

CHANGE MANAGEMENT PROCESS BARRIERS IN THE PENSION SYSTEM FROM THE STAKEHOLDERS' PERSPECTIVE

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1. Introduction

One of the well-known anecdotes about Albert Einstein says that during the exam, when one of his students pointed out that the questions are exactly the same as in the previous years, he confirmed, however, he remarked that the answers are different this year. Although this situation, if true, took place at the turn of the 19th and 20th centuries, it still remains actual and relates to the problem of changes which surround us. This is a well-known phenomenon, which occurs in both private and professional life. Although people, organizations or institutions still keep asking themselves the same questions, the changing environment puts a pressure on finding new answers. Sticking to an old reality means actually moving backwards, and consequently makes it impossible to develop and survive in today's turbulent world. Thus, changes became an inevitable part of human life, which can be treated by the recipient either as a problem or as a challenge. They have always accompanied people, but their pace of introduction has never been as fast as it is today. This makes this problem, or a challenge, even greater and more complex.

Similar situation concerns pension systems, which are subject to constant changes. Decreasing fertility rates, increasing life expectancy and changes on the labor market influence negatively pension finances. To realize pension system's goals in these changing circumstances, the implementation of both paradigmatic/structural changes (concerning general principles of the pension system) as well as parametric changes (concerning individual system parameters) was necessary [Kalina-Prasznica, 2016]. Unfortunately, most of reforms carried out a few decades ago, has not achieved the expected results or has turned out to be insufficient. Thus, the question arises if

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the changes were managed effectively and if not, what was the reason. To answer these questions, it is necessary to draw from private sector's experience, as the concept of change management was born there. Nevertheless, it is worth mentioning that despite the public nature of the pension system, modern pension systems are evolving towards partial privatization, as a result of which private organization, employers and employees play a growing role in their functioning. Thus, the change process in the pension system depends not only on numerous conditions but also on growing number of stakeholders. This makes this process even more complex and exposed to different problems.

Therefore, the main goal of this paper is to identify the barriers in the change management process from the perspective of different pension system's stakeholders. The paper has a theoretical nature and can constitute a base for further research in the field of change management in the pension system. The paper consists of three sections and conclusions. First, the theoretical framework for the change management process is described. Then, pension system stakeholders are defined. Afterwards, change management process barriers in the pension system are identified with a division on particular change participants. Finally, considerations are summarized and conclusions are drawn.

2. Change management process

The change can be defined in many different ways. According to Griffin [2005] change is any significant modification of a part within the specified entirety. Kotarbiński [1961], on the other hand, regards that the change takes place if a particular thing is different at the beginning and in the end of the period. In addition, it should be performed for a particular feature and at a clearly defined time [Pszczółowski, 1978]. Change can be understood also as a transformation, which is perceived (identifiable among its surrounding), empiric (feasible and possible to prove) and planned in advance [Masłyk-Musiał, 2003].

As the change is a complex and often a multidimensional phenomenon, it requires a good management. Only then, the change has a chance to become a challenge and a chance for an entity instead of being a problem and a threat. Managing a change is a process, which enables the implementation of the change in a most effective way. However, it is a multistage process, which should not be finished just after the implementation of the change. It is one of the main reasons for the fall of most change initiatives. Therefore, special change management models have been created, which are supposed to help to manage this process and provide some kind of a guidance for change managers. One of the best-known, and regarded as a fundamental, change management model defines three main steps of this process, which are unfreezing, changing and refreezing [Lewin, 1947]. The first of them is the preparation for

a change, which cannot take place without forgetting the past as well as understanding the need for a change, its motivation and justification. The second one is the implementation and modification of up to now patterns in accordance with a new plan. Finally, the last step is about rooting of a change (new reality) as well as assessing the results and providing a necessary feedback for a future. Defining the change management process one should refer to the management concept which is described as a set of activities, which include planning, organizing, leading and controlling, performed with the aim of achieving the planned goals [Griffin, 2005]. It should adjust the organization's strategy to the changing environment and available resources with the aim of ensuring a long-term harmony [Zarębska, 2002]. Thus, the goal of the change management process is to minimize the negative and to maximize the positive impact of the internal and external environment on the change process [Tien, 2012].

