

# Organizational Change and Improvement Performance of Companies

Župljanin Slobodan<sup>1</sup>, Independent University Banja Luka, Faculty of Economic, BIH  
Balaban Mladenka<sup>2</sup>, Institute of Economic Science, Belgrade and Independent University Banja Luka, Faculty of Economic, BIH

**ABSTRACT** – Changes are now a reality faced by all organizations, wherever they were, and no matter which activity dealt with. Changes are only a certain constant in all business activities of today's enterprises. Modern organizations must be empowered to develop specific competencies for quality change management, because only in this way, organizations can improve their business performance and stay "in the game" at all on a turbulent global market. The main research objective of this paper is to demonstrate how change management process can affect the performance improvement of business operations and thus make the company competitive. Competitive advantage is the most important competitive advantage of each company, and its achievement, in terms of global change significantly conditioned by creating appropriate models of change management. This work is, in essence, and deals with issues of organizational change, in response to the changes that come from the environment, or by creating an appropriate model of change management as an important prerequisite to improve the business performance of enterprises, which are the guarantee of the survival of the company in a dynamic and turbulent global market.

**KEY WORDS:** organization, change, performance, enterprise

## Introduction

Organizational behavior is a new approach to the human factor in the organization, which consists in shaping the behavior of employees, whereby a man is seen as an active factor in the company comes with its own personal traits and experience. The organizational environment in which it includes is an environment in which an individual reacts to her interactions established in accordance with previously adopted patterns of behavior. Access to organizational behavior, as part of management, is based on the knowledge that it is very important that the management of the company understands well the behavior of people and to have the ability and skills to influence the behavior of form or shape in a way that will contribute to achieving the objectives of the company, with management as well as the

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<sup>1</sup> Professor, Independent University Banja Luka, Faculty of economic, BIH

<sup>2</sup> Professor, Institute of Economic Science, Belgrade and Independent University Banja Luka, Faculty of economic, BIH



ability to perform tasks over people, receives its full meaning, as suggested situational approach and understanding of the many concepts that will help to understand human nature and behavior of people in a given situation.

The behavior of people in enterprises must be a constant concern of management, because people are key potential through which to introduce changes in the business, as the surest way to improve the performance of business. Today companies live and work in a very dynamic and changing environment in which the changes become everyday business. How and how many people will be able and willing to introduce changes in business largely depends on the company's management, and the ability and willingness of these depends on the ability to improve the performance of business.

The main task of the research in this paper is to determine what is and what the impact of the changes that are coming from the turbulent environment and how their anticipation and proper implementation of affecting change or improve enterprise performance. Modern managers must be able to timely detect impending changes and to recognize them as a new opportunity for the elimination of perceived weaknesses, ie, as a new opportunity to improve enterprise performance.

## **Organizational changing**

In today's world, characterized by the speed of information exchange and the globalization of business, management must provide organizational flexibility and react to creating favorable conditions for learning and self-organization. The changes include the ability to identify opportunities, missed opportunities, upcoming needs and creating a need on the one hand, and a willingness to respond creatively to the same regardless of the level of existing blockade, possibly, expected or outright resistance to change, on the other hand.<sup>3</sup>

Previous findings show that social order there is no perfect organization so that there are always conditions and opportunities for better and more perfect organization and for the achievement of better results in the organization. In terms of turbulent change, the company is no longer enough to make minor changes to create value for customers, shareholders and other stakeholders but requires the implementation of major transformational change that insist on a new approach to management, a different strategy, structure, culture and so on.

Basically an organization can have two concepts in relation to their own environment. First, a passive approach to environmental influences, the company accepts the same as something that cannot be influenced. In this approach behavior, the company is basically a relative, is in standby mode, the passive observer of events and not takes measures that would serve to adapt to changes in the environment. Second, active approach to enterprise seeks to influence the environment for the purpose of adjustment and alignment with their own interests or adapts resulting changes. In short, the company is an open system that affects the entire network of power in an environment that affect the company.

