

THE IMPACT OF CHANGE IN THE ROMANIAN ORGANIZATIONS

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Abstract: Organizational change requires a continuous effort from both managers and employees as the outside environment is more and more unstable requiring a prompt response and flexibility. Change identification should be on manager's every day agenda because without an organizational culture that supports and embraces change, organizations will not be able to face the fierce competition. This paper aims to analyze the impact of change programs in the Romanian organizations and the forces that drive change in order to highlight the general attitude that managers have on this complex process. The study was made on several Romanian SMEs, mainly from the western side of the country, operating in different industries such as trade, services, manufacture and public services.

JEL classification: M10, M20

Key words: change, forces of change, organizations, change programmes, Romania

1. INTRODUCTION

The outside environment has a crucial influence on every organization's activities and processes, no matter of its size, particularities or industry because of the fact that the external forces that drive change are very complex and difficult to be managed, sometimes even threatening the organization's survival.

In order to be competitive on the market organizations have to change continuously and to make sure that the impact of the change programs is a positive one, ensuring the organization's development and efficiency.

The pressure of change comes with everything that happens outside starting with the global economic crisis that has affected so many companies, adding the process of globalizations and ending with the fast IT development that often confuse those involved in such a volatile environment [1].

The reasons why Romanian managers choose to change are different, but unfortunately many change processes fail, because organizations react too late and aren't flexible enough to make things happen quickly. Most changes are just a way to adapt to external pressures, so the result after the implementation of a change process are not always the desired ones.

The most important task managers have is to assure continuity of everyday activities, as they try to innovate and find new solutions that have as a result the long term development of their organizations [2]. Also, goals such as growing market share, profit, turnover are common for all organizations, especially when competition is so strong.

Sometimes the lack of resources, information or an organizational culture that supports change are significant impediments that restrain many of the manager's initiatives to change.

Even if managers are aware that change is no longer an option, some of them are afraid and still have problems when they have to identify and decide which changes will be implemented. The key is that leaders must refuse to accept limits or stop at industry boundaries and fight for their organizations because courage doesn't imply the absence of fear, but requires to act anyway" [3].

Because of the fact that change processes have not always positive outcomes, our research is focused on underlying and understanding the impact of change programs in the Romanian organizations and the forces that lead to change.

2. LITERATURE REVIEW

In today's reality change has become the most frequent phenomenon that organizations have to face and its pace is accelerating continuously and very fast, without any further perspective for it to slow down very soon.

Managers can no longer act as they did before, because the pressure of the outside environment is very strong so organizations have to adjust in order to survive and be successful, so the main challenge is to manage change efficiently [4]. Openness to organizational change has become a critical organizational capacity because of the fact that external influences are too strong and cannot be avoided [5]. As Rosabeth Moss Kanter stated "*at this point, the environment is turbulent as a new struggle for dominance ensues*" [6], so the questions that arises is how can managers identify all the actions that need to be taken so they could become real "change masters" that anticipate and lead productive change [7].

Even if change is everywhere, managers still have a delay on responding properly, and this behavior generates low results for their organizations [8].

Studies have shown that despite the effort that managers put into change processes, only 30% led to successful organizational change [9]. Kotter's view on change initiatives is even more pessimistic, as he considers that more than 80% of the change initiatives fail [10].

The high failure rate of change projects has led some researchers to conclude that factors other than organizational are equally important in establishing successful change [11].

Some authors consider that organizational change is driven by mergers and acquisitions, innovation, technology, reengineering, globalization or decline in sales or market share [12], [13], others consider that the accelerating pace of changes in the external environment and the pressure from the competitors are the most important [14] while others say that the most powerful source of change is the rivalry among organizations, that constrain the managers on finding new ways to accelerate the process of change [15].

External forces of change such as economic forces, political and legal forces, technological forces, demographic forces, cultural forces and natural forces have also a very important role upon manager's decision to change because in many cases the changes

implemented inside the organization are adaptive to the influence of those factors [16], [17], [18], [19].

From all the economic forces, the most important influences are generated by the market, the consumers and the competition, having as a result the development of new products, investments in new technologies and changes of the strategy [20].

Regarding the technical and technological forces, the technological revolution is driving many changes and the internet is by far the most important result of the technology, creating a global market and allowing customers to have more choices, "*changing the traditional balance between customer and supplier*" [21].

The political and legal forces are also very powerful sources of change due to the fact that all laws are mandatory and every change in this field drives an automatic response from the organizations.

