

APPROACHES TO ORGANIZATIONAL CHANGE WITHIN MODERN COMPANIES

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Abstract:

Throughout the ideas comprised in this paper we have approached a trendy subject both for its popularity and imminent necessity. The paper sections refer to different aspects that have strong correlation with the main subject which is –organizational change. The first section debates the specifics and importance of organizational change within the present business context. Second section discusses managerial strategies to approach change in the organization environment. The next section of the paper argues the role of the leader and the appropriateness of leadership styles to each change process. The goal of the paper is to integrate key aspects in order to bring more comprehension to the approached subject – organizational change within modern companies.

Key words: organizational change, change strategies, leadership, business cycles.

JEL classification: M12, M13, M14, M19.

1. INTRODUCTION – THE IMPORTANCE OF STRATEGIC CHANGE

The transition that our country is facing has imposed a wide reorganization of Romanian companies determined by the continuous change of the competitive environment. Selection of the business strategy has to take into account the new internal and international context within which companies develop their activity into in order to determine a viable direction that should allow the realization of objectives set for efficiency. *In this new context, the managers' contribution to setting and accomplishing the company's objectives is decisive.* The majority of managers agree, nowadays, that if an organization wants prosperity it has to continuously change as a response to important evolutions in the business environment like: the change of clients' behavior and needs, technological progress, new legislation, and many others. (Certo, 2002, p. 366)

In this context, selection and application of strategies that project companies an upward evolution depend on the leadership action capacity, on its ability to motivate the personnel, to develop a favorable state of mind. Applying new strategies results in significant changes for the internal context of the company that may affect managers, employees and implicitly work content. People's attitude when facing strategic processes may determine in their behavior a *certain organizational resistance to strategic changes*. Resistance to change may take various forms (Ansoff and McDonnel, 1990, p.405): activity slow-down, activity drawl, delays of launching the change process, delayed and inefficient actions during the change process.

Change was characterized by Lewin (1951) *as disequilibrium between driving/leading forces and resistance/opposing forces*. If these forces were in a permanent equilibrium then there wouldn't take place any change. Change is inevitable in any context and depends each time on context that is why it is considered a relative concept. "Every phenomenon is subject to change, however apparently stable its nature". (Wilson, 1992, p. 8) What we may certainly state about change is that it exists and it is, to some extent, predictable. There are various means and methods to anticipate change in the immediate (direct) or distant (indirect) external environment of the organization. "In every industry and business, change ebbs and flows in recurring cycles that to at least some extent can be charted and therefore anticipated and managed". (Nadler, 1998, p. 45)

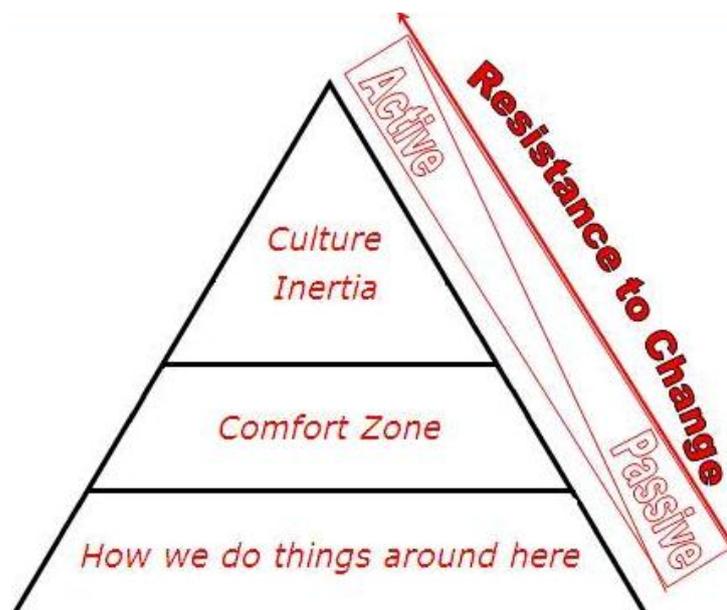


Figure 1. Factors influencing the resistance to change

Source: adaptation after (lifecarefoundation.wordpress.com)

Anticipating the necessity of change for the organization is not enough in order for this to happen. Managers must apply some preliminary strategies regarding the organizational change process that should prepare the organizational context for the installation of the desired change. In the first place, we talk about acknowledging the necessity of change at individual and group level. Justification of change based on solid arguments will lead to diminishing the change resistance forces existing in the organizational environment. Thus, employees' acknowledgement of the necessity and importance of the change process becomes a key factor for the implementation and success of the organizational change process.

