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# Resistance to digital transformation and the destruction of social capital

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# Plan

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# Introduction

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# Introduction



Digital transformation will make the leadership role increasingly complex. This is a **challenge for top management**, which sets the frame of change, defines its means and objectives and due to this prominent role receives the lion's share of attention.



For most employees on the shop floors though, their **direct manager represents the face of the firm and translates top managements' directive into direct orders**. Teulier and Rouleau (2013) thematize the role of middle managers and study the editing practices that they use.



Middle managers conveyed and constantly readjusted the shared vision of the organizational change and reframed the technology to have a more inclusive approach

# Introduction



Thereby, they performed a vital role of firm-wide acceptance of technological change. This paper **builds on the understanding** that digital business models require comprehensive change and **an adjusted leadership function**. In this field of forces in flux, middle management acts as key change agents for a firm's workers and lower-ranked employees.



Despite their key-role, we are not aware of studies that shed light on cases in which middle management falls short of their expected roles due to their own resistance to change. We answer the call for more **real-life studies** and present a company that successfully managed digital change and overcame resistance behavior.



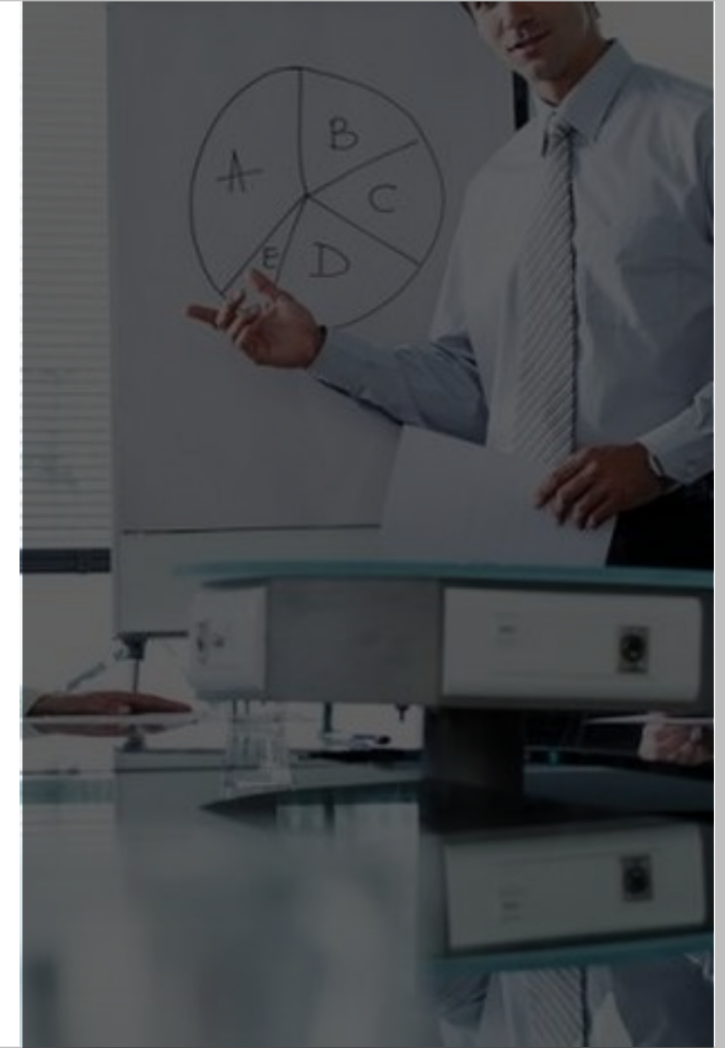
The paper asks how this resistance arose, how resistance to change manifested and how it was overcome. We perform this task empirically and analyze underlying forces, but **deliberately stay away from applying theories or developing theories from our cases.**

# Introduction



This paper **builds on a number of case studies of middle managers who resisted the proposed organizational change.** We understand such resistance to digital transformation as an individual response and – in line with previous literature - an attempt to seek protection from these changes (Dent & Goldberg, 1999; Burnes, 2015; Jaffe & Scott, 1998). Our focus does not lie on the psychological aspects of these resistance behavior, but rather **we are interested in the circumstances of each middle manager that** triggered these resistance behavior and the firms' counter action.