Demographic and cultural forces such as the structure of population, mentality, education, and culture are also a potential source of change because the customer's needs vary and organizations have to adapt continuously in order to satisfy in the best way possible those needs. Demographical forces can influence the professional career choices of the population making easier or harder for organizations to find the appropriate personnel.

Natural forces can also generate changes considering that some of the natural resources are limited or become too expensive forcing managers to find alternative and cheaper solutions in order to minimize their costs.

3. METHODOLOGY

The main goal of this article is to analyze the impact of change programs in the Romanian organizations and the forces that drive change, considering the perception that managers and employees have upon change, therefore we considered appropriate to use a quantitative research method for gathering the information, more specifically a questionnaire-based survey. The process of data gathering was performed exclusively online on various Romanian organizations from different industries such as services, trading and manufacturing and the results allowed us to see the general attitude that managers have towards change, and the impact of a change process upon the organization's performance. The respondents were mainly managers from different levels as we considered that in most cases, change is the result of their decision to improve the current state of the organization, or a way to adapt to the environment.

The information collected from the questionnaires was processed using SPSS 17 and the validity of the research assumptions was tested through analysis of correlations between variables based on the Pearson coefficient.

4. ANALYSES

In order to evaluate the impact that change processes have upon the Romanian organizations we have formulated the following hypothesis:

H1 - The impact of change is different from one organization to another, due to the influence of external forces;

H2 - The manager's attitude toward change lead to negative results.

H1 - The impact of change is different from one organization to another, due to the influence of external forces

In order to see if our assumption is true we have identified the most powerful external forces of change and the impact they have upon organizations, as follows:

- *economic forces*: changes in consumers demands, the consumer's purchasing power, the market instability, the competition;
- *technological forces*: IT development, new equipment and technologies;
- *legal forces*: frequent changes of laws and regulations.

For each category from the economic forces we have tried to see if the influence is a positive or a negative one, evaluating its impact upon a change process.

1. Economic forces

Table no. 1 The impact of changes in consumer demands

Changes in consumer demands	Percentage analysis			
	Services	Trade	Manufacture	Public services
High negative influence	2%	0%	4%	5%
Low negative influence	22%	13%	18%	50%
No influence	7%	0%	14%	10%
Low positive influence	54%	70%	46%	30%
High positive influence	15%	17%	18%	5%

As we can see in this table all the changes in consumer demands have mainly a low positive influence, meaning that organizations are able to adapt and have a prompt response whenever consumers demand new features for the existing products, or even new products that allow them to satisfy all their needs. The only exception is in the case of the public services such as education, health and public administration where changes in consumer's demands have a low negative influence due to the fact that institutions operating in this field are more rigid. The legislation in the public sector doesn't allow a quick response because all the changes have to be approved by the Parliament.

Many Romanian organizations have tried to identify new ways of satisfying the needs of their existing and potential consumers, implementing mostly change programs that allowed a better fulfillment of the customers' demands. Online businesses became more and more popular because of the fact that products were cheaper than the ones sold in traditional stores and the time spent on buying different things was significantly reduced.

Table no. 2 The impact of the consumer's purchasing power

Changes in consumers' purchasing power	Percentage analysis			
	Services	Trade	Manufacture	Public services
High negative influence	32%	87%	46%	0%
Low negative influence	27%	4%	32%	0%
No influence	2%	0%	0%	50%
Low positive influence	30%	9%	14%	50%
High positive influence	9%	0%	7%	0%

The purchasing power of the consumers is perceived as having a high negative impact, generating the need to improve and modify products, services, the processes carried out by the organizations and the client orientation.

Even if the Romanian's purchasing power is lower than the one of other European citizens, there are still organizations that succeed to implement changes and to identify products or services that have a huge success. Although some companies can adapt to changes in the consumer demands, most change programs that involve cost reduction, reorganization and other actions taken by the managers in order to assure the organization's survival, often fail. The problem is that in many cases the organizations perform those changes too late and there is no time or resources in order to achieve the desired results.

Table no. 3 The impact of the market's instability

Percentage analysis				
Market instability	Services	Trade	Manufacture	Public services
High negative influence	70%	74%	75%	0%
Low negative influence	24%	13%	18%	0%
No influence	0%	0%	4%	100%
Low positive influence	6%	9%	4%	0%
High positive influence	0%	4%	0%	0%

The high negative influence of the market's instability can be easily explained since all the changes from the outside environment are giving managers no time to react or adapt. The aggressive competition, the changing prices and the threat of cheaper substitute products are very difficult to be managed by those organizations that aren't flexible enough.