How are the relations with the environment more complex and relations within organizations become more complex internally and the key to success is in better use of

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<sup>3</sup>Zivkovic, M. (2004) Organizational adaptation and redesign of our company, Proceedings: Improving the performance of companies - a condition of doing business in the European environment, Megatrend of the University of Applied Sciences, Beograd, p. 70s.

resources, assets and activities through the creation of better organizational structure and process connections that enable the realization of synergies, stronger market impact and lower costs. Successful change management is becoming increasingly important managerial responsibility and managers react to new threats and opportunities, initiate changes in anticipation of the expected opportunities and provide interpretation of rapid, dynamic changes in the environment. For any organization and any organizational change, the main goal is to create a prosperous and successful organizational configuration that will enable the achievement of organizational goals with minimum cost and effort, satisfying the interests of all stakeholders.

Under the organizational change involves the process of changing or modifying an existing organization, the process of accepting new ideas or behavior in order to meet the new requirements of the environment in which changes in the organization, regardless of which level of conduct, chained affect every part of the organization and include: changing technology and manufacturing processes, change the organizational structure and change of structure.

### **Types of organizational changes**

Organizational system, by definition, a unit which operates in a given environment and the company represents a subsystem with its environment which needs to establish certain relationships. The modern environment is characterized by a large interaction, instability and changes that often turbulent character, and the changes taking place both in the area of technology and the field of socio - economic and political relations. Technological, economic and social factors influence the speed of change, and the creation of new management theory and practice.

In this sense, in the search for answers to new management challenges have been developed and new concepts and approaches in management. Starting from the basic characteristics of the environment in which the organization operates, theory and practice management were differentiated into three basic models of strategic and organizational changes:<sup>4</sup>

- Model of incremental (evolutionary) change,
- Disrupted equilibrium model,
- Revolutionary model (entrepreneurial) changes.

Model incremental (evolutionary) strategic changes aimed at minimizing deviations from the traditional behavior, both inside and outside the organization, and is based on small (incremental, step-by-step) changes. Incremental changes are called first order changes or alpha changes, the basic characteristic of gradual adjustment of strategic changes and changes in the organization, through partial change of low intensity. In most organizations the changes are not greeted with enthusiasm. Employees, in general, do not like change and generally oppose their introduction. This opposition can be of varying intensity, but is, in fact, always present, especially in the initial stages of awareness of the need for these changes. Managers at all levels of the organization must take this into account and duly

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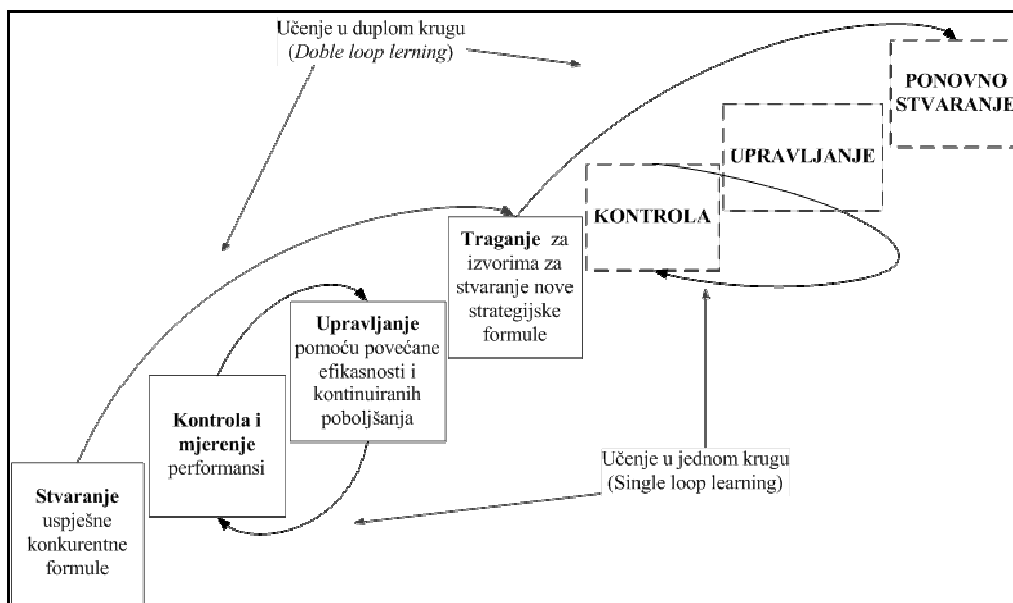
<sup>4</sup> Mašić, B. (2001) Strategic Management, University "Braca Karic", Belgrade, p. 303.

employed to prepare for the process. Companies that are not prone to making changes in the business, I can count on long-term and efficient operations. Managers reach the planned objectives by bringing logically related decisions - step by step so that employees gradually adapt because the changes mid slow, predictable based on past trends, and are within acceptable levels and volume.

