Potential Applications of Distributed Ledgers in Organizational Change Management

Sunkee Lee
Associate Professor of Organizational Theory and Strategy
Tepper School of Business, Carnegie Mellon University

1 Introduction

This document explores the potential applications of distributed ledgers in facilitating organizational change management. It begins by identifying sources of employee resistance to organizational change, then summarizes existing tactics for mitigating this resistance, and finally proposes distributed ledgers as a potential solution for facilitating organizational change. The primary advantage of integrating distributed ledgers into change management processes is the enhancement of transparency, security, and decentralized decision-making. Risks and challenges of adopting distributed ledgers are also discussed.

2 Change Management and Sources of Resistance to Organizational Change

Change management is a critical aspect of organizational behavior, involving the strategies organizations use to initiate and implement change. Resistance to change from employees is a common challenge that can hinder the successful implementation of new initiatives. Resistance to change can arise from various sources ([17]; [22]; [25]).

To begin with, individual habits and organizational inertia play a significant role. Employees often become accustomed to existing workflows and processes, leading to a resistance to altering their routines ([23]). This inertia can be deeply rooted in the organizational culture, making it challenging to introduce new methods or technologies ([27]). Next, a lack of understanding or misinterpretation of the change can cause resistance. When employees do not fully comprehend the reasons behind the change or the benefits it offers, they are more likely to oppose it ([24]). In addition, different assessments of the change, whether positive or negative, also contribute to resistance. Employees may have varied perspectives on the proposed changes, with some viewing them as beneficial while others perceive them as detrimental ([27]). This divergence in opinions can create friction and hinder the change process ([9]).

The not-invented-here syndrome, where employees resist changes not developed within their own organization or department, can also be a significant barrier. This resistance stems from a sense of pride or territoriality, where individuals prefer solutions that originate from within their own group ([3]). Self-interest is another critical factor. Changes often redistribute power and

control within an organization, causing those who stand to lose authority to resist the change. This fear of losing control can be a powerful motivator for resistance ([20]; [21]). Additionally, a low tolerance for change, including a fear of the unknown and a lack of self-efficacy, can cause employees to resist new initiatives. When individuals are uncertain about their ability to adapt to new processes or technologies, they may resist the change to avoid potential failure or discomfort ([2]).

Selective information processing, where individuals filter information to fit their existing beliefs, can also impede change. This cognitive bias leads employees to ignore information that supports the change while focusing on data that reinforces their resistance ([10]; [12]). Finally, interdependencies across individuals and units can complicate the change process. Changes in one area of the organization can have ripple effects on other departments or teams, creating a complex web of dependencies that can hinder smooth implementation ([1]).

3 Existing Tactics for Mitigating Resistance to Change

To address these sources of resistance, several tactics have been suggested (e.g., [22]; [25]).

Firstly, effective communication is essential in mitigating resistance to change. Clear, consistent, and transparent communication helps ensure that all employees understand the reasons for the change, the benefits it offers, and how it will be implemented ([11]). This reduces uncertainty and misinformation, which are significant sources of resistance. Secondly, participation and involvement of employees in the change process can significantly reduce resistance. When employees are actively involved in planning and implementing change, they are more likely to feel a sense of ownership and commitment to the new initiatives ([4]). This involvement can be achieved through collaborative workshops, feedback sessions, and decision-making processes that include input from a wide range of stakeholders.

Building support and commitment among employees is another crucial tactic. This involves creating a supportive environment where employees feel valued and heard. Providing training, resources, and emotional support can help employees cope with the transition and build their confidence in adapting to new processes or technologies ([18]). Developing positive relationships within the organization is also important. Trust and mutual respect between managers and employees can facilitate smoother change processes ([16]). Managers should engage in active listening, show empathy, and address employee concerns promptly and effectively.

Implementing change fairly, with a focus on procedural justice, ensures that the change process is perceived as equitable and just by all employees ([28]). This involves making decisions based on fair criteria, providing equal opportunities for all employees to participate, and ensuring transparency in how decisions are made and implemented. Stress management techniques can help alleviate the anxiety and uncertainty associated with change ([30]). Organizations can offer counseling services, stress management workshops, and flexible work arrangements to support employees during the transition period.

Negotiation and compromise can also be effective in addressing resistance. Engaging in open dialogues with employees, understanding their concerns, and finding mutually acceptable so-

lutions can help overcome resistance ([26]). This approach fosters a collaborative environment where employees feel their voices are heard and their needs are considered. Manipulation and cooptation, where key individuals are influenced or co-opted to support the change, can be used strategically ([14]). While this tactic should be employed cautiously to avoid ethical issues, it can be effective in gaining the support of influential employees who can help champion the change.

Selecting people who accept change and are open to new ideas can help smooth the transition process. By identifying and leveraging the support of change champions within the organization, resistance can be reduced ([15]). These individuals can act as role models and influencers, encouraging others to embrace the change. Finally, coercion, where employees are compelled to accept the change, can be used as a last resort ([7]). This tactic is generally not recommended due to its potential negative impact on employee morale and trust. However, in situations where immediate compliance is critical, coercion may be necessary.