As the change management is a multidimensional and multistage process, it should involve many agents. The first of them, which allows initiating the process is the originator of the change. It is a person who gives an idea for a new direction basing on self-analysis or using analyzes carried out by third parties. The role of the change originator is often played by a change leader, who is responsible for envisaging, creating a vision, initiating and sponsoring the change initiative. A complementary role is played by the change manager, who is responsible for translating the leader's vision into action and building support for change within the organization [Caldwell, 2003]. Next important entity in the change management process is the change consultant. It is the person responsible for providing some consultancy services during the implementation of the change based on the knowledge related to different methods and techniques as well as own previous experience in this field. Change consultants should know and understand exactly not only the conditions of the change management process but also the organizational culture and the organization's background (even if they are the external consultants). With no doubt, a key role in the change process is also played by its recipients, which are usually the most numerous group of change participants. Their motivation, enthusiasm or resistance towards change can lead to its success or its failure.

Change management concept has its origins in a private sector. Nevertheless, along with the development of the concept, the idea and need of its use also in the public sector has been observed. Special definitions and models have been created, however, they are not significantly different from those taken from the private sector [Carol Rusaw, 2007; Melchor, 2008]. Change management in the public sector is understood as the ability to shape human attitudes and influence their actions so as to make them adapted to a new environment at the same time reducing unwanted side effects. One has to be aware that the change in the public sector is often equated with a reform, while these two concepts differ quite significantly. A change is a transformation, which can occur naturally and spontaneously, while a reform

is more intentional and it requires some effort to be designed [Caiden, 1968; Kuipers et al., 2014; Pollitt & Bouckaert, 2004]. Furthermore, it has an operational character, which means that it has to be at least partially implemented, to say about its occurrence [Guthrie & Koppich, 1993]. According to Melchor [2008], a reform is a manner of changes' implementation, which means that the change can be treated as the result of the reform. Thus, the change management can contribute to the success (or failure) of the particular reform. Following this line of reasoning, it seems that managing change in the public sector is even more challenging task than in the private one, because the reform consists of number of change processes which have to be managed simultaneously. Thus, to make the reform more manageable, it should be characterized with simplicity, consistency, political and technical viability and it should focus on the future [Melchor, 2008].

3. Pension system stakeholders

The pension system is one of the tools for old age management, which is supposed to provide people, who are unable to work due to their age, with a fair financial security for the rest of their life. It can be perceived from both social and economic perspective. In the former one, it can be understood as a tool for ensuring the people in post-production age with a decent standard of life. In the latter one, it can be analyzed in micro and macro scale. In the micro scale, so from the unit perspective, it can be defined as a tool used to smooth the consumption in the life cycle. In the macro scale, which means the society perspective, it can be understood as a tool for dividing the current gross domestic product (GDP) between the generation in the production age and the generation in the post-production age [Barr & Diamond, 2006; Góra, 2003]. Thus, the pension system is supposed to realize two types of goals: social and economic one. The former can be achieved by providing necessary financial resources to people at post-production age, who are covered by the system. The latter can be realized by smoothing consumption in the unit's life cycle and by distributing GDP fairly between generations. Despite the fact, that the social purpose of the pension system is the fundamental one, the incurred costs and other economic issues related to its functioning should not be disregarded neither.

Nowadays, in a great majority of developed countries the pension system takes an institutionalized structure. Therefore, it can be also understood as an institutional structure consisting of all institutionalized sources and solutions enabling gathering monetary income for the old age period [Góra, 2008; Szumlicz, 2004; Żukowski, 1997]. Such a transition from a natural pension system (based on family ties and solidarity) to an institutionalized one, caused a significant increase in number of institutions (understood both as organizations and sets of norms within which such organizations operate) involved in the system. Furthermore, once, the pension system

was functioning mainly within the scope of the public sector, as the responsibility for providing pension security to society was on the side of the state, or some public institutions. Nevertheless, due to the influence of the World Bank, which has promoted the transition from the unfunded to the funded system, the engagement of private entities as well as the dissemination of additional voluntary saving, multi pillar solutions have been implemented. They are based on the cooperation of both sectors, public and private one. The responsibility for pension security has been divided between the state, public and private organizations and institutions as well as the individuals. The share of this liability differs depending on some national arrangements and pension system's construction. Therefore, it is not possible to unambiguously define the key players in the pension system in details, but it is possible to distinguish some social and business groups involved in such a system.

Starting from the society, we can divide it on three main groups taking their age into account – the youth, who has not entered the labor market yet but long-term changes in the pension system may influence them in the future, the working age population, who is currently on the labor market and pay pension contributions, and the old age population, who has already left the labor market and currently receive the pension benefits. All these age groups constitute the group of change recipients. When it comes to organizations and institutions operating within the pension system, insurance companies, banks, pension fund management companies or brokerage houses can be distinguished. An increasingly important role in the pension system is also played by enterprises, trade unions and employers offering more and more popular occupational pension schemes to their employees. They can be defined as change agents in the pension system. Next key player is the legislator, who is responsible for the construction of the pension system and its reforms. Most often, this role is played by the government currently holding power in a given country. In the European Union, the European Commission can be defined as the additional key player in the pensions system due to the Open Method of Coordination implemented in the field of pensions. This last group of stakeholders constitutes in the pension system the group of change leaders.

