

## Effects of Psycho-Cultural Factors on Adopting Changes in Defense

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### Abstract

There is a constant need for the defense/military institutions to undergo continuous development in order to adjust to modern standards and requirements, often necessitating systemic changes. As part of this development, since the end of the Cold War, defense organizations in many Central and Eastern European (CEE) countries have endeavored to adopt advanced strategic management practices from their Western counterparts in terms of integration process into NATO and the EU.

However, these efforts have not always been successful. The attempt of the Central and Eastern European (CEE) countries to adopt changes within their defense organizations, particularly in strategic defense planning area through institutionalizing Planning, Programming and Budgeting System (PPBS) serves as such a case. Scholars often highlight factors altering this failure, focusing on the issues like centralized decision making, lack of understanding, resistance to change etc.

This paper analyzes other influencing factors, namely the importance of considering psycho-cultural factors while introducing changes within defense organizations and explains the main reasons for failure in successfully adopting PPBS. The study was conducted using qualitative methodology, primarily case study, to comprehensively analyze the topic.

Based on the findings, the authors conclude that in CEE countries psycho-cultural aspects significantly influence the implementation of changes in the defense sector in parallel with the factors mentioned above. In the case of CEE countries, these psycho-cultural factors are reinforced by the post-socialist legacy, which is characterized by a lack of creativity, collaboration, coordination, and consensus building, leading to reluctance and resistance to changes when it comes to adopting modern practices.

Overall, the findings validate the hypothesis proposed in the paper - disregarding psycho-cultural factors in the process of change implementation contribute to the failure.

The study also demonstrates the effectiveness of supporting the change implementation process through the utilization of Organizational Change Management (OCM) which is actively employed by Western organizations in the defense sector.

### Keywords:

Defense, CEE, PPBS, organizational culture, resistance, change, OCM.

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## Introduction

In an increasingly changing environment, defense institutions need to ensure continuous development in order to adapt to new requirements. The development process often involves changes that include transformation of established systems, patterns and practices in order to remain effective in the face of evolving challenges.

These alterations can impact various aspects, including organizational structure and/or strategic planning within an institution. An example of such an attempt has been the adoption of a new model for defense planning in Central and Eastern European (CEE) countries - Planning, Programming and Budgeting System (PPBS). Despite of substantial efforts, these countries have been unable to effectively activate PPBS.<sup>3</sup> Therefore, it is of significant relevance to explore the key factors influencing outcomes of implementing transformative changes in the defense sector.

As such, this paper aims to develop understanding of an area that has received limited scholarly attention so far – the effects of psycho-cultural factors on adopting changes in defense sector. From this perspective, throughout the paper the authors will analyze the case of institutionalizing PPBS in CEE countries. Particularly, the study is constructed around the following research question and hypothesis:

Research question: How do organizations' cultural values and psychological aspects affect implementation of major changes in defense sector?

Hypothesis: Disregarding psycho-cultural factors in the process of change implementation contribute to the failure.

The research was conducted using a qualitative methodology, primarily employing a case study approach that encompasses a comprehensive analysis of secondary data from academic works, scientific research, official documents, and online sources. This approach allows in-depth analysis of the complex issues presented in this paper.

## Main Part

### Case Of Adopting Change: Planning, Programming And Budgeting System In Central And Eastern European Countries

The strategic planning method, well known as the Planning, Programming and Budgeting System (PPBS) was created at the beginning of 1960's by Robert McNamara, the then US Secretary of Defense. With a new approach, McNamara aimed to improve the strategic management process within Department of Defense (DOD) by consolidating independent planning and budgetary processes of the services.