As shown in the figure below, the model of incremental change includes adaptive learning or in one round (Single loop learning), which is based on the knowledge and understanding of changes in the environment and adapting to these changes. In addition to adaptive, there is a generative learning or in a double circle (Double loop learning) which is the creation and exploration of new strategic areas for the expansion of the organization.

Generative learning does not improve the existing knowledge, practices and activities, but also create entirely new competences and this learning, unlike adaptive, including another round of referring to a review of the premises on which they based their existing knowledge and creating new knowledge, competencies and strategy.

Figure 1. Relationship of strategic change and learning in a single and a double circle



Source: Creating author according to Armstrong, SA, Fukami, CV (2009) *Management Learning, Education and Development*, SAG

Model disrupted balance is based on the assumption that changes in the environment according to its frequency, scope and level of turbulence, beyond the framework that can be filled by permanent adaptation of incremental changes. Organizations adapt to changes in the environment by using the alternation of long periods of incremental short periods of radical changes that need to break the existing, old frame work, thinking and behavior, and to create a new framework of strategic change.

The essence of the model of change lies in the fact that every system that is intended to be changed, it must first be "unfreeze" or prepare for change, then that change, and finally to "freeze" (stabilization system), and all in accordance with the movement of organizations

from current to future, who are looking for performance. Increasing the frequency and rate of change of diffusion leads to the fact that the company cannot adapt to the requirements of the environment is not even an occasional incremental to radical changes but it is necessary to incorporate into its own structure model of change management that includes a permanent, continuous revolutionary change.<sup>5</sup>

### **The causes of organizational changes**

Causes organizational changes lie in the imbalance or disruption of the balance between organization and environment and within the organization itself, i.e. between its subsystems. External or internal imbalance leads to a drop in performance and crisis companies so that organizational change is a way to avoid the company anticipated or eliminate imbalances already caused, or degradation of performance.

Thus, the main causes of organizational changes, changes in the environment and changes in the company which organizations must adapt. Top management companies can anticipate or at least very quickly noticed the changes in the external and internal environment and to adapt the organization of enterprises these changes before a potential imbalance actually disappears. In this case changes occur without the appearance of a real crisis and the organization continuously adapts to changes in the environment and the company itself.

#### **External causes of organizational changes**

Unlike internal factors, external - external factors have a much stronger impact on the company, changing the nature and characteristics of the conditions with which it is faced. Computerization, electronic revolution and the Internet, then globalization and liberalization of business, demographic, social and educational change, migrations, the democratization of society and the transition of non-market economies in the 21st century are generic forces that are changing companies and organizations.

External causes of organizational changes consist of changes in the environment that results or may result in external imbalances organization, or its non-compliance with the requirements of the environment. For example, the intensification of changes in the environment requires that companies become more flexible organization which raises decentralization, team grouping, lateral communication and reducing the number of hierarchical levels in the organization.<sup>6</sup>

If inevitable break with old practices, the traditional organization, the organizational culture that supported hierarchy, centralization of power and business formula accumulation of resources. New time imposed the necessity of redefining everything, enterprises transition as a comprehensive and fundamental change in its structure, culture and processes.

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<sup>5</sup>Cochran, C. (2006) *Breaking Down the Walls*,  
[http://www.saferpak.com/process\\_management\\_art4.htm](http://www.saferpak.com/process_management_art4.htm)

<sup>6</sup>Milisavljević, M. (2000) *Strategic Management*, Čigoja press, Belgrade



One of the strongest factors influencing the necessity of implementing organizational changes is the market and competition. Market creates a dynamic and environment generates changes in the company in order to adapt to the company through the change in strategy and structure. Information technology has generated a radical change of strategy, structure, processes and company culture in a way that created the prerequisites for their redefinition, enabling easier access to world markets, access to information, knowledge and innovative achievements.

Management of the company is forced to global searches for opportunities and resources to maximize returns on invested assets that concentrate the activities in which the company is the best or the ones that can adequately developed to relocate all the other activities that can be performed faster, etc.