4. Change management barriers in the pension system

Recently, pension systems operating throughout the world have undergone numerous reforms. Their main cause was unfavorable changes in the demographic structure of society, namely the aging of the population, resulting from two phenomena: decreasing fertility and increasing life expectancy. The growing population at post-production age and the decreasing population at pre-production and production age influences unfavorably the age structure of the society, having a negative impact on pension finances. Unfortunately, reforms, which were

implemented a few decades ago, have not achieved the expected results and therefore, the pension systems are currently subjected to further changes aimed at increasing the declining replacement rates. Despite the fact that more and more new ideas are being introduced, little is said about why previous solutions did not bring the expected results. Therefore, it seems that the process of change management in the pension system ends already at the stage of introducing a change, which with no doubt can bring lots of negative consequences. Thus, the question arises, why implemented changes are not managed properly. One of the reasons may be the fact that the reference of the change management concept to the pension system is an innovative approach that has not been subjected to a wider study neither in the theory nor in the practice. Furthermore, the change management process is exposed to different barriers, which in case of the pension system can be even more numerous and complex. In the literature one can find some studies discussing the subject of barriers in the change management process in the organization], however, the identification of change management process barriers in the pension system is an unexplored issue. Thus, the identification of such barriers, with a division on pension system's stakeholders (change recipients, agents and leaders), constitutes the main purpose of this paper.

Change recipients

One of the main barriers identified in the change management process from the change recipients perspective is their resistance to change [D'Ortenzio, 2012; Hiatt & Creasey, 2012; Kuipers et al., 2014; Melchor, 2008]. This applies also to changes and reforms implemented in the pension system. Such a resistance can be caused by lack of understanding the need for change, which means that people are not aware of consequences of maintaining the current state. This relates also to another barrier in the change management process, which is lack of knowledge. Pension knowledge, directly related to pension economics, is unfortunately quite low in society [Holzmann, Orenstein, & Rutkowski, 2003]. It is caused not only by insufficient education of the society in this area in the education process, but also by the lack of proper communication between change recipients (society) and change leaders (government) or by the lack of easily accessible information about the change. Consequently, this can lead to the phenomenon of inertia, which takes place when the individuals supposed to make some pension decisions abandon themselves to current situation, at the same time forgetting that the lack of decision is also the decision.

Another barrier in the change management process in the pension system is related to the fact that usually changes in the pension system are imposed on the society. Thus, people can have a feeling that they do not have any impact on final vision of a change and they do not have a chance to adjust to it before its implementation. Next barrier is an inadequate preparation of the change, which

can take place if the obstacles that impede the vision of a change are not removed before the change implementation. This can relate to some technical obstacles (discussed in section **Change recipients**) but also to the regulation of current solutions applied in the system. Such a situation took place in Poland and related to maintaining (in a limited extent) the open pension funds (“old” pension product) and at the same time implementing the occupational capital plans (“new” pension product). If people do not know what will happen with their funds collected so far, they will not be obviously eager to participate in subsequent change initiatives.

Next barrier in the change management process in the pension system is limited understanding of a particular change due to its complexity. People, who do not understand what will be the consequences of implementing the change, will not engage in the change process. Such a complexity of pension changes may lead to the attitude of passivity or herd instinct taking place in the decision process, when the individuals are influenced by the behavior of others. As a consequence they will make the same decisions as others, regardless of whether they are well adjusted for them or not.

Furthermore, the change management process in the pension system can be hampered by the past experience on failed change initiatives. Such situations influence negatively the level of public trust to change agents (pension institutions) and change leaders (government). Such a situation took place in Poland, when the government decided to make fundamental changes concerning open pension funds in 2014, which questioned the credibility of the state and undermined the trust of the society towards pension institutions.

Change agents

Next barrier in the change management process in the pension system is associated with the multiplicity of actors involved, so that both the activities and the results can be interpreted in many different ways and from very different perspectives. The interests of individual entities can be quite opposite, what can lead even to some conflicts. Even more so because some of change agents come from the public sector and some of them from the private one. There exist some fundamental differences between these sectors, which can influence greatly the change management process and thus, they should not be neglected. Public sector should strive to act for a common good, while the private one has the right to take care of its own interests. Moreover, public sector should offer goods, which are free of charge and available for everyone, while private sector offers payable goods for particular individuals. Last but not least, public sector operates according to constitutional and administrative law, while private sector functions in accordance with civil and commercial law [Nacewicz, 2013]. Therefore,

the institutions operating within the private sector can neglect their impact on the common good of the society.