Resistance to change is caused by many factors that divide into two categories, namely passive factors, as employees' habitude to a certain work style as well as convenience and carelessness to pass over the comfort area in order to give new solutions. The second category of factors, the active ones, refers to the rejection of alternative methods or that were not yet applied for task accomplishing. In this category we also include the cultural inertia, which means the fear to act differently from the other members of the community. It is well known that change may be done by applying one of the following strategies (Lewin, 1951):

- Reducing constraint forces or diminishing passive factors;
- Increasing driving forces or intensifying active factors;
- Reducing constraint forces and increasing driving forces.

Lewin states that change may be installed easier when constraint forces are diminished then in the case when leading forces are increased. According to the "freeze-unfreeze-refreeze" principle, initiatives of change may be easier accepted when we act upon a fluid/relaxed/unfrozen medium and afterwards to consolidate the whole organizational change process. Consolidation or maintaining a certain level of change may be obtained in the "refreeze" stage.

Work-place behavior depends both on personal characteristics and organizational environment where people develop their activity. As for each employee's activity intervenes more variables generated by different contextual situations, the behavior is hard to analyze and predict. The state of being at a certain moment influences the individual's behavior. The concept of psychological climate, advocated by James and Seels describes the way that individuals' perceptions upon a situation award it a certain importance and psychological significance. In this sense the invoked authors agree that the most important environmental variables which must be taken into consideration refer to the job characteristics (autonomy and level of difficulty), managers' behavior (focus on future objectives and ensuring the necessary conditions for their accomplishment), work group characteristics (cooperation and relationships among employees) as

well as the organizational policies that may affect directly the employees (evaluation, remuneration). (James & Seels, 1981)

Forward, managers have to be sure they possess of all necessary means and resources required for employees to complete the change procedure. Initiating the change process does not guarantee its success. During the whole process the manager has to ensure the support of change basing on plans, strategies and very important through moral and motivational support for those who must apply change, -the employees.

2. MANAGEMENT STRATEGIES FOR ORGANIZATIONAL CHANGE

The evolution perspective of the business environment signals stronger and stronger the need to identify new secure ways to implement *organizational change*. Procedures of organizational change have been applied but until now the success rate is very low that is why it is important to insist on improving *the strategies of approaching organizational change*.

Along the organizational change process are considered important seven steps that outline the general change strategy (Cornescu, 2004): identify the problem, collect information, analyze information, reformulate the problem, create the action plan, implement/develop the actions and evaluate actions.

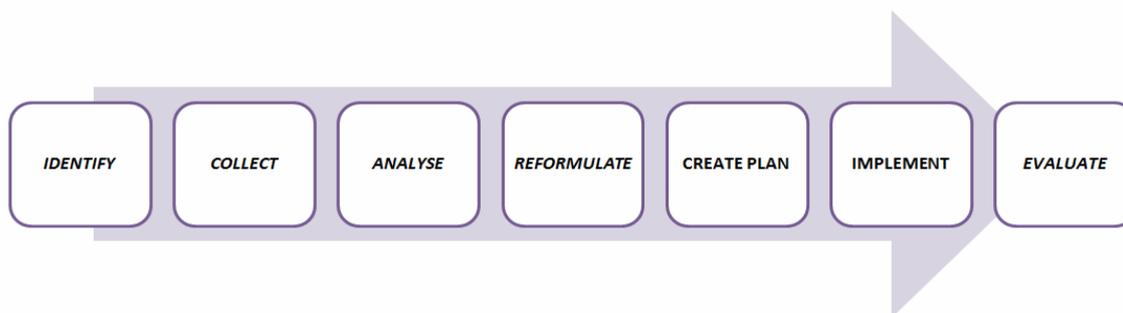


Figure 2. Seven steps of organizational change process

Source: the authors

Overall, strategies for a planned change are influenced by the existence of some problems or delicate situations that must be corrected. It is important that all those involved to acknowledge the existence of a problem and to define it in a unitary manner.

Information has an important role as they deeply describe the issues that generate change. Usually, it is recommended direct observation on the scene that allows the involved persons to gather precise information on the analyzed situation. This method, even if it offers the possibility to gather direct information on events, may not be applied in any situation. At most of times the information gathering process bases on interviews, questionnaires and surveys. Due to various reasons, employees involved in accomplishing tasks and objectives tend not to offer answers reflecting genuine honesty. This argument implies the participation of professionals outside the organization who don't feel threatened in any way and who may offer viable solutions to solving problems.

