of organizations, because their functional structure and organizational culture are not focused on innovation. The introduction of innovative methods in work can improve performances and lead to greater efficiency. In the empirical study, Demanpour, Walker and Avellaneda (2009) pointed to the positive relationship between the adoption of technical,

⁴² University Mediterranean, Montenegro Business School

administrative and managerial innovations on the one hand and the performances of public services on the other. They also emphasize the complexity of these relationships and the connection between technical, administrative and managerial innovations.

Damanpour (1991) defines innovation as „the generation, development, and adaptation of novel ideas or behavior. An innovation can be a new product or service, a new structure or administrative system, or new plan, or program pertaining to organizational members (pp. 556). Change management in introducing e-learning opens up new directions and opportunities for the improvement of the work of local self-governments.

Acceptance of innovation is a complex process that requires a number of activities and involvement of the teams in all phases of the initiation and implementation of changes. The complexity and uncertainty accompany the whole process of introducing e-learning. Local self-governments that are oriented towards citizens and external stakeholders, require from employees to demonstrate the ability to learn continuously and upgrade the knowledge and experiences with examples of good practice.

Change management begins with a detailed organizational analysis, projection of a desired situation and the process of monitoring the implementation results. Conducting organizational diagnosis change should never be initiated without a comprehensive organizational diagnosis, as a basis for decision making in a planned change process (Doppler and Lauterburg, 2001).

Understanding the nature of change, and its impact on the organization makes it easier to implement changes. Therefore it is very important to develop the appropriate methodology so that the change teams could have the strength of the agents that will implement changes. Individual personal acceptance of change is often mixed with resistance, as one intertwined process. Municipal employees and other stakeholders have a role of the change agents and resources for changes whose initiators and facilitators they are. The probability of a change initiative succeeding will increase with the implementation of change-



Prof dr Slobodanka Krivokapić predavač na Fakultetu za poslovne studije, Univerziteta Mediteran, za oblast marketinga i menadžmenta.

Najveći dio profesionalne karijere je provela na menadžerskim pozicijama u javnoj administraciji i zdravstvu. Radila na brojnim multidisciplinarnim projektima iz oblasti zaštite životne sredine i zdravlja. Veći dio naučno istraživačkog rada fokusiran je na socijalni marketing. Posebna oblast njenog naučno istraživačkog rada su specifični pristupi upravljanju promjenama, socijalnom marketingu i projektnom menadžmentu. U okviru ekspertskog rada u oblasti javnog zdravlja bila je nosilac i koordinator projekata od nacionalnog i regionalnog značaja. Tokom profesionalne karijere usavršavala se na poznatim univerzitetima i institutima: Tokio i Fukoka (Japan), Harvard Business School, Massachusetts (USA), Den Hag, (Holandija), Nuffild Institute, Leeds (UK), kao i brojnim seminarima u zemlji.

U okviru naučno istraživačkog rada na Univerzitetu „Mediteran“ uključena je kao istraživač u projekte TEMPUS, BAEKTEL i EAGLE. Objavila je više naučnih radova na međunarodnim konferencijama i časopisima iz oblasti menadžmenta, strategijskog menadžmenta i marketinga.

management principles, strategies, and tactics. Examples of these would be assessing the readiness for change; determining key framing factors that might affect change implementation and its outcomes; aligning change projects with organizational systems, business goals, technologies, and culture; and assisting organizational members in the change-adoption process (Dormant, 1986, 1997).

The changes aimed at innovation in the work of local self-governments must be supported by all employees, in order to primarily reduce resistance to change. Knowledge and willingness to continuously upgrade knowledge is a necessity of modern self-governments.

The key objective of change management in the implementation of e-learning is to improve human resources management, through continuous learning and knowledge sharing, motivating employees and adequate rewarding of successful ones. This paper points out to the importance of change management in the introduction of e-learning through the presentation of case studies in the local-self-governments of Montenegro.