Dent, E. B., & Goldberg, S. G. (1999). Challenging "resistance to change". *The Journal of applied behavioral science*, 35(1), 25-41.  
Burnes, B. (2015). Understanding resistance to change—building on Coch and French. *Journal of change management*, 15(2), 92-116.  
Jaffe, D. T., & Scott, C. D. (1998). How to link personal values with team values. *Training & Development*, 52(3), 24-31.





## About Company


# About Company

The case company is a Russian transportation service provider which embraced digital technologies in an attempt to increase its efficiency and to win back market shares.

The firm under study had regional business units throughout Russia's vast territory, which were accustomed to a very **high degree of freedom in doing business**.

Most prominently have **managers established preferential contacts with individual hauliers** which now had to follow enterprise-wide rules imposed by the underlying information system. The loss of autonomy and **the streamlining of internal processes** resulted in a high level of resistance among the firm's middle management.





# Methodology

# Methodology

## Organizations



We understand organizations as **socially constructed networks** of social actors that are created and re-created through interaction.

Consequently, change is a **sequence of events** by individual actors.

Hence, we the authors started by gaining a profound insight into the company's activities and the execution plan of the change process. To understand the individual perception of these actions, we **conduct interviews** with various participants to study how change – and resistance to change – manifests through social interactions (Humphreys & Brown, 2002). The **close association with the leader of the project management team** allowed us to benefit from the rich and deep 'local knowledge'.

## Interviews



From this data we progressed through **purposeful sampling** (Gilmore & Gilson, 2007) and selected a total of **eight cases** that provided valuable insights into different forms of behavior of individual managers, the social dynamics in the firm at the time of change and how the resistance was overcome.