Another way to collect information is done through secondary data sources. These do not always reflect reality. Information present only some points of view of persons who don't take part to solve a specific problem (information may be incomplete, false or adjusted).

In order to have a clear acknowledgement upon the economic and financial aspects of the organization and upon the issues that urge to be solved, the diagnosis is very important because it offers *necessary information to evaluate past and present actions that also represent a basis for future estimations, helping the organization's management to determine actions that must be developed in the future*. (Mihăilescu & Stanciu, 2003)

As information is analyzed the problem may be reformulated from the perspective of the new information and may be elaborated a new action plan. This action plan has to allow solving the

issues that generated the specific problem and to allow the successful implementing of the change program.

The business evolution of a company, within a competition environment may vary from a period of time to another and it depends on the organization's life cycle. Overall, the organization may go through the following phases: introduction (creation) -phase I; development –phase II; growth and expansion –phase III; decline –phase IV; withdrawal –phase V. (Figure 3.)

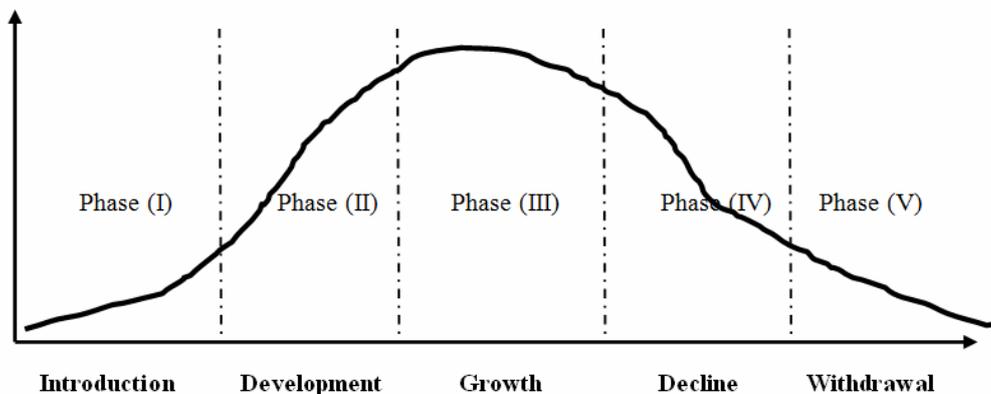


Figure 3. Evolution phases of the organization life cycle

Source: adaptation after (Dumitrescu, 2002)

In order to solve the problems specific to each life phase the manager may apply a multitude of strategies, even opposite ones. In addition we must consider the fact that the economic evolution may influence positively or negatively the road followed by the company. In practice there is a dependency relationship between the macro and micro economic levels.

During the *creation phase (I)*, managers have to reveal a strong entrepreneurial spirit, have to previously study the market actions and have to be very determined. A classification of those who desire to launch a new business, emphasize the following criteria (Dumitrescu, 2002, p.120):

- Criterion – actions fundamenting (substantiation), is specific to entrepreneurs that rely on market studies and surveys; entrepreneurs that start their businesses as partners of some strong companies;
- Criterion – time-profit, represent the temperate entrepreneurs and also rash entrepreneurs that get hasty with obtaining profit;
- Criterion – action area, outline entrepreneurs that act on more restraint territorial level, whether local, national or even international;
- Criterion – activity sector, comprises entrepreneurs that focus their interests on various domains.

Through the *development phase (II)* of the organization, it is implied an intense effort on behalf of managers and entrepreneurs with respect to making efficient decisions for the companies development.

Growth and expansion phase (III) implies a participatory leading style that should emphasize the ideas generated by the human resources involved in the company's activity. The organization's sales volume increases rapidly, products are well received on the market and profit is big enough to support investment costs. From this point, organizations apply successfully a series of strategies as: selling products at low prices, increasing sales by raising the turnover, the approach of new activities or domains, market dominance. All these strategies allow organizations to consolidate their position on the market and gain competitive advantages. (Constantinescu-Băeșu, 2006, p.102) When they begin to develop, many organizations prefer the internal growth strategy which implies a growth of assets' volume through internal investment. For this strategy we mention the following advantages: modern endowment, efficient human resources, keeping organization's sovereignty and culture. (Tanțău, 2011, p.140)

Considering the globalization process, after companies develop their activity at internal level, they may choose to extend their activity on external level also. In this sense is recommended to implement external growth strategies that include cooperation, acquisition and fusion strategies. Cooperation is done through strategic alliances, for the purpose of gaining competitive advantage. This way, companies have the opportunity to enter new markets, to develop new technologies and products keeping economic efficiency. For example Gillette Company has rapidly extended on international level through strategic alliances. Presently Gillette Company became one of the most well-known brands on the global market. Trades products that are appreciated by customers all over the world and has technologically advanced information systems.