4 Blockchain Distributed Ledgers as a Technology for Mitigating Resistance to Change

Building on the existing literature on change management, this article proposes that certain forms of resistance to organizational change—particularly those that can be addressed through enhanced communication, increased participation/involvement, and fair implementation—can be potentially mitigated by adopting an emerging technology, namely blockchain distributed ledgers. Blockchain distributed ledgers are a decentralized type of database shared, replicated, and synchronized among all members of a blockchain network. Unlike traditional databases managed by a central authority, these ledgers operate without a single point of control, relying instead on consensus mechanisms to ensure that all participants maintain an identical and secure copy of the ledger.

1) Key Advantages of Distributed Ledgers.

Blockchain distributed ledgers offer several advantages that have potential for enhancing change management processes. While there are countervailing forces that could diminish these advantages, which will be discussed further in Section 6, the main potential benefits are outlined below.

One of the most significant benefits of distributed ledgers is transparency. All transactions and changes are visible to all participants, ensuring that everyone has access to the same information. This transparency can build trust and reduces resistance by making all actions and decisions open and verifiable. Security is another critical advantage. Data stored on a distributed ledger is cryptographically secured, making it tamper-proof. This ensures that all records are accurate and cannot be altered without detection, providing a reliable and trustworthy account of all actions and decisions. Decentralization is also fundamental characteristic of distributed ledgers. Unlike traditional centralized organizational decision systems, where the management team usually controls the data and decisions, distributed ledgers are maintained by a network of participants, which in principle can include all employees across the organization.

Timely integration of data is another significant advantage. Transactions and changes are recorded and verified within a relatively short period of time (i.e., minutes or hours), ensuring that actions and decisions remain up-to-date. This capability allows organizations to respond relatively swiftly to changes and ensures that stakeholders have access to the latest information. Programmability through the use of smart contracts allows for the automation of processes based on predefined rules. Smart contracts can be used to automatically implement changes based on voting results or other criteria, reducing the need for manual intervention and ensuring consistency and accuracy.

Finally, anonymity (or pseudonymity) is another feature that can be beneficial. Distributed ledgers allow participants to remain anonymous, as long as their real identity cannot be easily linked to their accounts (e.g., ledger wallets), protecting their privacy and reducing the risk of bias or discrimination. This feature can encourage more open and honest participation in the change process.

2) Application of Blockchain Distributed Ledgers to Improve Communication, Participation, and Fair Implementation of Change.

Given the key advantages of distributed ledgers, they have the potential to significantly improve communication by providing a transparent and immutable record of all communications and decisions related to the change process. This allows stakeholders have access to the same information, reducing the risk of misinformation and misunderstandings. By maintaining a single source of truth, distributed ledgers can help build trust and confidence in the change process.

In terms of participation and involvement, distributed ledgers enable decentralized decision-making processes. Employees can propose changes and participate in voting mechanisms through the use of blockchain technology. This creates opportunities for diverse voices to be heard and ensures transparency. In addition, by empowering employees to actively engage in the change process, distributed ledgers can enhance participants' sense of ownership and commitment.

Implementing change fairly, with a focus on procedural justice, is another area where distributed ledgers can be particularly effective. The transparency and immutability of blockchain records ensure that all actions and decisions are open and verifiable. This reduces the risk of bias or manipulation and ensures that the change process is perceived as fair by all employees. Distributed ledgers provide a clear and transparent record of how decisions are made, who is involved, and the criteria used, enhancing the perception of fairness and procedural justice.

5 Proposed Implementation of Distributed Ledgers in Change Management

Below is a step-by-step proposal of how distributed ledgers can be potentially used for change management in organizations:

1. Obtaining Proposals for Change: Individual employees and managers can suggest change

proposals, which are then recorded on the blockchain. This ensures that all proposals are transparent and accessible to all organizational members, promoting open communication and reducing the risk of misinterpretation or bias.

2. Voting on Proposals: Once proposals are gathered, the next step involves voting. Employees can be given stakes (votes) in the form of cryptocurrency, which they can use to vote on the proposals. All votes are recorded on the blockchain, ensuring transparency and accountability.

3. Implementation of Changes: After the voting process, changes can be implemented through smart contracts. These contracts are programmed with predefined voting and selection rules, ensuring that changes are adopted based on the voting results. This automation reduces the need for manual intervention, ensuring consistency and accuracy in the implementation process.

4. Tracking Change Adoption: A mechanism can be established to openly track the adoption of changes, with progress recorded on the blockchain. This transparency allows all stakeholders to monitor the implementation process and verify that changes are being adopted as planned.

5. Incentivizing Adoption: Transparent mechanisms should be developed to incentivize individuals and units to adopt changes. This can include rewards or bonuses, with incentives recorded on the blockchain to ensure transparency and accountability. Additional incentives may also be provided to those initially opposed to the change, encouraging broader acceptance and participation.