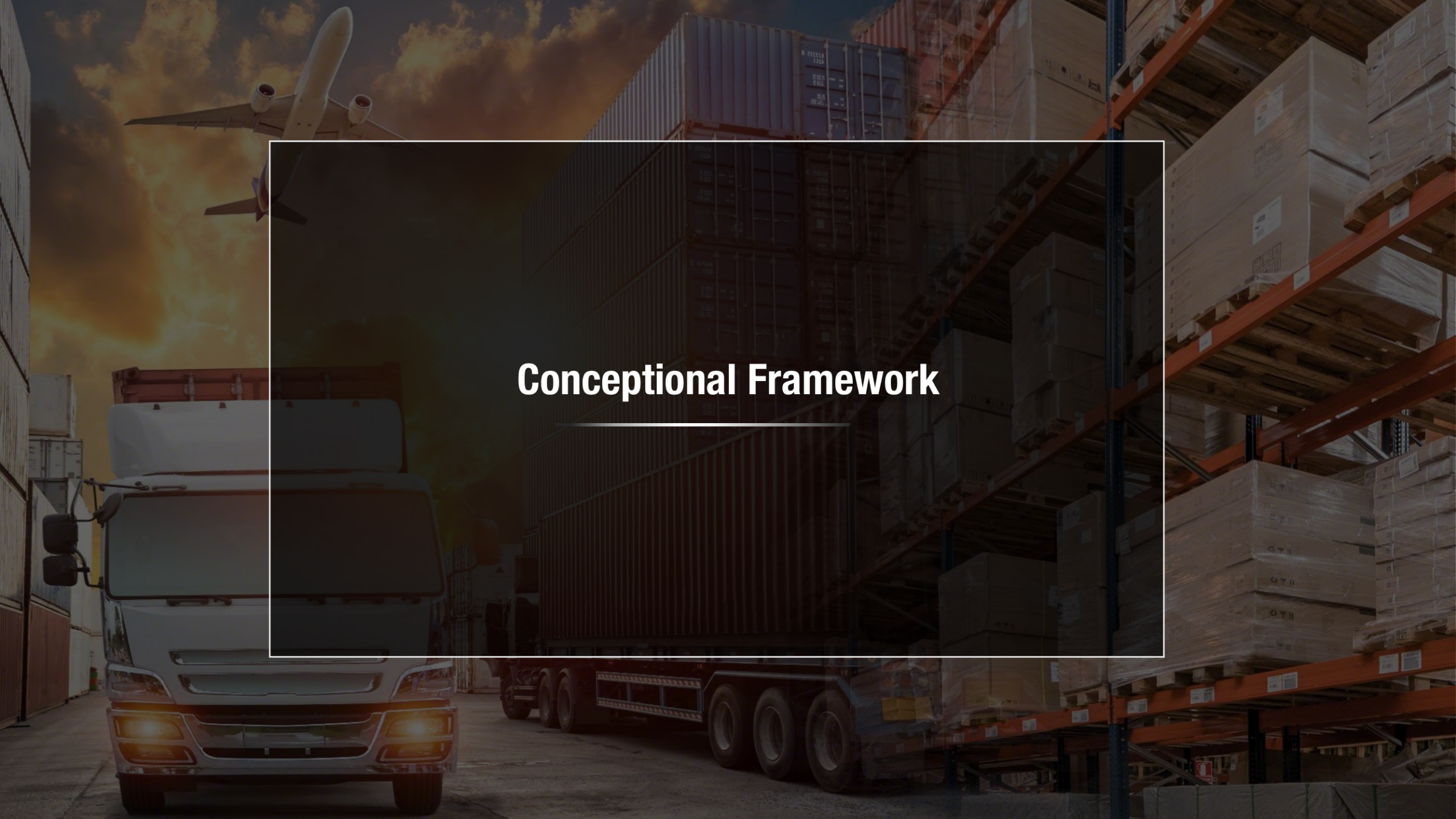
For each case we talked to at least two individuals with intimate knowledge of the subject matter. Some of our interview partners gave information on more than one case. In total we spoke with twelve members of the organization.

## Interviews



The interviews lasted around **45 minutes** on average, the shortest was 32 minutes and the longest took one hour. The interview partners were chosen through their positions and then worked in a snowball principle, inviting people we selected together with the project management team to ensure we talked to individuals who had a deep insight into the events.

Then we drove the process of analysis and ran a first discussion on the change of social capital and their connection to their resistance to change. In this regard, all statements that connected to capital in **Bourdieu's sense** were identified, ordered and **put into perspective of the change process**.