Changes that occur within the economic environment may determine companies to recur to fusion and acquisition strategies. For example, on the Romanian insurance market we may consider the successful fusion between BCR Vienna Insurance Group, as absorbing company and OMNIASIG Vienna Insurance Group as absorbed company. Throughout this fusion, the new company, named OMNIASIG, became more powerful, more stable and with a larger network which is much better implemented at national level and offers insurance services at the highest standards of quality. Considering all these elements, the resulted company after the fusion aims the objective to rank the first in the hierarchy of general insurance companies in Romania.

Across the *decline phase (IV)*, managers have to adopt decisions that will ensure the company survival and also offer the possibility to recover financially. Thus, must be taken into consideration more cautious strategies, based on protecting the target market of the company's activity. On short term, in economic crisis conditions, organizations may consider collapse strategies in order to reduce internal expenses. The change processes that develop within Romanian economy and at global level push organizations to find new opportunities to improve economical-financial performance. In this sense, the recovery strategy may offer solutions for changing the evolution trend of companies at the edge of decline. In the last phase of the of the company's life cycle, managers must act as to avoid some unwanted consequences from economic and social point of view that may negatively influence the company's activity and determine its failure.

3. THE LEADER – PROMOTER OF CHANGE FOR MODERN COMPANIES

The success of any change depends on the managers' ability and performances. The change process implies a cultural sensibility of managers and an efficient collaboration with the employees. It is necessary that the manager adopts leadership styles in order to attract leaders and their teams. The leader has a special attention for culture. He must be a visionary, to respect values, to know as well as possible the reality of the organization he represents. (Rosca, 2005, p.485)

In the new competitive environment, there are companies that succeed to impose themselves in the sector they approach and achieve important performances. In practice are emerging more and more questions like: What is the difference between these companies and their competition? How do these companies to meet the challenges of the economic environment, governed by the change? Possible answers to these questions, highlights the manager's role who must know how to organize companies to achieve performance. Free access to a global market, rapid evolution of technologies and media development produced in the present rapid changes in the external environment of the organization and for the employee-employer relationship.

A leader is a promoter of change that has to customize management styles according to the features and behavior of their employees. A leading style is influenced by numerous factors and may be analyzed from the managers' position. The success of change depends on the way the manager cooperates with employees and various collaboratives, on the way he stimulates the employees to involve within the change process. This would imply the development of participatory leadership style.

Leadership has a great contribution for each process of organizational change. Recent models/strategies regarding change outline in the first place the role of leadership and implicitly the leader's. In order to ensure the success of an organizational change procedure it is essential to

choose the corresponding leadership style. The debut of an organizational change process is an important step but the leader must provide the equilibrium state both during the process and after achieving the proposed objective of change. Leadership and organizational change must keep compatibility within each phase of evolution. With respect to the dynamic character of these two it is easy to understand that they mutually influence and evolve together step by step.

At organizational level, *the leadership represents the promoter of change*. Leadership is a process based on the power to influence people through motivation in order to implement change, and achieve a specific purpose. According to Brătianu, *change* is not a purpose of itself but a process through which can be implemented a certain strategy and accomplish a certain goal. Unlike managers who have the institutional authority, *leaders have the power and talent to influence the ones around them*. Leaders have vision and a set of personal qualities through which they succeed within a managerial context to trigger and develop an organizational change process. (Brătianu, et. al., 2010, p.25)

Successful leadership has six basic personality traits named as: self-confidence, ambition, drive and tenacity, realism, psychological openness, appetite for learning, creativity, fairness, dedication. To involve other members of team in decision making is also the part of leadership. (Bass, 1985) Senge (1990) illustrates three foundation characteristics for a person to be in a leadership role in the modern day organizations and they are of an architect, a teacher, and a steward. These three qualities assist in clarifying mission, vision and values; identifying strategies, structure and policies; generating efficient learning processes; and facilitating subordinates to develop their mental model continuously and think systematically.

From the variety of organizational change approaches we focused our attention upon the one in Figure 4, as it shows the key aspects that the leader must analyze in order to prepare, induce, conduct and realize the process of organizational change. We shall further analyze the components of organizational change procedure as well as the leadership strategies that may be activated for each phase.