6. Evaluating the Outcomes: After a predefined period, the outcomes of the changes should be evaluated by all organizational members. This evaluation process can be recorded on the blockchain, ensuring transparency and accountability. Based on the evaluation, further changes may be proposed, allowing the process to repeat and evolve.

6 Potential Risks and Challenges of Distributed Ledgers in Change Management

Notably, although there is large potential for blockchain distributed ledgers to be utilized in change management as suggested above, it is important to note that existing use cases of this technology have identified several issues. In particular, research on decentralized finance (DeFi) projects—applications that leverage blockchain and cryptocurrency technology to offer financial services—and decentralized autonomous organizations (DAOs), which use blockchains and tokens to democratize governance for token holders, has identified the following risks and challenges in utilizing distributed ledgers for decision-making processes.

1. Centralization of Decision-Making Power: While distributed ledgers are designed to decentralize governance, they can unintentionally lead to power centralization. In many DeFi and DAO platforms, voting power often becomes concentrated in the hands of a small number of individuals or entities who control large portions of governance tokens, especially

when participants are allowed to freely trade tokens that grant them voting rights ([5]; [13]; [19]). This concentration undermines the very premise of decentralized governance and can result in key decisions being dominated by a few stakeholders. In the context of change management, this centralization would reduce inclusiveness, leading to decisions that may not reflect the collective needs of the entire organization.

2. Low Participation and Engagement in Decision-Making: Despite the theoretical inclusivity of distributed ledger systems, participation in governance can often be low ([6]; [19]). Many users or employees may not fully understand the technical aspects of blockchain-based voting systems, which can discourage active engagement. This lack of participation can skew decision-making toward a small group of highly active stakeholders ([13]). In an organizational setting, low participation can result in decisions that do not have widespread buy-in, increasing resistance to change and undermining the legitimacy of the process.
3. Complexity and Technological Barriers: Related, the integration of distributed ledger technology into organizational change management processes can introduce significant complexity ([29]; [31]). The technical expertise required to implement and maintain these systems, as well as the need for employees to understand and use them effectively, can create barriers to adoption. For organizations that are not technologically advanced, this complexity may slow down the change process, increase costs, and lead to frustration among employees. In addition, the complexity of smart contracts and consensus mechanisms can also cause operational challenges if not properly managed ([8]).

Considering these challenges, when implementing blockchain distributed ledgers for change management, there are several important considerations.

Firstly, the voting and selection rules must be designed to ensure that all stakeholders have a fair opportunity to participate. This can involve initial voting to determine the rules or using predefined criteria to ensure fairness. The distribution of stakes (votes) should also be implemented with care. Deciding whether to distribute stakes equally or based on specific criteria can impact the fairness and effectiveness of the voting process. This decision should involve input from all stakeholders to ensure broad acceptance.

Evaluating changes fairly and accurately is also essential. To prevent resistance stemming from perceptions of unfairness, organizations should set clear and predefined evaluation periods and criteria before implementing any changes. Utilizing blockchain's transparency and immutability, all results and outcomes should be recorded and openly available for review. This way, the change process is perceived as fair, fostering procedural justice and reducing resistance. Evaluation mechanisms should allow for feedback loops where the results of changes can be debated and re-assessed, ensuring that decisions remain flexible and adaptable over time.

In addition, to address low participation and engagement, organizations can simplify the user interface and offer training programs that help employees understand blockchain-based systems. Incentives for adopting changes should also be carefully designed to motivate participation and support. Transparent mechanisms should be developed to ensure that incentives are distributed fairly and recorded on the blockchain. It is also essential to re-motivate those whose proposals were not accepted, to ensure ongoing participation and support. Additional incentives or recognition can be provided to these individuals to encourage their continued involvement in the change process.

Most importantly, it is critical to recognize that distributed ledgers may not be suitable for all situations, particularly those requiring top-down changes where centralized control is necessary. Additionally, they may not address all sources of resistance, such as deep-seated cultural issues or resistance not closely associated with communication, participation, and procedural justice issues. Therefore, initial trial runs on a smaller scale are advisable before organization-wide implementation. This allows potential issues to be identified and resolved, increasing the likelihood of successful adoption. Moreover, it is crucial to recognize that majority-voted changes may not always represent the optimal solution, necessitating continuous evaluation and adjustment.

7 Conclusion

Distributed ledgers have the potential to transform change management processes by providing a transparent, secure, and decentralized platform that enhances communication, participation, and fairness. When implemented thoughtfully and with a clear strategy, this technology can help organizations overcome resistance to change, foster a culture of inclusivity and engagement, and ultimately achieve more successful and sustainable change outcomes. However, the unique circumstances of each organization must be carefully considered, and the adoption of distributed ledgers should be tailored to fit these specific needs. By doing so, organizations can leverage the potential of this emerging technology to drive successful change.

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