In Romania, changes resulting from market instability led to the need for reorganization in order to reduce the inefficiencies. The impact of those change programs was mainly a negative one because managers were forced to significantly reduce the costs, which often required staff dismissal and optimization of the processes and activities.

Even after cutting as much as possible the costs, many organizations were forced to close their doors and declare bankruptcy.

Table no. 4 The impact of the competition

Percentage analysis				
Competition	Services	Trade	Manufacture	Public services
High negative influence	44%	70%	39%	20%
Low negative influence	35%	17%	29%	30%
No influence	9%	0%	4%	50%
Low positive influence	11%	9%	18%	0%
High positive influence	0%	4%	11%	0%

The process of globalization led to various changes on the global market, eliminating barriers and favoring a global competition. As we can see in the table above, for some companies competition is seen as a major threat and its influence is a high negative one in most sectors because without a competitive advantage organizations cannot survive and resist on long term.

Romanian organizations have a very significant strength because of the reduced employee costs, so many international companies relocated a part of their activities and businesses, implementing many change programs. Those companies already had a very strong organizational culture that promoted change, so it was easier to implement all sorts of changes without resistance from employees.

Even if competition is perceived as having a high negative influence, many Romanian companies tried to find new and innovative ways of improving their businesses.

2. Technological forces

Table no. 5 The impact of the scientific forces

Percentage analysis				
Influence of scientific discovery	Services	Trade	Manufacture	Public services
High negative influence	0%	0%	4%	0%
Low negative influence	9%	4%	7%	10%
No influence	19%	13%	11%	50%
Low positive influence	46%	48%	39%	30%
High positive influence	26%	35%	39%	10%

The influence of technical and technological forces on organizations is generally positive since more and more of them realize the opportunities created by scientific discoveries.

Changes due to new technical and technological discoveries may lead to the acquisition and implementation of software and integrated management systems in order to ensure high quality management decisions. Thus, using new software and devices companies know in real time the warehouse stock and customer's orders are very quickly fulfilled. Like this, the activities and processes are more efficient and the time required to distribute the products is shortened, leading to cost reduction.

Implementation of new information solutions, acquisition and use of new devices, Internet usage, lead to a better time management, with direct and positive effects on cost reduction.

In conclusion the impact of change programs caused by technologic advances has a very positive effect on all Romanian organizations, improving the currents activities and increasing efficacy and efficiency.

3. Legal forces

Table no. 6 The impact of the frequent changes of laws and regulations

Percentage analysis				
Changes in laws and regulations	Services	Trade	Manufacture	Public services
High negative influence	72%	83%	57%	50%
Low negative influence	19%	9%	29%	30%
No influence	2%	4%	0%	19%
Low positive influence	6%	4%	11%	1%
High positive influence	2%	0%	4%	0%

Frequent changes of the legislation in Romania generated in many cases negative influences on organizations and the most targeted ones are generally the small businesses.

Legal changes such as the VAT increase or the payment obligation of the so called minimum tax, regardless of the results obtained by the companies (profit or loss), lead to the closure of thousands of businesses. The effects were strongly felt by the state, as lower revenues from taxes and contributions were significant.

Employment taxes are also a big problem for many organizations because they lead to increased labor costs. Thus the tax evasion phenomenon occurs, because some organizations reduce to a minimum the wages or the time of labor in contracts.

Also the high rate of VAT makes many organizations to modify their accounting records to not reflect the real level of revenues. However, the impact of legal regulations on organizations is not only negative, currently being adopted various measures to stimulate entrepreneurship (especially among youth) and to reduce tax liabilities such as the 9% VAT for certain products or 5% reduction for the social security contributions.

Also, the tax system for profits or revenues in Romania has reduced rates (16% for income tax and 3% income tax for micro enterprises) being favorable especially for companies that register significant profits.

For all those reasons mentioned above the impact of change programs due to legal forces was mainly negative upon organizations and as in the case of political forces, the changes performed by organizations are mainly reactive.

As a conclusion, a strong influence of economic forces was explained before as the goods or services provided by organizations must satisfy the needs of consumers, being correlated with their purchasing power, but also with the market prices. Legal forces have also a great impact on the frequency of change, due to that any change in legislation draws with it an automatic response from the organizations in order to avoid any penalties for breaking the law.

Finally, technology and innovation are also leading to many changes because more and more organizations are aware of the advantages created by a high performing system.

In conclusion, our assumption that the impact of change is different from one organization to another, due to the influence of external forces is valid.