Demographic changes, globalization, migration and social trends are also significant external forces organizational changes whose influence is reflected in the fact that many companies from developed countries moved their production to areas with cheap and flexible workforce. When it comes to religion and national culture, management needs and the external factor organizations to devote particular attention, and modern managers must know not only the national culture and religion rather than individual people, because people's behavior specific ethical elements, which are transmitted from religion in national culture, and the culture of the organization.<sup>7</sup>

### **Internal causes of changes**

Analysis of the Interior - Internal causes of organizational changes indicates that the strongest internal causes changes contained in the change and development of business strategies, changes in the age and size of the company, changing leaders and organizational culture. Changing the objectives and strategies of the company are to a high degree of correlation with the organization of enterprises because each strategy implies a certain organizational structure so that the change in strategy will inevitably require a change in organizational structure.

Furthermore, the life cycle model company explains that the changes caused by the growth and aging of the company so that the company changing the size and orientation of the market operation leads to the redistribution of power in the company. The decentralization of decision-making, with which the delegating authority from higher levels to lower organizational levels, a general trend and the biggest innovation in organization and management in the 20th century. Distribution of power, which has resulted in the decentralization of decision-making, shows that the top management decided to change leadership style, rather than autocratic to democratic leadership.

By changing the leaders in the organization comes to changes in the way the company employees understand the world around them and the way they behave in the world. The new leader of the company carries the new assumptions and beliefs and imposes them to others in the company who accept them. The wide acceptance of new views, ideas, attitudes and values creates a need for organizational change because the company organization adapts to the new reality that has brought a new leader.

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<sup>7</sup> Wehrich, H., Koontz, H. (1994) *Management, Mate*, Zagreb.

A change in ownership structure of companies also implies a change of organizational structure. The company as a corporate form of organization of economic activity is subject to constant changes in ownership structure, which occurs thanks to the marketability of shares and companies that are bought and sold on the stock exchange. Also, the integration process of mergers and acquisitions is amended as size and ownership structure of the company.

Human Resources influence the design of organizations with their knowledge and ability; shape the action set a formal organization, but also shape and informal organization. Both staff and organizational culture affect change within enterprises, in particular, their quality, their professional and working abilities. Wealth is less cost per ownership of the means of production, and more in knowledge, skills, abilities and creativity of staff.

Only a talented and highly trained staff can create and apply new technology to reformat and streamline operations, improve and rationalize production, enhance and promote the organization of work. We can see that they are just internal factors of the enterprise, to a greater or lesser extent, influence or control them but they do not act in isolation but are interconnected and have always unidirectional effect on the organization, so they should be analyzed in their mutual influence.

### **Target of change management**

The main goal of change management is to ensure a positive reaction to the changes of the unemployed in terms of their implementation in accordance with the objectives set. What will be the response and reaction to changes depends on four key elements:<sup>8</sup>

- Flexibility is the ability of accepting changes with minimal loss of quality or productivity. Flexible individuals are able to remain calm in a hectic environment and can be quickly restored from stress.
- Communication-related changes must be started from the top, and serve the formal and informal communication channels, to be constantly monitored and developed, based on openness and should not be burdened with irrelevant details.
- Education about the consequences of changes reduces unproductive behavior is unpredictable, the risk of non-acceptance of change and provides orientation employed real problems. Solid knowledge of the changes have a significant impact on the success of the implementation of changes.
- Preparation of the planned changes by estimating the potential value, impact and required resources.

The methodology of implementation of change represents a structural plan for achieving the desired objectives through the implementation of the accepted solution thus reducing errors and omissions. Therefore, we developed a model implementation of changes in the organizations that we briefly introduce.

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<sup>8</sup> Djuric, Z. (2001) Adapting to change for success of enterprises, the Institute of Economic Sciences. Belgrade.

Figure 2. The phases of organizational change



Source; <http://changemanagementsuccess.com/2012/12/first-mckinsey-change-management-model/>  
 McKinsey consultants Peters & Waterman were the most popular in the 80s and 90s because they co-authored the book *In Search of Excellence*.

The methodology of implementation of change represents a structural plan for achieving the desired objectives through the implementation of the accepted solution thus reducing errors and omissions. Therefore, we developed a model implementation of changes in the organizations that we briefly introduce.