In this case we speak about the determinant- **driven by**- factors of change as – technology; - economic forces; -socio-political and legal factors; -human resources issues; -process considerations. Knowledge about the initial state of the organization and about determinant factors that influence it supplies/offers a great amount of valuable information for the road to follow. It is interesting to observe that this component – driven by- factors is independent. These factors show the necessity of change towards a certain direction but this is not compulsory and remains at the latitude of the organization's management whether it will start any actions in this sense.

We consider that the approach order of these components facilitates a better understanding of the entire process. Thus we continue with the discussion of inhibitory factors that occur within the organizational change process as these exist naturally, are generated by the human instinct which is uneducated to recognize and accept change. Among the **inhibitors** of the organizational change process we mention: –fear of power structure realignment; -role clarity (non clarity); -entrenched norms and values; -uncertainty about organizational reconfiguration. We were saying that these inhibitors are instinctually generated by each of the employees when they are surprised and uninformed with respect to the necessity of a change, to the importance and effects of change, to what change implies and to which is each one role within the process.

Fighting, or diminishing the intensity of inhibitors is done with the aid of **facilitators** that are forces which support the change process, as for example: - leader and team's perceived strategic capabilities; -leader and team's power status; -reward and discipline; -leader and team's appeal. (McGuire & Hutchings, 2006) For such situations, the leader's role becomes noticeable and his talent makes the difference between the success and failure of the organizational change process. Even if there is no formula generally valid for the transition of a change process there have been identified common elements regarding the leadership styles that succeeded to implement change.



Figure 4. Components of organizational change process

Source: adaptation after (McGuire & Hutchings, 2006)

According to Ajayi (2002), the change leader needs following capabilities: great determination to make the change happen; persistence/perseverance; stamina; a sufficient mandate that stems from personal change; and first-rate intelligence. For example, Steve Jobs - a great leader, emphasizes two fundamental features that a leader must possess when he plans to install organizational change, namely: perseverance and innovation. According to Steve Jobs, only a perseverant attitude towards planned objectives will guarantee the success for any leader. The perseverance of the leader becomes stimulating for the subordinated employees as to follow their leader through what he enterprises in order to accomplish the final goal. With respect to innovation, this explains the importance awarded to the involvement of employees in the process of organizational change. In this case, supporting ideas coming from employees leads to a stronger motivation for them to concentrate their forces towards developing a certain procedure, namely the organizational change. Thus we deduce that it is necessary, from one case to another, to identify the strongest facilitating factors and make them work in order to obtain the change.

Change **intervention** is a moment that must also be closely supervised with the purpose to immediately identify its effects, both positive and negative. In fact, the effects of the organizational change process reflect first of all through the **acceptance** or **rejection** of organizational change.

4. FINAL CONCLUSIONS

During decades of literature, the concept of *leadership* has known a great number of definitions, descriptions and representations. Nowadays the interest is focused upon the effects *leadership* generates for the organization. Today managers consider *leadership as an instrument* with great potential for shaping the organization, of course through directing the employees. Their attention turns toward the determination of that style/model/strategy of leadership that should lead to the wanted results in a certain context as in this case we refer to *organizational change*.

Overall, at global economy level, the need for change it becomes more obvious under the impulse of the technical-scientific revolution, of the economic, political and social transformations, all being determined by a professional management. As we previously presented during this paper, essentially the demands for change rely on the following aspects: a good preliminary planification; top management involvement and settlement of an innovative-creative climate through employees consultation as many times as necessary. As well, a special attention has to be granted to

economical-social, national and international environment that shows its influence upon the modern company evolution.

As any strategic objective is managed at organizational level through several strategies, organizational change is also managed through various strategies depending on a couple of factors. We previously discussed how any business evolves in several phases and each stage of the business has to be managed with specific actions. Thus, organizational change asks for different approaches during each phase of the business cycle.

The *pace of change* increases for all domains, especially for businesses. Each time it occurs change must be approached differently and for this are to be applied different leadership styles. At individual level, managers have to educate their employees to see and accept change as naturally as possible. In the employees' system thinking the perception on organizational change must shift from something like an imposed procedure that generates more stress, constraints and exigencies to something like a common strategy to overcome hardship or like a team challenge to increase performance. At organizational level, managers have to think and implement strategies in order to build a system that automatically engages its members to change. In the end, organizational change is a *business of leadership*, mainly.

Change implementation is a difficult process but necessary and this is why efforts go on.

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