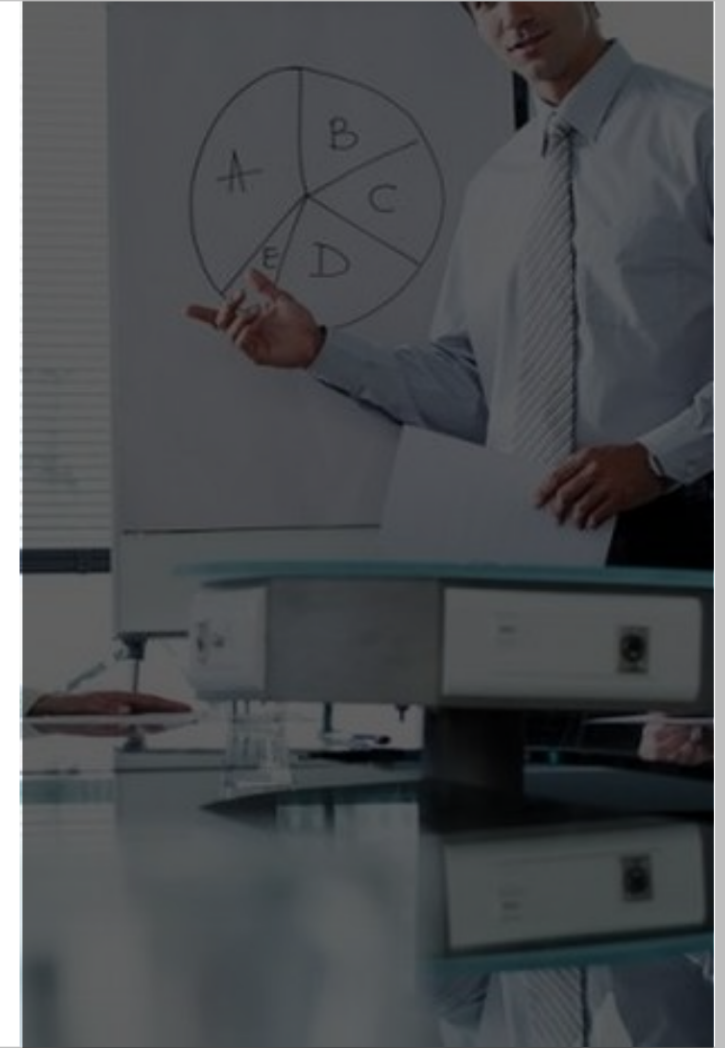
# Conceptional Framework

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# Social Capital theory by Bourdieu (1/3)



in Bourdieu's sense social spaces that follow their own set of rules, have demand for different forms of capital, and possession of these forms of capital defines the roles actors hold in this social structure. Due to organizational change, **the demand for capital is changing**, which results in – sometimes painful - adjustment processes and open resistance to the same.



# Social Capital theory by Bourdieu (2/3)

## The theory of a Social Capital



Each individual (actor) holds a **certain social position** in a social space, which is driven by access to **capital resources**



Each space requires **dominant forms of capital**, and access to this type of capital indicates an actor's **ability to shape the social space**

Bourdieu, P. (1977). "Outline of a Theory of Practice", Cambridge university press, Vol. 6.

Bourdieu, P. (1986). "The forms of capital". In: Richardson, J., Handbook of Theory and Research for the Sociology of Education. Westport, CT: Greenwood: 241-58.

Bourdieu, P. (1989). "La ilusión biográfica. Historia y fuente oral", Universidad de Barcelona, España, No. 2, pp 27-33.

Bagrationi, K., & Thurner, T. (2020). Using the future time perspective to analyse resistance to, and readiness for, change. Employee Relations: The International Journal, 42(1), 262-279.

## Social space and the Actor



The social structure **forms the actor** through the sum of internal and external social dispositions that creates the thoughts and actions of a social agent and the actor in turn shapes the social structures

Nielsen, R. P. (1996) Varieties of Dialectic Change Processes, Journal of management, Vol. 5, No. 3, pp 293-299.

Shimoni, B. (2017) What is Resistance to Change? A Habitus-Oriented Approach, The Academy of Management Perspectives, Vol. 31, No. 4, pp 257-270.

Bourdieu, P. (1989). "La ilusión biográfica. Historia y fuente oral", Universidad de Barcelona, España, No. 2, pp 27-33.

Battilana, J., Leca, B., Boxenbaum, E. (2009) "How Actors Change Institutions: Towards a Theory of Institutional Entrepreneurship", The Academy of Management Annals, Vol. 3, No. 1, pp 65-107.

## Social and Personal



Social positions are **internalized**, promoting the development of shared subjectivities and cultures within an organization



**The social and the personal are converging and form the actor.**

Emirbayer, M., Johnson, V. (2008) Bourdieu and organizational analysis, Theory and society, Vol. 37, No. 1, pp 1-44.

Meyer, J. W., Rowan, B. (1977) Institutionalized organizations: Formal structure as myth and ceremony. American journal of sociology, Vol. 83, No. 2, pp 340-363.

