




© 2025 Kozák. This article follows the  Open Access policy of CC BY NC under Creative Commons attribution. v 4.0.

Submitted: 11/02/2025 - Accepted: 12/04/2025 - Published: 30/06/2025

Adaptive Organizational Change Management: A Risk-Responsive Framework for Economic Uncertainty

Tamás Kozák

Budapest Business School, Hungary

Abstract

In an era of heightened economic volatility, effective risk management has become a cornerstone of organizational resilience and strategic agility. This study investigates how external market disruptions and internal operational complexities influence the selection and efficacy of change-management approaches. By systematically analyzing risk-assessment frameworks, we reveal how aligning an organization's risk profile with its resources, capabilities, and strategic objectives enables the development of tailored action plans—mitigating threats while leveraging emerging opportunities. The research highlights the critical interplay between corporate strategy, organizational culture, firm size, and partnership networks, demonstrating their collective impact on the success of change initiatives. Building on diagnostic insights, we propose a risk-responsive organizational development model designed to enhance adaptability and ensure sustainable transformation. Our findings provide leaders with a structured roadmap for embedding economic risk analysis into every phase of change management, fostering resilience in dynamic business environments.

Keywords: organizational change management, economic risk, strategic resilience, adaptive leadership, risk-assessment frameworks, organizational development, market volatility, change implementation

Introduction

Risk management—and, in particular, risk analysis—is a rapidly evolving domain within strategic management. Its critical importance is underscored by numerous business strategies that falter during execution due to unmitigated uncertainties (ISO, 2018; Hillson & Murray-Webster, 2007). Beyond identifying and forecasting risks arising from both external markets and internal operations, risk management's role

in strategic and organizational development is to render these uncertainties quantifiable and to devise action plans that avert or attenuate adverse outcomes (Chapman & Ward, 2011).

The risk-management process typically unfolds in six iterative phases:

Mapping endangered values and activities that face potential threats (COSO, 2017).

Identifying, recording, and prioritizing risk factors and hazard sources (ISO, 2018).

Analyzing the impact of each risk factor (Hillson, 2019).

Determining risk-handling tasks and selecting appropriate mitigation strategies (Chapman & Ward, 2011).

Executing chosen risk-management methods (COSO, 2017).

Monitoring and refining the risk-management program over time (ISO, 2018).

Phases 1–3 comprise risk analysis, while phases 4–6 comprise risk handling (Hillson & Murray-Webster, 2007). In this study, we refine the methodology for evaluating business strategy and underpinning change management by integrating risk assessment into strategic option appraisal. Beginning with the company's mission and vision as foundational policy anchors, we align internal (SWOT) and external (PESTEL) analyses to these strategic imperatives (Humphrey, 2005; Porter, 1985). Strategic directions are then selected using Porter's generic strategies, with alternatives evaluated via the TOWS matrix (Weihrich, 1982), and development resources mapped through the value-chain framework (Porter, 1985)

Endangered Valuables, Resources at Risk, Mapping of Activities

Risks to strategic objectives stem from both organizational processes and the quality or deployment of resources. Identifying these risks requires categorizing potential threats and bottlenecks that can produce unexpected setbacks—whether arising from routine operations or from unanticipated external shocks and regulatory shifts (ISO, 2018; Hillson & Murray-Webster, 2007). In the context of a change-management initiative, common threat vectors include:

Fragmented or inefficient operational processes

Poorly managed or underutilized physical assets and information systems

Gaps in staffing levels or expertise

Weak or adversarial stakeholder relationships

To visualize these vulnerabilities, organizations often develop a “risk map.” One approach uses structured questionnaires to evaluate each organizational element, ranking factors by their uncertainty and impact. This diagnostic exercise can be applied to any resource or competency cluster (Hillson, 2019).

A widely adopted assessment framework is the EFQM Excellence Model, which groups enablers—leadership, people, strategy, resources, and processes—separately from results—customer satisfaction, financial performance, employee development, and societal impact (Mullins, 2007). Structurally, this mirrors the Balanced Scorecard approach, where performance metrics across financial, customer, internal-process, and learning perspectives are linked to strategic objectives (Kaplan & Norton, 1996).

For complex, multi-stage transformation programs, decision-tree analysis helps project teams lay out alternative paths and assign probabilities to each branch. Such trees support scenario planning and clarify which decision variants align best with the organization’s risk appetite and strategic goals (PMI, 2017).

The exploration, analysis and sorting of risk factors and threats are based on both the evaluation of factors examined by the method of questionnaire and the analysis of the radar chart (Figure 1) drawn after the weights of the factor groups were given.

