

CHANGE MANAGEMENT IN ORGANIZATIONS

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The article treats the problem of change and of its impact upon the organization and efficiency of organizational structure.

1. Change and its impact upon organizations

The organization is a living economic and social system, which comes into being, develops itself, grows up and then disappears in a certain environment. The organization capacity to adapt to the environment is mostly due to the organizational structure.

The process of change requires several activities and management relations in order to implement change and their final purpose is to adapt society to the needs of development.

The organization structure or the framework, can be a factor for acceptance the change, repel it or even generating the process of change. The factors that generate change can result either from inside the organization or from the organization's environment.

The essentials of change management are: efficiently achieving the objectives, keeping an internal balance of the organizational systems and leading them onto success, flexibility and the capacity to adapt to the dynamics of the environment. A possible equation of change would be:

$$ES = I * (C+P) * D * E$$

where

I – the level of discontent with the present situation;

C – the level of knowledge at a certain point in time;

P – the level of experience;

D – the vision, the strategy largely accepted;

E_p – continuous retrospect to performance

If we look from inside the organization, the most frequent situations that require a change in the organizational structure are the following:

- A new type of strategy
The objectives and the strategic options stated in the organization's strategy could be redefined only if they can be found, as specific or individual objectives, at the low management and individual level. Using resources efficiently and following the strategic deadlines can only be done when having a good organizational structure.
- Major changes in the communication system
When changing the procedures, suspending the communication channels or building up new ones, changing the volume, the structure or the frequency of data and information, we can directly or indirectly affect the number of positions, departments and the relations between them.
- Changes in the area of management methods and techniques used
The use of new management methods (Management by budgets, Delegation etc) involves changes both at the individual level and in accomplishing some sub objectives (or minor objectives) at the departmental and functional level.

Starting from those aspects, the following are the main priorities that must be taken into consideration in the process of implementing change:

- Implementing a new type of management, which is creative, innovative and where the management process and the management relations will be strongly innovative.
- Emphasizing the interdisciplinary character of management.
The complexity of the problems that occur during the management processes and the nature of the act of management need the use of methods and techniques from other domains or areas, such as economic analysis.
- Making management a professional job by appointing individuals with college or master degrees in economics or law and with a proper training in management; the HR policies must be made in such a manner that the recruitment will give the management the best employees in terms of knowledge, capacity, abilities and skills.
- Increasing the flexibility level of the organizational structure.
- Preparing strategies and management policies with a high level of creativity and innovation.

In order to make the change process possible, we must take into consideration the two kind forces:

- 1. Forces that try to maintain the system's status quo.**
- 2. Forces that try to change the status quo.**

To make the change possible we must either increase the intensity of the forces favorable to change or decrease the intensity of the forces against change. By diminishing the intensity of the forces resistant to change, we'll have less tension in our system, this being one of the most efficient strategies for implementing change.

The process of change has the following phases:

- The Thaw, meaning reducing the forces that sustain the present system.
- The Change, meaning changing the system or some parts of it to a new level.
- The Frost, meaning stabilizing the organization, a new status quo.

The process of changing must be implemented step-by-step; the first step is to provide information to the members of the organization about the change, trying to contradict the practices of the old system and to correlate this information with important personal objectives, so that it creates a state of anxiety in the organization, a state that can urge the process of change.

This way, we can stimulate the need for a change and the members of the organization will be motivated to accept the change. We cannot go to the next step until we finish the first one because

it will be just a superficial change and it could create large gaps between the old structures and the ones. The result would be totally inefficient, losing time and resources and it could even result, in some extreme situations, in destroying the organizational environment.