This concept was later interpreted by scholars and professionals. For example, in his definition Jack Rabin argues that the PPBS is more about long-term planning, rather than the short-term.<sup>4</sup> According to one of the U.S government reports, "leading practices in capital decision-making include developing a long-term capital plan to guide implementation of organizational goals and objectives and help decision-makers establish priorities over the long-term".<sup>5</sup>

Decades after its introduction, many NATO states have attempted to adopt PPBS. The system was considered as an effective tool that could improve planning process both on vertical and horizontal levels.<sup>6</sup> However, most of the Central and Eastern European countries - Poland, Bulgaria, Romania, Hungary, Albania, Czech Republic and Slovakia - have struggled to institutionalize it within their military institutions. Despite its necessity and widespread use amongst "new" NATO members, it is nearly impossible to find a case where PPBS has ever been successfully and effectively implemented in CEE countries.<sup>7</sup>

Thomas-Durell Young argues that the CEE countries with post-socialist legacy were unable to successfully adopt PPBS due to the existence of following problems: 1) Defense institutions lacked institutional memory and/or considered defense planning as a low priority; 2) they never had strong policy frameworks; 3) with respect to financial management, these institutions had highly centralised decision-making (reinforced by PPBS) along with a limited understanding of the actual Western concept of policy.<sup>8</sup>

3 Young Thomas-Durell, "Questioning the "Sanctity" of Long Term-Term Defense Planning as Practices in Central and Eastern Europe", *Defense Studies*, Routledge (2018), 18:3, p.360, p.p. 357-361

4 Jack Rabin, "PPBS: Theory, Structure, and Limitations - Public Budgeting and Finance, 4th ed.", *Marcel Dekker*, 1997, p. 490.

5 United States General Accounting Office, "Executive Guide – Leading Practices in Capital Decision-Making", (1998). <https://www.govinfo.gov/content/pkg/GAOREPORTS-AIMD-99-32/pdf/GAOREPORTS-AIMD-99-32.pdf> 15.01.2023

6 Young Thomas-Durell, "Is the US's PPBS Applicable to European Post-Communist Defense Institutions?" *The Rusi Journal*, Vol. 161, 2016, p.66.

7 Young Thomas-Durell, "Questioning the "Sanctity" of Long-term Defense Planning as Practices in Central and Eastern Europe", *Defense Studies* (August, 2018), 18:3, p.360, p.p. 357-361

8 Young Thomas-Durell, "Is the US's PPBS Applicable to European Post-Communist Defense Institutions?" *The Rusi Journal*,

While Young's assessment hold relevance, it is essential to note, that CEE countries have received considerable advisory assistance from the West, they have been actively involved in NATO led programs such as Planning and Review Process (PARP) of Partnership for Peace (PFP) and additionally, have owned qualified personnel with Western education.<sup>9</sup> Thus, they have failed in their attempts despite having necessary skills to understand, prioritize and effectively institutionalize PPBS. This article makes it clear that other factors, including the psycho-cultural aspects of organizations which are less discussed in Young's classification had significant negative effect on success of the reformation process.

### **Psycho-Cultural Aspects Behind Failure: Resistance To Adopt Changes**

Similar to business processes, psycho-cultural aspects create overall organizational culture and play a significant role in the development of the defense sector.<sup>10</sup> Nelson and Quick define organizational culture as “a pattern of basic assumptions that are considered valid and that are taught to new members as a way to perceive, think and feel in the organization”.<sup>11</sup> Psycho-cultural aspects encompass more than just a set of beliefs, as they also provide a general understanding of an organizations' historical context, traditions, patterns of behaviour, interests and most importantly, values. They take into consideration the major factors and narratives that strengthen these values. As a result, these aspects have a profound impact on personnel's behaviour, as they facilitate motivation of employees to coordinate their actions towards clearly defined objectives, with all members agreeing upon the common organizational goals.<sup>12</sup>

Notably, organizational changes in CEE countries are often related to adopting the best practices of the Western countries. However, Lang and Steger argue, that companies and organizations in CEE countries often struggle in accomplishing this mission as they mistakenly assume that the experience of the West can be implemented without any shortcomings. The challenges they encounter primarily stem from their own national and organizational cultures.<sup>13</sup>

For example, highly centralized decision-making system of CEE institutions, highlighted by Thomas-Durell Young, does not represent an isolated problem, but it has consequential effect, as significantly hinders development and institutionalization of essential elements relatable to Western organizational culture. These elements include creativity, collaboration, coordination, and consensus building.<sup>14</sup>

This postulate is supported by the research conducted by Alas and Vadi, which examined the impact of organizational culture on attitudes towards change in post-Socialist organizations. The study revealed that the employees of these organizations tend to exhibit less favorable attitudes towards change and face difficulties during the process of transformation. This is attributed to their previous work experiences, which have shaped a set of established working habits and attitudes toward organizational tasks.<sup>15</sup> As a result, employees are more reluctant to step out of their comfort zone and embrace new approaches or practices, including new Western models like PPBS.