2. METHODOLOGICAL FRAMEWORK

The methodological basis for change management is established by the guidelines defined for the purpose of introducing a common platform for learning and knowledge in the local self-governments, in order to ensure training and knowledge to employees on the basis of Open Educational Resources (OER) and Open Source tools (OS) and establish a continuous support to learning and knowledge sharing about all skills for their professional development. Open Educational Resources (OER) are any digital object which can be freely accessed, (re-) used, adapted and distributed for educational purposes. Strategic documents of the Government of Montenegro call for raising the level of expertise and training of employees at all levels of public administration as the main direction of the reform of public administration. The Strategy for Information Society Development accentuates an increase of the efficiency of public administration through the use of ICT technologies. The introduction of e-learning and development of Open Educational Resources (OER) in public administration create great challenges in terms of human resources management and their adaptation for the implementation and use of modern IT tools. Hamel (2007) believes that the Internet network is a replacement for organizational models which will show their diversity, flexibility, activism and new insights in the future, which requires constant upgrading of knowledge and acceptance of modern organizational principles.

The project aimed at increasing the capacity of local self-governments through the implementation of e-learning in Montenegro, shows the importance of change management, as a tool that should eliminate barriers and facilitate continuous learning in local communities. The process of changes was initiated by the establishment of the change teams, the analysis of the organizational situation, and identification of main stakeholders. The project activities were conducted in seven municipalities in Montenegro, which employ 2,024 employees, and cover the territory with 324,796 inhabitants.

The change process can be managed in several ways. Guidelines for change management in the introduction of e-learning are set out theoretically according to the Kotter model. Kotter (1996, pp 24) emphasizes that the process of organizational changes takes place through eight steps that are interconnected and involve different levels and functions. He considers that it is necessary to establish a sense of urgency, through the observation of the environment, especially competitors, then build the change team, develop the vision that will lead the organization throughout the process of change and develop the strategy that will enable the achievement of the desired vision of changes. The entire change management process must be

accompanied by communication and action within the organization that will remove the obstacles, change the organization and structure and take action. It is particularly emphasized that the necessary changes can be made through the training and rewarding of employees, strengthening the organizational culture, as an essential prerequisite for the implementation of innovation. Delays at any stage may complicate the implementation of change.

The model of this method of change management was applied in the introduction of e-learning in the eight municipalities in Montenegro, and it included an analysis of the organizational context, change planning and implementation, through permanent communication that takes place in the municipalities with the research team. During the project activities the need to develop a communication plan, the support to leaders, as well as the strengthening of their role as agents of change, under the supervision through the coaching and training in the implementation phase was particularly emphasized (Dopler & Lauterburg 2001, pp 276).

The planned approach to changes particularly emphasizes the importance of joint action of the change team, which was established in all municipalities and communicates with the main stakeholders, through a series of iterative steps that should lead to the implementation of a more efficient use of e-learning and Open Educational Resources (OER).

The analysis of the situation in the municipalities was done by the exploratory method, through focus groups in eight municipalities. The total number of participants in the focus groups was 56 and it ranged from 5 to 11 participants. Primary goal of the focus group was to get a picture of the state of affairs in the municipalities regarding external and organizational aspects, as well as to hear the individual views of the policy makers and executives with regard to the needs and priorities for professional training of staff. The focus groups were preceded by a workshop with the representatives of municipalities in order to test the guidelines for the introduction of e-learning and creation of the change teams in each of the eight municipalities. All workshop participants evaluated the offered guidelines on a scale from 1 (poor) to 5 (excellent) with an average grade of 4.5. A set of seven groups of variables was used to diagnose the situation, namely: strategy and mission; processes and procedures; technology; conditions for the implementation of e-learning; IT infrastructure, human resources management with an emphasis on motivation, team structures and organizational culture and the need for continuous learning and knowledge acquisition. The total number of the questions was 79 and they were open-ended questions. Based on the answers and their exploration the organizational context with the current situation was analyzed, as well as the barriers that can be an obstacle to the introduction of e-learning.

The focus groups were also held for the identification of the main stakeholders. The stakeholder salience model: power, legitimacy and urgency, was used to determine the principal stakeholders. (Mitchell, Agle and Wood, 1997. pp.853-886).