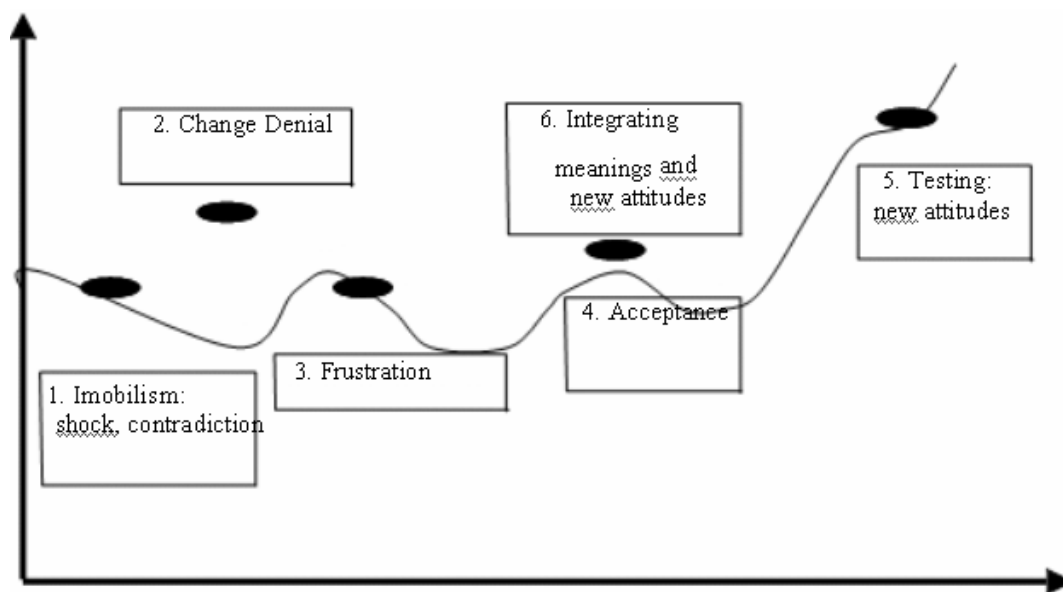
Meanwhile we also need to promote a climate of psychological comfort within the organization: good salaries, being able to develop a career, teamwork, bonuses for successes; all of this will ease the way to change, diminishing resistance to change or denial of the status quo.

By this mechanism, the members of the organization will be stimulated to forget the old behaviors, which need to be replaced and to learn new things by identifying them with a model or by acquiring information that is relevant for the type of change that needs to be implemented.

Change does not have to be looked only as a way to re-conceptualize the organizational structure but as a cognitive change which leads to new perceptions, feelings, values, thinking and, finally, new behaviors, that are proper for the new context created by the change.

Emphasizing on the creative side of management allows us to permanently adapt the organizational chart, job requirements and other documents to the requirements of the transition by using creativity methods and techniques: capacity and time. In the same time a special aspect that needs attention are the personnel that need to be encouraged in order to deal with the change.

The transition curve shows us the way the capacity varies by time and reflects the eventual changes of mood and character, which means that a person can respond negatively to a change at a certain point, but can have a different attitude in a later stage of the change.



Source: Căruțașu Violeta, Planificarea și controlul schimbării, Editura Rentrop&Straton, București, 1998

Graph 1. Transition curve

2. Analyzing and evaluating the forces in favor and against change at S.C. Rieni Drinks S.A.

S.C. Rieni Drinks S.A. (a corporation that is similar in status to the American S corporations) is a manufacturing company that produces alcoholic and refreshment drinks and it is part of the Frutti Fresh Holding. The Holding is owned by the Nicula Brothers and the turnover is \$5 billion dollar per year; its market share is approximately 35%-40% of the Romanian market. This is due to the fact that the quality to price proportion is excellent and this makes the demand for its products to grow on a regular basis. The activity of the firm is profitable, however, the author of this study believes that there are ways to enhance and improve the organizational structure so that staff costs could be

reduced in reference to the total expenses of the organization and the benefits should be stimulating imulative for each stakeholder.

The analysis of the force field is a qualitative method which organizes the data from the general analysis of the system correlated with change, obtaining two major categories:

- Forces favorable to change.
- Forces against change.

The analysis has the following steps:

- Listing the factors pro change.
- Listing all the factors, pro and against change, in a hierarchy, by the level of their intensity.
- Graphic expression of the forces pro and against change.
- Emphasizing the forces that need to be modified in order to facilitate the implementation of the change.

Forces in favor of change

Inside SC Rieni Drinks S.A. we can notice a seemingly will to elaborate a strategy and that the organization is open to ideas that could lead to improving its results. Regarding the marketing, we can say there isn't such e department and it shows because they want to be receptive to clients and improve their products.