This reluctance is often regarded as resistance to change. Generally, the reasons behind employees' resistance vary, however, usually it derives from the fact that the goal of a change is not clearly defined causing low tolerance among personnel. Additionally, introducing a change without proper communication can create so called the “effect of surprise”, causing a disconnection between the change and the existing organizational culture. As a consequence, employees may develop negative attitudes, believing that the change will require them to undertake additional activities. Furthermore, personnel may lack self-confidence, fearing that they will not be able to meet new working requirements imposed by the change.<sup>16</sup> From this perspective, the main reason for the inability to adopt PPBS in CEE coun-

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Vol. 161, 2016, p.66.; 71-72.

9 Pallin Carolina Vendil and Westerlund Fredrik, “Russia's War in Georgia: Lessons and Consequences”, *Small Wars and Insurgencies* 20/2 (June 2009), 400–424;

10 How Does Company Culture Actually Lead To Success? *Entrepreneur* (2015), <https://www.entrepreneur.com/growing-a-business/how-does-company-culture-actually-lead-to-success/254049> 17.01.2023

11 D.L. Nelson & J.C. Quick, *Organizational Behavior: Science, the Real World, and You* (8<sup>th</sup> ed.), *Mason, OH:South-Western Cengage Learning* (2013), p.592

12 How Does Company Culture Actually Lead To Success? *Entrepreneur* (2015), <https://www.entrepreneur.com/growing-a-business/how-does-company-culture-actually-lead-to-success/254049> 17.01.2023

13 Lang Rainhart and Steger Thomas, “The odyssey of management knowledge to transforming societies: A critical review of a theoretical alternative”, *Human Resource Development International*, 5(3).

14 McNab Robert M., “Implementing Program Budgeting in the Serbian Ministry of Defense”, *Public Budgeting and Finance* 31/2 (Summer 2011), 217; 221

15 Alas Ruth, and Vadi Maaja. “The Impact of Organisational Culture on Attitudes Concerning Change in Post-Soviet Organisations.” *Journal of East European Management Studies* 9, no. 1 (2004): 20–39.

16 Daniela Bradutanu, *Resistance to Change: A New Perspective*, Lulu Press (2015), pp.22-25

tries lies in the prevailing culture developed as part of the post-Socialist legacy.

The way PPBS was introduced to the young, underdeveloped military institutions of the Central and Eastern European countries has significantly hindered the creation of an effective planning system. The large-scale efforts to “export” the U.S. method of strategic planning led to an ambiguity, as critical cultural factors essential for the success of the change management process were often omitted. Therefore, the concept of PPBS was rarely understood by the recipient states, leading additional detrimental confusions within their defense organizations.<sup>17</sup> As a result, instead of bringing improvement, the system became merely a continuation of the existing planning and financial management traditions developed during the Socialist era, failing to become a modern Western-type long-term strategic thinking tool.<sup>18</sup>

Therefore, while this whole process was backed by the necessary resources, tools, trainings and human capital, it lacked the proper management of change itself that impeded the smooth transitioning and hindered achievement of desired end states. The success could be supported by accompanying changes related to adopting PPBS with Organizational Change Management (OCM) framework.

### Organizational Change Management (Ocm)

Organizational Change Management (OCM) refers to “the application of a structured process and set of tools for leading the people side of change to achieve a desired outcome”. OCM is both a process and a competency that involves assessing the existing organizational culture and enhancing personnel’s psychological readiness for the upcoming change.<sup>19</sup>

OCM, as a competency, involves having the necessary expertise and skills enabling organization to actually implement a change. In the case of adopting PPBS in CEE countries, this dimension of OCM has been more-less active considering the advisory assistance provided by leading Western experts.

As a process, OCM utilizes a range of holistic tools to ensure that the change becomes embedded in the existing organizational culture and produces repeatable patterns. This aspect of OCM heavily relies on understanding employees’ psychology and the prevailing organizational culture. The underlying concept is that the changes within organizations should be aligned with the thoughts and feelings of the personnel to increase the likelihood of their successful implementation. This particular aspect of OCM has merely been considered while exporting PPBS to CEE.