Furthermore, the pension system in the face of demographic, social or economic changes is characterized by a large number of changes. Too many changes may adversely affect various entities operating within the pension system as well as the pension system itself, as it should be characterized by relative legal and organizational stability. This relativity lets a certain flexibility, as the pension system must be systematically adjusted to the changing conditions, however, too many changes constitutes a barrier to effective change management.

Next barrier, which is worth mentioning, are inadequate resources (both tangible and intangible) of change agents in the pension system. The former ones include primarily money and IT infrastructure, while the latter relate mainly to time. Limited time can lead to a pressure, which combined with limited budgetary possibilities, can force change agents to take steps that are unfavorable from the viewpoint of the change recipients.

Next barrier in change management in the pension system from the perspective of change agents is related to the problem of division of responsibility and functions in the change management process. This is due to the fact that there is no unambiguous answer to the question who should manage the change process in the pension system. Therefore, it is difficult to determine whether change agents, who are the entities operating under the pension system, should perform only executive or also managerial functions. Sometimes, the role and the range of activities of change agents is also limited by change leaders, who due to some legal regulations, block their actions and consequently, also their development. Such a situation took place in Polish pension system, when the acquisition ban was imposed on the institutions running open pension funds.

Change leaders

Looking at the change management process from the perspective of change leaders, one of the main barriers is certainly the long-term character of implemented reforms or changes. The effects of such changes are usually visible not until a dozen or even several dozen of years. On the other hand, there exists a high rotation among change leaders in the pension system (due to political rotation) and in the majority of cases, the successors do not show the will to continue the activities of their predecessors. High turnover among leaders contributes also to the lack of their involvement (or at least its reduction) or to the phenomenon of myopia (short-sightedness). Change leaders take steps to maintain their positions, so they are focused more on achieving short-term goals as quick as possible rather than on waiting for the effects of long-term actions. Furthermore, such an attitude of change leaders can cause the problem of proper

definition of priorities. Units responsible for changes in the pension system, struggling to maintain power, may be tempted to put their good above the good of society.

Next barrier in the change management process in the pension system is the change leaders' focus on results. They know well what the effect of the change should look like and they strive to achieve it, thus omitting some stages of the change management process. They tend to shorten the process of change preparation or marginalize the importance of the society adaptation process. Sometimes they also try to implement changes which turned out to be effective in other countries, not taking social and economic conditions of a particular country into account. Furthermore, they are focused on achieving the same results without paying enough attention to learn how the change management process looked like somewhere else. Consequently, their decisions and actions may turn out to be ineffective against the expectations.

Furthermore, the goals of changes in the pension system can be difficult to define, which can also constitute a barrier in the change management process. The pension system has to realize different goals at the same time and despite major social and economic goal (discussed earlier in section 3), it is supposed to meet also other goals such as poverty relief, redistribution or economic development [Barr & Diamond, 2014]. Taking all above-mentioned goals of the pension system into account, it can be extremely difficult to design a change, which will meet them. On the other hand, without a clearly defined goal, it is not possible to plan and manage the change process appropriately. Finally, it is also worth mentioning the change management barrier resulting from the risk to which the change leaders are exposed, which is connected with the uncertainty of the actions and decisions taken.

5. Conclusions

Change management, due to its multidimensionality, is a process associated with numerous barriers. In the pension system, the problem is even more complex due to the fact that it engages many stakeholders with different priorities. Furthermore, the change process in the pension system is a long-term one and it depends on numerous conditions, some of which are exogenous. Undoubtedly, units responsible for managing the process of changes in the pension system should be aware of these difficulties and barriers and try to eliminate them, or at least reduce their strength.

One of the solutions to do that, is to pursue change management models, which have evolved and developed over the years and can be a valuable hint for those responsible for managing this process [see e.g. models proposed by]. Furthermore, with no doubt, each change management process in the pension

system should be characterized with high involvement of stakeholders and their cooperation, as they all constitute the group of change participants (with different roles). Nevertheless, the entities have to remember that each change is different and the conditions for its implementation are never the same, so each transformation should be individually considered, thoroughly planned and effectively managed. Only in such a way, the changes can bring the expected results with a limited number of side effects.

One should be aware that change management barriers in the pension system identified in this paper can make this process difficult to a different extent and each of them may have a different impact on the final result. Thus, the above considerations can be the basis for further research in the field of change management in the pension system.

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