Bourdieu, P. (1989). "La ilusión biográfica. Historia y fuente oral", Universidad de Barcelona, España, No. 2, pp 27-33.

Bourdieu, P. (1977). "Outline of a Theory of Practice", Cambridge university press, Vol. 6.

Bourdieu, P. (1986). "The forms of capital". In: Richardson, J., Handbook of Theory and Research for the Sociology of Education. Westport, CT: Greenwood: 241-58.

# Social Capital theory by Bourdieu (3/3)

## A Quote

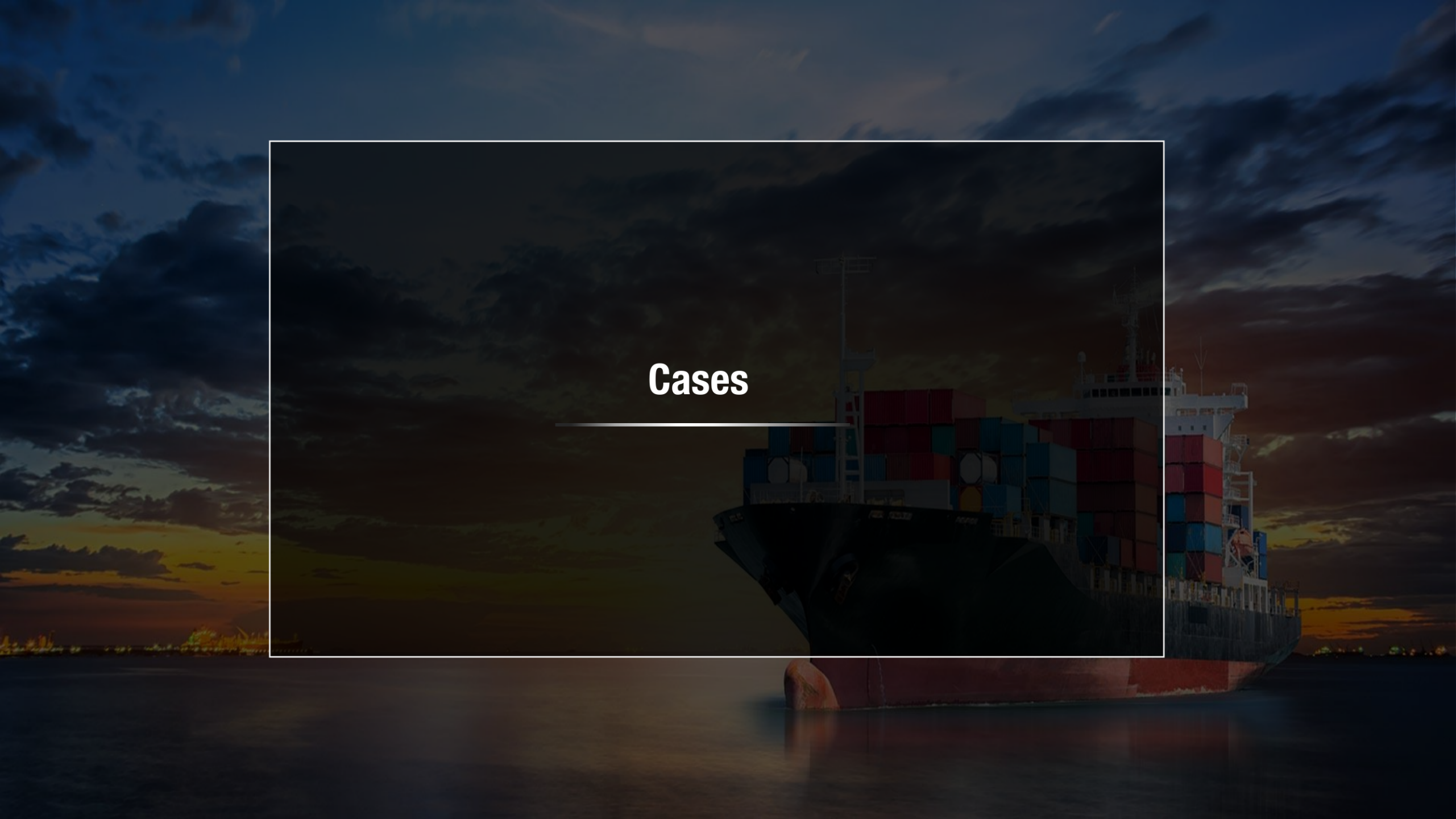
“a mirror image of the organization’s symbolic and material social structures and therefore not only external to the individual but also internal, a cognitive structure that generates social agents’ behaviours, including resisting behaviours”