In this light, the research conducted by change management organization PROSCI (Professional Science) underscores the overall importance of OCM by showing that its application significantly increases the chances of effectively implementing changes. Specifically, PROSCI categorized the OCM efforts of organizations and measured their success in terms of achieving goals of the introduced changes. The research revealed that initiatives with excellent OCM practices are 6 times more likely to meet their objectives than those with poor change management.<sup>20</sup>



Graph N 1 Source: PROSCI Research Hub

17 Manole Oana-Raluca, “PPBES Process Overview: Considerations Regarding its Implementation and Use”, in Maria Constantinescu (ed.), *Bucharest: National Defense University ‘Carol I’ Publishing House* (2010)

18 Fritz Antje, “Security Sector Governance in Georgia (I): Status”, in Philipp H. Fluri and Eden Cole (eds.), *From Revolution to Reform: Georgia’s Struggle with Democratic Institution Building and Security Sector Reform* (Vienna and Geneva, July 2005), 66–67.

19 T. Creasy, “An Introduction Guide to Change Management” (2018). [www.prosci.com](http://www.prosci.com) 15.01.2023

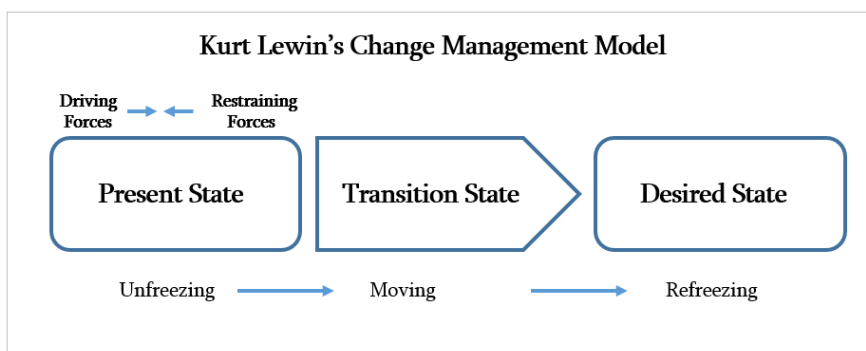
20 T. Creasy, “The Correlation Between Change Management and Project Success”, <https://www.prosci.com/blog/the-correlation-between-change-management-and-project-success> 15.01.2023

### Ocm In Defense Sector

OCM is widely used within Western government agencies, including defense/military institutions in order to ensure the creation of a clear vision for the transformation, empower line personnel, and facilitate inclusiveness with the aim of achieving success within the established chain of command.<sup>21</sup>

Western defense organizations usually create guidelines for managers and offer a range of tools to support OCM efforts, including communication plan templates, training courses, trust building activities, questionnaires etc. Importantly, they base their ideas and efforts on concrete OCM models. Given the heterogeneity of cultures, as well as potential for changes, a combination of different OCM models and methodologies can be used depending on the situation. These models typically utilize various theories and perspectives, all of which focus on the psychology of resisting/accepting change.<sup>22</sup>

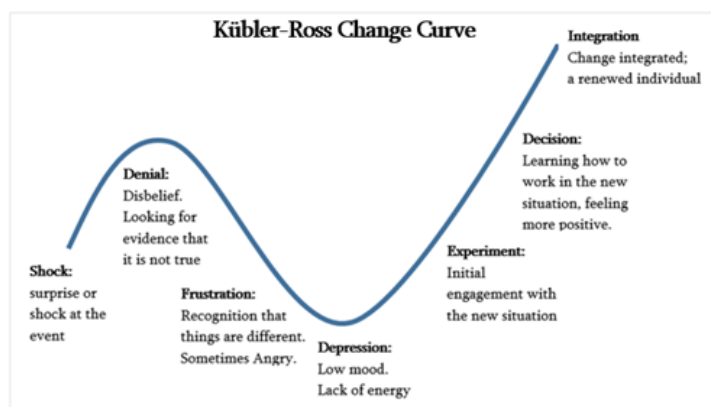
For example, the U.S. Army War College elaborated a primer for senior leaders, which provides various methods to analyze and support changes within military organizations. It emphasizes the need to prepare personnel for change, as well as focuses on efficient methods and tools to actually implement these changes. This particular primer highlights few models, including Kurt Lewin's change management model, which underlines three main phases of change:



Graph N 2. Source: U.S. Army War College

1) present state; 2) transition state; 3) desired state. Lewin's model is considered to serve as a fundamental concept of OCM, providing the foundation under which numerous other models have been developed. Therefore, this is relatively simple model that can be modified to suit the culture and specific needs of a particular defense institution.<sup>23</sup>

Ministry of Defense (MoD) of the UK successfully utilizes OCM within its organization. Specifically, the ministry provides methodology and toolkit for managers in defense. This approach outlines the aspects of Lewin's model, as it focuses on the general



Graph N 3. Source: Elisabeth Kubler-Ross Foundation

stages of change.<sup>24</sup> However, OCM efforts within the UK MoD are primarily constructed around

21 D. Chinn and J. Dowdy, "Five Principles to Manage Change in the Military", McKinsey & Company (2014), [https://www.mckinsey.com/~media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/Five%20principles%20to%20manage%20change%20in%20the%20military/Five\\_principles\\_to\\_manage\\_change\\_in\\_the\\_military.pdf](https://www.mckinsey.com/~media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/Five%20principles%20to%20manage%20change%20in%20the%20military/Five_principles_to_manage_change_in_the_military.pdf) 15.01.2023

22 Brian Joseph Galli, "Change Management Models: A Comparative Analysis and Concerns", *IEEE Engineering Management Review* (2018), Vol 46, NO:3

23 T. Galvin, "Leading Change in Military Organizations – Primer for Senior Leaders". U.S. Army War College Press Publication (2018)

24 "Change Management in Defense: Methodology and Toolkit". Ministry of Defense of UK (2022)



the psychological path employees go through while facing change: shock, denial, anger, despair, exploration, acceptance, and commitment.<sup>25</sup> The model introduced by the UK MoD is similar to the approach suggested by Kübler-Ross Change Curve, which focuses on the following stages: shock, denial, frustration, depression, experiment, decision, integration.<sup>26</sup>

These cases demonstrate that OCM is regarded by Western countries as a useful mechanism to prepare ground for change and to support its actual implementation.

## Conclusion

In conclusion, the failure to adopt major changes in the defense sector, including sharing of the best Western practices, can be triggered by various factors separately or in combination. The study has revealed that this failure is often influenced by ignorance of psycho-cultural factors leading to the resistance to change among personnel.

As an answer to the research question provided in this paper, the study has showed, that psycho-cultural aspects, in parallel with other contributing factors had significant negative effect on the implementation of major changes within defense institutions. These factors should not be analyzed separately, but understood as interconnected elements influencing the outcome of change initiatives.

In case of adopting PPBS in CEE countries, the failure is believed to be related to a few problems including prevalent centralized decision making, lack of awareness, reluctance of personnel etc. Meanwhile, these common problems are closely related to the psycho-cultural aspects of an organization or even a nation, such as the lack of creativity, collaboration, coordination, and consensus building. These factors have reinforced the problems, ultimately leading to the failure. Thus, the hypothesis proposed in this paper has been validated.

On the other hand, the study has presented that the failure within defense institutions of CEE countries could be avoided by institutionalizing Organizational Change Management (OCM), as it increases chances of successfully adopting changes and meeting desired objectives. Despite that this approach is mainly utilized by private sector, the examination of few OCM efforts of Western defense organizations, often regarded as role models for CEE countries, shows that OCM is a valuable mechanism for the defense sector as well.

OCM is operational in the process of implementing any type of reform. However, the analysis of introducing changes in post-Socialist states particularly emphasized the need to support adopting modern practices through OCM mechanisms.

Therefore, as a recommendation, this paper suggests that in order to effectively navigate the complexities of an introduced changes and mitigate resistance within defense organizations, it is essential to address their psycho-cultural factors prevailing at both the organizational and national levels through the application of OCM.

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<sup>25</sup> Supporting Change Toolkit. Ministry of Defense of UK.

<sup>26</sup> Elisabeth Kubler-Ross Foundation, "Kubler-Ross Change Curve", <https://www.ekrfoundation.org/5-stages-of-grief/change-curve/> 17.01.2023

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