The organization has the newest high tech and is capable to adapt to changes needed. More than that, having valuable experts in research and development is an advantage that allows them to proceed to projects at a higher level than the present requirements.

The top management admits that, in order to be more productive and to be successful on a long term, some radical changes are needed inside the organization. There is a need to strengthen the management by bringing experts in economics, which are capable of analyzing the activity and issuing solutions to the problems identified.

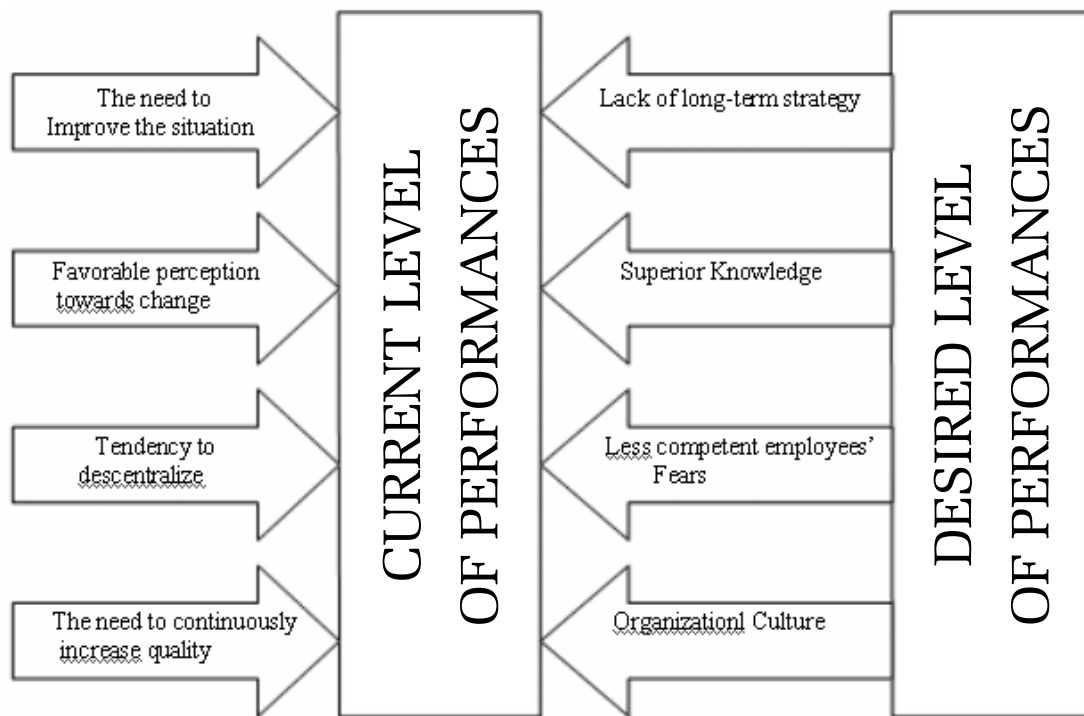
There's also a need to acquire new information and knowledge about management, so that the organization can be organized based on scientific principles. We also identified the personnel's need, at all the organization's levels, of training; we need to separate the responsibilities for each employee and to better evaluate each employee's activity.

Forces against change

Inside SC Rieni Drinks S.A., although there is a will to create a strategy, it's only for a short term; the strategic plans are known only by the top management and not by all the employees. There is no marketing department or a marketing strategy.

When asked about the need of a marketing department, the top management said it would be useless or, at most, inefficient, cost full therefore not needed in that organization. The employees perceive the possible changes as threats, or pressures to increase the productivity and they fear that the management wants to improve the activity by increasing the amount of work for the employees.

More than that, there is a need for a human resources authority; the personnel have a low level of work satisfaction that leads to lack of commitment and involvement towards the organization. We could still see, among the management, the presence of some conservative values and beliefs.



Force field analysis

The activity is centered on the technical aspects and less on the economical ones, which should be the most important. The status quo protects the interests of the less competent employees, due to the lack of evaluating criteria and specific criteria for assigning tasks.