- Shimoni, B. (2017)



# Cases

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# Cases (1/8)



## Case 1

The performance of the department was above the company's average, and the manager was in good standing with the company's top management. She supported the change process and shared top management's view on the potential efficiency gains. Though she favoured a rather cautious **policy of small steps** as she was worried about the department's overall rating in the company.

The process was rolled out though not at all done in a manner she had favoured. As a consequence, the performance of her unit was lowered and the manager **started to initiate and orchestrate resistance** among her team members. This quickly resulted in a generally negative attitude towards the change project throughout her entire department.





### Case 1

The lady - who spoke with a loud and authoritative voice - set in an open plan office, which made sure that every team member could hear her opinion. Additionally, she would **use the company email system** to spread her opinion. The negative attitude towards change travelled quickly into other regional divisions. Management took notice of the resistance though decided against any action.

Due to her **high levels of social capital** within the company, a lot of time and training was directed to discuss with her and to convince her that after all, she and her team will master the new system. The overall rating of the unit increased even above the previous rating.

**Once the success of the project became clearer and insecurity vanished, she used her social capital to align her team back with the company's strategic vision and she became a central advocator for the firms' change process.**



### Case 3

A manager in a region in the far east felt incapable to qualitatively develop his branch, since his region is the **region of the "last mile"**. Competition for the few reliable hauliers is very high, and incoming traffic is much lower than in the central regions. The new system though allowed hauliers who have capacities on incoming travels to offer this opportunity through the company's platform. After the organizational change, the number of transports increased significantly. The **division was unprepared** to act accordingly and to make use of this opportunity.

The manager enjoyed only **low levels of social capital** and **acted from a peripheral position in the network**. He understood that this new opportunity would open up ways to improve his position in the social space and embraced the upcoming changes. Despite his positive approach to change and a resulting increase in the cognitive dimension of social capital, he **failed to meet the core objective** of the company – namely to access economic capital.



### Case 4

Other managers indeed managed to improve their position based on the organizational change. A manager with high social capital - all inter-department activities were established by her - and established a set of work principles that most other departments adopted – competed in a region with a very strong competitor. This kept the development of her division down, as the majority of the customers and hauliers worked with the company's competitor. Under the established business model, it was not possible to change the situation for the better, and hence **she became an active supporter of the digital platform.**

Moreover, she supported the implementation of a new system in her branch and arranged training for her team. Thanks to her activity, the implementation of changes in the branch was made easy and the **branch received a new impetus for development.** The division's position in the region's market has subsequently strengthened. The division's elevated performance was well perceived by top management and the neighboring region's branch was added to the regional managers' portfolio (head of the division where she was a head of logistics Department). The previous head of the neighboring branch who has resisted the change has left the company.



### Case 5

During the meetings to discuss the worsening of units after the change process, a department manager stood out who showed a high degree of resistance.

She was an **informal leader of her «Коллектив»** and was highly influential as an opinion maker throughout the entire company. She was opposing the change plans right from the start, but her opposition became fierce when her unit showed a really bad performance under the new regime.

The manager invested a lot of time and energy **to find various ways to circumvent the procedures** of the information system, and she proudly shared her success stories among members of various regions. In fact, more and more employees started to follow her suggestions.