The collected responses were observed during the interview, and the results were shown through the analysis of the organizational context. The cooperativeness of respondents was at the maximum level, despite differences of opinion. During the sessions the interactions between representatives of different municipalities were observed and their views were recorded. Although the groups worked together and the discussion was unstructured, the participants were very careful in defining the conditions for the implementation of e-learning and the problems that may arise during the implementation. The common view of all participants of the focus groups is that e-learning is acceptable and challenging, but requires time and training.

The analysis was forwarded to municipalities for consideration in order to obtain feedback on the validity of the results obtained and coordinate future necessary changes in order to

improve human resource management. The planning of changes included the development of action plans, as a result of joint action of all stakeholders in order to overcome organizational barriers and the transition to the desired level of changes.

3. RESULTS

The situational context in which the local self-governments operates is the basis for further research on change management. Therefore, the starting point is an analysis of the organizational context, which was conducted on the methodological principles set out in the guidelines for change management. This analysis included a realistic assessment of the situation so as to perceive all the circumstances for the improvement of knowledge of employees in local self-governments and find appropriate solutions. In order to perceive the current situation the barriers and incentives were identified which would enhance the services of the public administration through better and more efficient service.

Harvey and Brown (1996) define organization diagnosis as “a rigorous analysis of data on the structure, administration, interaction, procedures, interfaces, and other essential elements of the client system” (p. 123). The goal of an organizational diagnosis is to form a clear picture of the internal and external conditions of the organization based on data collected in a scientific, systematic way. During the diagnosis period, it is important to examine whether the organization really needs the proposed change and to assess organizational readiness for change. Many organizations introduce changes they do not really need, while other organizations that would really benefit from a change initiative are more reticent to consider it (Doppler and Lauterburg, 2001). It is the role of the change agent to conduct a thorough analysis of organizational problems and needs, assess driving and restraining forces that may affect the process of change and its outcomes, evaluate readiness of all organizational components, and propose the course of action based on real, rather than contrived, assessment of organizational problems and needs.

Local self-governments are reluctant to change due to bureaucratically organized structure, which necessitates a cooperation of all change participants. The most common changes that occur in the local self-governments predominantly take place under the political influence, rather than because of the need to adapt to environmental conditions and increase efficiency. Negotiating, effective communication, and group management are other critical attributes of change agents' roles, as change agents rarely work in isolation and their success always depends on how well they can communicate important strategic decisions and lead change-management teams (Cummings and Worley, 2005 pp.29).

Impulses for change in introducing e-learning in the local self-governments focused on the role of the change team that represent the agent of change that can lead to encouraging the process of change by their attitudes. The responsibility for improvement and raising the level of knowledge is a task of all employees, but the role of the heads of the municipal bodies is extremely important in promoting learning and human resource management. In addition to the managers of local self-governments, who were deemed as the main initiators of change, it is necessary to actively involve employees in further stages of change management, because they represent the entity for which a new way of learning is being introduced, thus improving their knowledge and efficiency.

3.1. Organizational analysis

In the segment of the organization, the representatives of the municipalities put the focus on the capacity of local self-governments in terms of mission fulfillment, although the opinions about financial problems were expressed during the discussion which had effects on the scope and organizational structure affecting the overall capacity of the municipalities. The grouping of jobs is mostly carried out according to the functional principle. The number of bodies within municipalities is very different, and disproportional in relation to the total number of employees, and the size of the territory covered by the municipalities. The functional structure is mainly based on the principle *one function – one sector*, although in smaller municipalities there is a combination of jobs that are divided into 'joint affairs' departments. The functional model of the organizational structure affects the dynamics and organization of work of other organizational units and complicates coordination between them. Therefore, the centralization of management emerges as necessary, in order to ensure the unity of functions. At the same time, overlapping of responsibilities occur, as well as too long information channels.

The analysis revealed that organizational changes occur reactively, rather than as an integral part of creating, maintaining and improving the performance and quality. Initialization of changes is always conditioned by the requirements and policies from a higher level, so the changes take place due to operational, rather than strategic measures. Monitoring the development of municipalities and environmental changes is not an integral part of driving changes. Organizational changes are rare, and the changes that occur in some municipalities are related to the support to new administrative jobs such as: "*project preparation and monitoring of*"; "*European integration*"; "*anti-corruption activities*"; "*activities the offices of the President*"; "*rationalization of the administration*", "*change of government*", etc. The reasons mentioned for undertaking organizational changes are "*performing tasks from within the competence of individual authorities in a more efficient manner*"; "*improving tax and revenue collection*" and "*strengthening of administrative capacity*".