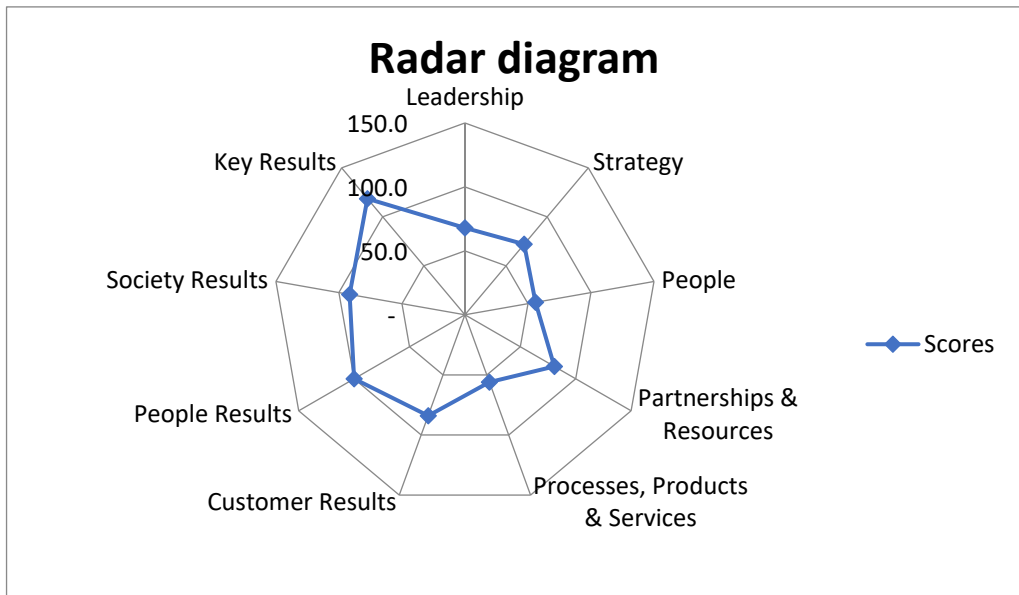


Figure 1: Results of Evaluation (example). Source: Compiled by author

The figure shows which areas are underestimated, and on which areas it is needed to examine both the need for organization development and the method thereof. In this example, the treatment for the employees and the public relationships justify further audit and analysis.

Analysis of the Risk Factors’ Effects

During the analysis, the set of independent variables is made of the characteristic elements — discovered during the identification of risks — of blocking factors or threats (macro level, market, technical, technological, financial, etc. risks). The

consequences of these risks are expressible as changes in the dependent variables (such as implementation time, implementation cost, slippage caused by employee dissatisfaction, etc.). The measure of the caused change shows the danger level of each risk factor (Turner, 2009).

By doing a risk analysis we should examine all dangers and risks, and determine their possible combinations. The probability of damages and various damage combinations have to be analyzed. At the same time, determining the possible financial requirements is an equally important element of the examination. During risk assessment it is not to be neglected that what areas of the company are affected by the risk events. It is also a question if the negative effect would make an impact on the whole company or just a part of it?

In the practice of organization development projects the *probabilistic sensitivity analysis* gives the most information for risk analysis. This method shows the measure of impact the change in the incidence rate of each risk factor (independent variable) has on the success of organization development (implementation time, implementation cost, pace of change).

First, each variable must be identified by determining the areas getting relatively bad or critical values during the evaluation of the organization elements. (Figure 1.)

We have to explore the connection between cause and effect to see what further troubles the growth of an organization level problem may cause in the life of the company. Professional estimates can accompany this method of examination in a way that even the probability analysis calculations can be based on probabilities derived from the estimated incidence rate of each risk factor.

Thus, the above-described risk analysis methods complement each other. As a first step, the sensitivity analysis selects the “most dangerous” risks, then the probability analysis shows the combined effects thereof. In some cases an estimated-losses calculation may accompany the analysis of the risk factors, but this method’s usability and value in use is limited in organization development.

Determining Risk Management Action Tasks by Risk Types

In this phase we examine the possibilities of preventing the damages, dangers and risks to the organization, and by this we determine the possible direction of organization development. The risk-related solutions, the tools for risk control are (Mulcahy, 2010).

Avoiding risks

Reducing risks

Transferring risks

Sharing risks

The various types of action presume different organization development and so change management methods as well. These may be the following.

Avoiding Risks

If an event having adverse effect upon the operation of the company has a high probability of occurrence, then a solution is to withdraw from the very risky activity leading to that event. Organization development procedures opening a way before foreseeable, regulated and significant changes are needed (Child, 2008). It is achievable by certain strategic decisions, or it may need a reorganization of the procedures or the whole company. These kinds of projects are mostly covered by the BPR (Business Process Reengineering).

For example, reconstructing the sales department may be such a project, in which the company switches from the specifications of a product based operation to the allocation of procedures and resources by customer types.

Reducing Risks — Risk Management

In some organization development projects it is unexpected to get sudden, shock-like events. These projects aim to reduce the impact of damage, dangers and risks. Risk management includes foreseeable activities that have continuous effects on the long term, such as Six Sigma-type quality-assuring projects that includes procedure reorganization and aims to reduce the production error percentage.