As shown in the figure, the first phase, i.e. an indicator of the need to restructure the state of stagnation which is manifested as a general slowness of the system, the difficulty or impossibility of making decisions, lack of motivation and energy. This is followed by the preparation phase, which involves communication with employees for recognition and acceptance of change implementation. At this stage it is necessary to set clear goals, define new roles and responsibilities, but is performed and the diagnosis of risk in the event of failure to implement the changes. Planning is the next step which involves making changes in strategy implementation and establishment of a system to measure progress.

This is followed by the implementation of changes, i.e. involvement of the entire organization to implement changes. Special attention is paid to the identification of potential problems in the implementation of changes, monitoring organizational climate and attitudes of employees about the new circumstances. Incubation is the stage where conflicts arise and takes adaptation to new circumstances, because it is not yet appear first results of the changes so that they can be anticipated and doubts about the correctness of any changes made. If at this stage clearly predict and explain the problems, there is a risk that the organization is once again backing in the phase of stagnation.

The final phase of expansion is easier place, and the staff has more confidence. Now is the time to build a new system of compensation, measuring performance and rewarding but also establish a process of continuous improvement of the system and learning, transfer of experience and lessons learned.



Based on the development of new models of change management, designed and created entirely new models of reforms in transition countries. Depending on the authors, they are called radical (bing bang) approach and a gradual approach or the "shock therapy" and the model of gradual change. For the purposes of this paper we elaborate beyond the aforementioned models, but only highlight the importance of developing new models of management changes and consequences that are produced in the transition economies.

## Conclusion

Research conducted and presented elaboration unambiguously shows that globalization and development of technology, key determinants of contemporary business conditions post-transition period.

A holder of globalization changes the transnational companies, which new markets creates new business standards. On the wings of transnational companies are numerous and dynamic changes, which exert a strong influence on the business of domestic enterprises. Domestic companies are now faced with numerous, new challenges, which require local management of new behaviors, new knowledge, new policies and business strategies.

The changes are so powerful and so dynamic, it does not leave enough room for action in the new business environment. The management of domestic companies is now faced with a strong need to develop new models of change management to sustain the company in the fierce market competition.

By creating new models of change management, it is possible to harmonize the organizational changes with changes in the environment, and thus improve the performance of existing business enterprises and provide long-term survival of the company in the market.

*Note: This work is part of research projects by codes 47009 (European integration and socio economic changes of the EU economy) and 179015 (Challenges and prospects of structural changes- in Serbia: Strategic Directions for Economic Development and harmonization with EU requirements), financial long learning by the Ministry of Science and Technological Development of Republic of Serbia*

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## Organizacione promene i upravljačke performanse kompanija

**REZIME** – Promjene su danas realnost sa kojom se suočavaju sve organizacije, ma gdje bile i ma kojom se djelatnošću bavile. Promjene su jedina izvojesna konstanta u svim poslovnim aktivnostima današnjih preduzeća. Savremene organizacije moraju biti osposobljene da razvijaju posebne kompetencije za kvalitetno upravljanje promjenama, jer, jedino na taj način organizacija može poboljšati svoje performanse poslovanja i ostati „u igri“, na sve trurbulentnijem globalnom tržištu. Osnovni cilj istraživanja u ovom radu je dokazati kako proces upravljanja promjenama može uticati na poboljšanje performansi poslovanja preduzeća i na taj način učiniti preduzeće konkurentnim. Konkurentska prednost je najznačajnija kompetitivna prednost svakog preduzeća, a njeno dostizanje, u uslovima globalnih promjena, značajno je uslovljeno kreiranjem odgovarajućeg modela upravljanja promjenama.

Ovaj rad se, u suštini, i bavi pitanjima organizacionih promjena, kao odgovora na promjene koje dolaze iz okruženja, odnosno, kreiranjem odgovarajućeg modela upravljanja promjenama, kao značajnog preduslova poboljšanja poslovnih performansi preduzeća, a koje su garancija opstanka preduzeća na dinamičnom i turbulentnom globalnom tržištu

**KLJUČNE REČI:** organizacije, promjene, performanse, preduzeće

Article history: Received: 25 March, 2015  
Accepted: 5 May, 2015