The intensity of some forces that are against change can and should be diminished, in order to allow implementing the process of reorganizing and improving the organization.

But this process cannot begin without the sustainable support of the top management. Once we have this support, we can move on to transform this advantage into a change agent and to diminishing the forces against change. There is a keen need for a clear and long-term strategy.

Considering the present situation, we can identify the following steps in order to diminish the intensity of the forces against change:

- A qualified action of the change agents together with the total support of the top management. The change agents could be chosen from the employees that are considered models by their fellows and that have the abilities, knowledge and skills related to necessity and the nature of change.
- A concerted action of the top management, the change agents and, if the nature of the change requires it, outside consultants.
- Clarifying the vision, the mission, the objectives and disseminating them to all the members of the organization, training the employees from the middle management and above .

3. Restructuring the management system

The strategic recommendations, the strengths and weaknesses identified in creating and implementing an organizational subsystem allow us to outline the following solutions for the restructuring of SC Rieni Drinks S.A.:

- Creating specific organizational documents such as: internal rules, organizational chart, job descriptions.
- Founding, eliminating and merging functional and operational departments.

- Rethinking some departments in terms of human resources.
- Creating a balance at the top management level.
- Founding, eliminating and merging some management positions.
- Increasing the number of assistant managers.
- Providing training for all the employees and also for managers.
- Making some changes in the main departments: hierarchic levels, hierarchic weights, departmental functions.

4. Evaluating the efficiency of the organizational structure

To evaluate the efficiency of the organizational structure, we need more than just analyzing the organizational chart; we need to observe the way both the organization as a whole and its components really work. The evaluation of organizational structure should be done based on indicators and criteria that express, on one side, the culture's statistics and, on the other side, the structure's dynamics.

In the first class, we have:

- The structure's cost: the weight of the administrative costs among the total cost.
- The number of hierarchical levels.
- The number of departments.
- The balance between functional departments and all the other departments.

In the second class, we have the indicators that express the level of accomplishment for the goals ascertained. It is easier to evaluate the activity in the operational departments, because they have measurable goals. In all the other departments, without measurable activity, we can use concrete elements of evaluation: respecting the deadlines, the quality of work etc.

Evaluating the efficiency of the organizational structure is not a purpose itself, it should be a mean to improve it; as the history shows, a bad and inflexible organizational structure is the main cause for big losses in an organization. This is why improving it, based on a scientific and detailed analysis of the organization can become a instrument for increasing the efficiency of its management.

For better understanding the aspects derived from such an evaluation, we will do an analysis from general to particular and this way we will analyze the efficiency of the entire management system. There will be two evaluating methods: quantifiable efficiency and unquantifiable efficiency. Of those two, the one that best suites the organizational structure is the quantifiable efficiency.

The quantifiable efficiency can be evaluated at two levels:

- Direct efficiency – which summarizes the direct results of improving the management system.
- Total efficiency – which shows, in economic terms, the entirety of the effects, direct and indirect, caused by the changes made in the organization.

The Direct Efficiency (E_{dg}) can be calculated by summing the Direct Quantifiable Efficiency from the subsystems:

$$E_{dg} = ED_{SO} + ED_{SD} + ED_{SI} + ED_{SM} + ED_D$$

ED_{SO} - the direct efficiency of improving the organizational structure

ED_{SD} - the direct efficiency of improving the decisional system

ED_{SI} - the direct efficiency of improving the communicational system

ED_{SM} - the direct efficiency of improving the management system or the management methods and techniques

ED_D - the direct efficiency of all the other improvements that don't fit the above

To evaluate the Total Efficiency (E_{tg}) of improving the whole management system, we use the following:

$$E_{tg} = E_{dg} + E_{idg}$$

E_{idg} - the indirect quantifiable efficiency of improving the management system

The capacity of the organizational structure to modify and adapt itself to the exogenous and endogenous variables is an inherent component of the improving process.

As a conclusion, the best way not to have discontinuities in the organization's life and to always be efficient is to regularly take into consideration both the present and the future needs of the organization, to think on a long term bases, so that it will always be adapting to the changes in the economical environment.

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