H2 - The managers' attitude toward change lead to negative results

Many Romanian managers have a certain fear regarding change because they feel that there is no time for a fast and adequate response to the external pressures. This is why our second hypothesis states that managers' attitude towards change lead to negative results because they react to the influences of the outside environment too late. The results obtained after testing the second hypothesis are presented below:

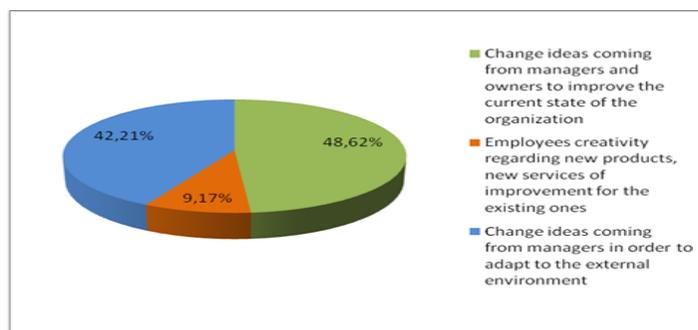


Figure no.1 The reason why managers change in Romanian organizations

As shown in the figure above, 48.62% of the changes made by managers are to improve the current state of the organization, because the results are decreasing and the goals set within the strategy can no longer be achieved.

The second reason why managers change (42.21%) is just an adaptive answer to the outside environment, while the last reason why change happens (9.17%) is due to employee's creativity regarding new products or services.

This approach has as a main cause the fact that instead of seeing change as an opportunity and being interested on a proactive approach, managers perceive change only as an answer to the problems their organizations are facing. Moreover, in many cases there is a huge gap between the moment when managers actually realize that the organization has problems and they need to change something and the moment when results start to decline substantially.

The solution is not to change when things go bad because then managers won't have enough time or resources to implement such a change. In this case these changes will be rather a compromise made by organizations, with no results that are related with performance or efficiency. Also, such rapid and hasty decisions increase the resistance to change manifested by employees.

Romanian managers often minimize the role their employees may have in a process of change, and the proposals coming from the staff are rarely leading to changes, as we can see in the table below:

Table no. 7 Internal sources of change in Romanian organizations

Internal sources of change	Never	Rarely	Neither often, neither rarely	Sometimes	Always
Employees	2,8 %	37,6%	22%	34,9%	2,7%
Managers	0	4,6%	10,1%	30,3%	55%
Owners	1,8%	4,6%	12,8%	46,8%	34%
Others	9,2%	39,4%	27,5%	20,2%	3,7%

According to the table above, in 37.6% of cases employees are rarely involved in a change process, the main drivers of change being the managers and owners.

Having this figures make it easy to understand why the employee's first reaction to changing is resistance. Without understanding change and what is expected from them and without being actively involved, employees will not feel motivated embrace change and be supportive. Thereby our second hypothesis is valid.

5. CONCLUSIONS

As a result of globalization and the competitive environment in which organizations operate, identifying the need for change becomes a necessity for managers who want to ensure that the goals set within the strategy are achieved effectively.

The process of organizational change involves different stages and phases, and the purpose of any change process is to ensure the transition from the current state of the organization to a new superior one.

The sources of change are different and the ways they manifest their influence varies from one organization to another, so an awareness of the need for change often occurs as a result of the analysis made by managers in order to identify the environment's existing opportunities and threats.

The fact that managers change is not a certainty for success, because in many cases the results obtained after a change process are not the desired ones. The main reason for that is the fact that managers change too late, when their organizations already obtain decreasing results and performances. Of course, there are many examples of effective and efficient change programs because the need for change is identified on time and because managers feel comfortable to make as many changes as needed.

In most cases managers are the initiators of change and the employee involvement in a change process is very low. This situation leads to an increased resistance to change and conflicts which seriously affect the success of any change process.

The results obtained show that external forces such as the economical, political, legal and ecological ones have mainly a negative influence upon organizations, while the technical and technological forces have a positive effect, creating many opportunities for the organizations.

There are many situations where external forces of change act differently from an organization to another, so a force that has a positive influence on a certain organization can be negative or destructive for another one.

Even if there is no such thing as a general formula for successful change, studies have shown that organizations open to change, or organizations that promote change are more efficient. Nevertheless, a change process should never stop once the change is made, and managers should continue to innovate. Also, a successful change need the support from all the organizational levels, from both managers and employees.

As a further research we would like to identify the factors that assure successful change in order to obtain better results after a change process and to make sure that all the efforts made by organizations will actually lead to performance and long term development.

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