### Case 5

The change management team had to react, but it was unclear how to change her mind. Then, the IT department communicated that they closed these blind spots that she had revealed.

In fact, the **IT department was working alongside her multiple attempts** and found it helpful to identify weaknesses of the system. The manager was subsequently promoted to search for weaknesses in the new electronic platform.

Thereby, she changed her perception and **became a central promoter for the new business model**. This gave her credibility, especially as top management started to appreciate the skills that she developed. She subsequently received a promotion to an elaborated position.



### Case 7

Another regional manager was satisfied with the status quo as she had **mastered the craft to optimize the performance indicators** and was hence doing exceptionally well for herself. The regional manager grounded her success in the collaboration with “special treatment” hauliers. The introduction of a new information system was consequently a threat which she expressed at each meeting with her peer regional managers.

The statements made though were abstract and not built on factual arguments. When the project management team asked to provide evidence for her claims, she refused to collaborate.

In order to alleviate the situation, **the manager received another branch**. Stripped of her personal connections with hauliers and forced to deliver results, the manager adopted the roles of the new system.

Though, not all resistance to change ended in such a manner.



### Case 7

The division head did not see the need for any changes in the work of the branch, as under the old system she enjoyed a high standing as one of the most effective managers. The **regional division was creating 75% of its revenue through one client**, and thanks to this client, she was the highest paid head among the regional division. The introduced organizational change processes now changed this advantage, and the KPI system drastically reduced the manager's remuneration.

Nevertheless, she made a lot of efforts to maintain the previous work procedures. Due to her **personal relationship with the CEO** and her well-established relationship with the priority client, it was decided to increase this division's own fleet of vehicles in the region in order to keep the client. This approach also succeeded in ceasing the manager's resistance.

Her refusal to take the final step and to leave **opened up new ways to discuss alternative options**. And indeed, due to her high relational dimension of the social capital through her connection to the main client – she could actually guarantee access to economic capital. In choosing a more amicable approach, she convinced top management to follow her suggestion and to give special status to her department

An aerial photograph of a large port facility. The foreground and middle ground are dominated by numerous stacks of colorful shipping containers in shades of blue, red, green, and yellow. Several large yellow gantry cranes are positioned along the waterfront, some with their booms extended over the water. The background shows a wide body of water and a distant city skyline under a hazy, overcast sky. A semi-transparent dark rectangle is overlaid on the left side of the image, containing the text 'Discussion and conclusion' in white.

## Discussion and conclusion



# Conclusion



## The change



Routine processes will undergo major changes, repetitive activities become automatized, information travel freely within an organization. These **developments change the roles**, responsibilities – and the social capital endowment - of members of the organization.

Such instances of resistance though will require tools that identify such cases and help to offer a solution. Here, the concept of social capital provides a very promising rationale, as demonstrated in this paper. Still, in order **to convert Bourdieu's work into a practicable application** that could be used to advise company decision makers, more work is needed



## Future

Unlike the cases in industrial firms in the 20th century that were driven by workers against management, **the resistance cases of the digitalization age are likely to stem from middle management** that fear losing their jobs or the reputation that is connected to their positions through the adoption and integration of new business technologies. Hence, the study field of resistance to digital transformation in companies is less a subject of technological applications but still a topic for organizational development.



## Conclusion

The analysis of processes that create social standing for a firms' employees in transformation would offer a rich study field. Still, a focus on early signs of resistance might confuse resistance behavior with actual meaningful critique on a digitalization strategy. Hence, it is vital **to establish communication lines to ensure that critique can be voiced** and is appreciated. In order to reduce the likelihood of resistance on a company level, it should be a priority to communicate the benefits – not only to the firms profit and loss statement, but also to the employees. Such **statements on how all stakeholders benefit** should be made a mandatory part of the firm's digitalization strategy.



**Thank you for your time**

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# Q&A

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