A general assessment is that organizational changes occur, and are the result of government policies related to the establishment of greater efficiency, and the need for the accession to the EU. The complexity of the environment of local communities requires change management so as to develop a synergy of all factors within local communities and the environment in which they operate in the best possible manner.

3.2. Changes in the IT sector

The results of the focus groups indicate that the municipalities significantly rely on the use of information technology in their work. All representatives of the municipalities stated that the organizational changes were taking place in the IT sector and that they were mainly related to: equipment, procedures and technology. The representatives of the teams from the municipalities mainly involved IT professionals with experience of up to 5 years in these jobs. They stated that the changes had been taking place according to the plan and on the basis of strategic documents of the municipality, and that they had been involved in these changes. The experiences of the members of the focus groups concerning IT development show that they are mainly *constantly faced* with problems in the municipalities during the implementation of changes. It was stated that the changes "*improved the existing knowledge*"; "*enabled better insight into the problems and work*"; "*improved the functioning of the revenue collection.*" All the participants said that the evaluations of the results of changes had been made.

Based on the results obtained the conclusion is that all municipalities have an access to the Internet and Wi-Fi. The basic tasks performed on the computer are related to communication, financial management (calculation of tax and wages), records for the needs of municipalities, keeping of registers, personnel records, and various types of licenses, municipal fees and programs for real estate tax. The number of developed applications and software that are applied varies from municipality to municipality.

3.3. Communication

Coordination of jobs is done exclusively through the heads of the bodies, and the process of decision-making on all issues, including the issues related to the development of IT, and training are the responsibility of mayors. In all municipalities the mayors make almost all operational decisions, while strategic decisions fall within the competence of the municipal assemblies. There is no flexibility regarding decision-making, but strict centralization. Formal communication "takes place within prescribed rules," and lateral communication is very weak between the managers of individual organizational units. Managers coordinate work in the sectors they manage, but they do not have formal decision-making powers. The degree of formalization is extremely large. Communication takes place in the direction from the head of the authority to the employees, as well as the communication between the same hierarchical levels. Employees do not have the opportunity to participate in decision-making. When asked how the authorities within the local community are connected, the majority of respondents answered by referring to the official documents and laws which govern the formal communication

The reasons for this type of communication do not lie only in the formalization but in highly centralized bureaucratic structure aimed at "carrying out tasks." Weaknesses in the formal communication reduce the possibility of encouraging change and motivation for the acceptance of innovation in public administration. Formally, the heads of departments only have autonomy in proposing, but not in making decisions. Informal communication takes place via e-mail, by telephone, as well as external formal communication. In smaller municipalities, there is informal communication at all levels.

3.4. Training and education

The participants of focus groups stated that the municipalities carried out training and education, through various forms, such as seminars and workshops, although there is no exact information about the number of training sessions attended by the employees of the municipalities. It was pointed out that they needed training and new skills, particularly in the area of project management, interpretation of regulations and resolving administrative procedures. In this regard, they recognize the Association of municipalities as an important stakeholder that has a plan for the implementation of training in local communities. The areas of training which are considered important relate to project management, communication, finance, administrative affairs, computer skills, targeted training for specific skills "which are necessary for employees".

The employees are not usually involved in the process of establishing the training programs and this is most commonly done by the mayors, or HR departments. The heads of authorities are formally responsible for human resources management in their departments, but there are no strategies for human resources management. Programs and plans are adopted by the mayors under the proposal of the Human Resources Departments, where these departments are organized. Planning and decision-making related to training have no systemic character,

but depends on the decisions of certain authorities that have a formal decision-making power. The human resources policy is carried out *"ad hoc"*, without strategic documents.

Employee motivation for training is poor because training has little impact on improving work, professional career and rewarding. New innovative methods and techniques, such as e-learning are not included in the training programs. The introduction of e-learning, according to the statements of representatives of most local communities, will have a *"little impact"* on managers, and some participants stated that the introduction of e-learning in practice would have a *"major impact on the personnel policy"*. Optimism regarding the implementation of e-learning is shown after the explanation of what the e-learning is and what its possibilities are. Afterwards, the statements about a positive impact of e-learning on employees and the work environment followed, such as: *"e-learning will help employees solve the problems they face in their work faster and more easily"*.