Transferring and Sharing Risks

The company may transfer its risks related to its activities and the resources thereof. In organization development, the common “transfer direction” is an outer (sub)contractor. Characteristically, there are lots of uncertainty factors, the management should expect everyday problems, and it is hard to plan any internal improvement, but following the necessary management decisions this method can achieve significant results. A typical form of transferring risk is the outsourcing, which means that after laying down certain conditions in the contracts, the company outsources its non-strategic activities.

Adoption of Risks, Exploitation of Opportunities

If significant risk to the organization cannot be identified, or if the risk is manageable in the usual course of business, the company applies indirect risk management. The company environment is changing continuously, the pressure to adapt is constant, so the recognition of possibilities makes it a necessity to formulate the strategic goals and actions. In these cases risk management basically consists of project (development) risks that is not within the scope of this article.

Choosing the “Best Strategy”

During the process of the evaluation of strategic options supported by the result of a situation reading, the drawn planning scripts are compared to each other and evaluated.

First of all, I compare the company's mission and vision with strategic options that was set in concord with the former situation evaluation. By this I examine the coherency, and filter out the options that do not meet the requirements. After this I examine if the requirement of completeness is fulfilled; the options that contain goals in accordance with the predefined set of premises can be compared to each other. After selecting the “best strategy” the examination of acceptability gives answer to the question; Could we find the best organizational development objectives to achieve the strategic goals ? In the case of negative answer the strategy creation process starts from the beginning.

Summary

By using the organizational risk assessment we can choose one from the possible solutions, or find a combination of solutions that corresponds to the general goals of the company, and most effectively serves the execution of the company's strategic goals. The specific organization development tasks and measures can be distributed among the levels of senior and middle management in accordance with the division of labor in the management.

During organization development the results should be continuously monitored and assessed to always keep the applied evaluation procedures improved and updated. The results and derived conclusions serve to strengthen and enrich the learning skills of the organization.

After I evaluated the environment and the inner resources, I had to designate the possible “roads” on which the vision of the company can be realized. Considering the consistency requirement for the planning process the steps are building on each other. The strategic directions, as planning options, are connecting status quo with the company's vision, thus creating a bridge between present and future. Besides the designation of a strategic direction, a frame for the task supporting the realization of the strategy, namely the action plan, also has to be defined. In this respect, keeping the requirement of consistency in mind I determine the possible set of strategic instruments by using the methods below.

During the evaluation and quantification of the risk exposure I review the cases in which the strategic factors revealed formerly are “flying away”, unexpected events do happen, company resources erode, or the internal shortcomings are not eliminated entirely. This kind of approach helps to think about actual risks for each strategic factor. The risks revealed this way are standardized by the expected events' financial, organizational, market or environmental nature.

References

- [1] Chapman, C., & Ward, S. (2011). *How to Manage Project Opportunity and Risk: Why Uncertainty Management Fails and What to Do About It*. John Wiley & Sons.
- [2] Child, J (2008): *Organisation*, Blackwell Publishong, pp 277 – 280-
- [3] Committee of Sponsoring Organizations of the Treadway Commission (COSO). (2017). *Enterprise Risk Management—Integrating with Strategy and Performance*. COSO.
- [4] David, Fred R. (2011): *Strategic Management*, Prentice Hall, p 327.
- [5] Hillson, D. (2019). *Practical Project Risk Management: The ATOM Methodology* (3rd ed.). Berrett-Koehler.
- [6] Hillson, D. (2019). *Practical Project Risk Management: The ATOM Methodology* (3rd ed.). Berrett-Koehler.
- [7] Hillson, D., & Murray-Webster, R. (2007). *Understanding and Managing Risk Attitude*. Gower.
- [8] Hillson, D., & Murray-Webster, R. (2007). *Understanding and Managing Risk Attitude*. Gower.
- [9] Humphrey, A. (2005). *SWOT Analysis for Management Consulting*. SRI Alumni Association Newsletter.
- [10] International Organization for Standardization (ISO). (2018). *ISO 31000:2018 – Risk Management Guidelines*. ISO.
- [11] International Organization for Standardization (ISO). (2018). *ISO 31000:2018 – Risk Management Guidelines*. ISO.
- [12] Kaplan, R. S., & Norton, D. P. (1996). *The Balanced Scorecard: Translating Strategy into Action*. Harvard Business Review Press.
- [13] Mulcahy, R (2010): *Risk Management*, RMC Publications, pp 191-195
- [14] Mullins L. J. (2007): *Management & Organisational Behaviour*, Pentice Hall, p 774
- [15] Mullins, L. J. (2007). *Management and Organizational Behavior* (7th ed.). Pearson Education.
- [16] Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. Free Press.
- [17] Project Management Institute (PMI). (2017). *A Guide to the Project Management Body of Knowledge (PMBOK® Guide) – 6th Edition*. PMI.

- [18] Turner J. R. (2009): *The Handbook Of Project-Based Management*, McGraw-Hill p 209.
- [19] Weihrich, H. (1982). The TOWS Matrix—A Tool for Situational Analysis. *Long Range Planning*, 15(2), 54–66.