3.5. Change Management Strategy

The analysis pointed to a number of barriers, and the absence of a strategic approach to the development of innovative methods in the local self-governments, especially in raising the level of knowledge, and training of employees. The confirmation of the above statement lies in inadequately defined visions regarding the introduction of e-learning by the focus group participants. Guidance regarding personnel development is given over to the higher levels of public administration, rather than to the initiatives of municipal managers. The impact of organizational culture appears as a big barrier to change. In the traditionally hierarchical organizations, such as public administration, the role of change teams is also reduced.

With regard to changes aimed at capacity building of human resources, they are viewed by the municipal managers as isolated efforts in the implementation of innovation. They recognize the motives for their implementation, such as: raising the level of knowledge, better service to citizens and greater efficiency. The impact of higher levels of government usually prompts municipal managers to action, which is confirmed by theoretical positions (Pfeffer, J. 1992, pp.29-50). The changes are not only caused by objective factors, but also by managerial commitment to success. "Individuals alone, no matter how competent or charismatic, never have all the assets needed to overcome tradition and inertia except in very small organizations! (Cotter, 1996).

In the context of the implementation of e-learning, as the key stage in change management, directions of action are defined aimed at specific institutional changes which are consistent with the higher level policies. The strategies adopted at the higher levels are the framework for action of the local self -government change teams. In the coming period teams for changing as agents need to ensure that all those involved in organizational change, and especially change-management leaders, receive adequate training to be able to participate in the change process and successfully manage it.

Designing training programs for e-learning lies at the core of any change process. It is important for the change agent to identify informational and educational needs of the different groups involved in the change process and to propose special communication and training initiatives that address those needs. Change teams need to consider every communication channel available, including informal social networks, for providing access to information about implementation of e-learning at all organizational levels in the municipalities.

4. CONCLUSIONS

The public administration faces different challenges regarding the implementation of new regulations, changes in the environment, the capacity to implement a more efficient operation and the need for improved knowledge on the use of information technology. Change management is an essential tool for the introduction of innovation, such as e-learning. The aim of the introduction of e-learning is improvement of the work process, better coordination and communication, enhancing the knowledge and skills of employees for the better service to citizens and businesses. Innovative learning methods require the support and changes in the current approach to management and rewarding of human resources. Implementation of e-learning enables continuous education and training of human resources in local self-governments.

The research whose results were presented in this paper has revealed a number of potential risks to the changes, and the implementation of innovative learning models in local self-governments. The analysis of the organizational context as the first stage in the process of change management has indicated the potential strengths, and the evident barriers in the implementation of e-learning in the municipalities of Montenegro. The largest number of barriers and problems relate to the organizations, organizational culture, communication, and a lack of systemic human resource management.

The research results showed that continuous improvement of knowledge was not part of daily duties. Planning and making decisions about training do not have a systemic character, but depend on the decisions of certain authorities that have a formal decision-making power. Moreover, bureaucratic environment, which is focused on strict rules and procedures, is not conducive to the introduction of innovative technologies, such as e-learning. The authoritative style that dominates from the power and authority of officials as well as a bad team orientation significantly inhibits the implementation of innovation.

Innovation in local self-governments should lead to new ways of learning and changes in the existing routine of employees. However, the research results indicate a low level of motivation for training, which is not accompanied by an adequate remuneration system. The lack of vision and poor communication between employees and managers is a challenge for the effective implementation of e-learning. The potential for change management needs to be in the municipal management which is mainly focused on the higher level political structures, and less on solving problems in local self-governments. This has an effect on the attitude toward citizens and stakeholders for whom the local self-governments exist.

Recognizing the importance of raising the level of knowledge within municipalities, and an active attitude towards the upgrading of that knowledge should be a common vision that will connect employees in local self-governments that need to be oriented towards citizens and perform their duties efficiently. The trained personnel who use modern information tools is a guarantee of success.

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