

Svetlana I. Ashmarina¹, Anna S. Zotova²

ORGANIZATIONAL AND ECONOMIC TRENDS TO ENHANCE ENTERPRISE READINESS TO CHANGES

The article investigates the key organizational and economic trends enhancing enterprise readiness to implement changes such as the methods of readiness assessment, the elements of change management program, the elements of changes in organization structure, the instruments of overcoming changes resistance.

Keywords: changes; readiness to change; staff resistance; change management.

Світлана І. Ашмаріна, Ганна С. Зотова

ОРГАНІЗАЦІЙНО-ЕКОНОМІЧНІ НАПРЯМКИ ПІДВИЩЕННЯ ГОТОВНОСТІ ОРГАНІЗАЦІЙ ДО ЗМІН

У статті обґрунтовано організаційно-економічні напрямки підвищення готовності організацій до впровадження змін, що включають методи оцінювання готовності до змін, елементи програми управління змінами, елементи зміни організаційної структури, інструменти подолання спротиву змінам.

Ключові слова: зміни; готовність до змін; спротив персоналу; управління змінами.

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Светлана И. Ашмарина, Анна С. Зотова

ОРГАНИЗАЦИОННО-ЭКОНОМИЧЕСКИЕ НАПРАВЛЕНИЯ ПОВЫШЕНИЯ ГОТОВНОСТИ ОРГАНИЗАЦИЙ К ИЗМЕНЕНИЯМ

В статье обоснованы организационно-экономические направления повышения готовности организаций к осуществлению изменений, включающие методы оценки готовности к изменениям, элементы программы управления изменениями, элементы изменения организационной структуры, инструменты преодоления сопротивления изменениям.

Ключевые слова: изменения; готовность к изменениям; сопротивление персонала; управление изменениями.

Introduction. Year by year the rise of complexity and uncertainty of exterior and interior environment of economic entities is becoming one of the key problems in their continuous and sustainable growth. Today's managers have to make decisions under the conditions when product life cycle grows short, production profitability falls, technology systems change too often. In this situation the problem of developing strategic planning instruments is becoming more and more acute. The most usual decision made by management now is to rise efficiency in the financial sector and it has some effect but only for a short term. Long-term planning enduces managers to work out more flexible aims and formulate tasks taking into account changeable external and internal environment conditions. At the same time strong competition at the market forces enterprises to optimize their strategies by improving synergy and collaboration in all business activities.

Thus, enterprise managers should set a great number of objective to develop each kind of business activity and achieve general efficiency. They should also define synergy links between departments and develop them.

¹ Samara State Economic University, Russia.

² Samara State Economic University, Russia.

Latest research and publications analysis. Change management and staff resistance was investigated by J.G. Boyette and J.T. (2001), J. Hiatt (2006), I. Konev (2005), A. Prigozhin (2003) and others. However, the process of change management is rather complex and its fragmentary study, from the perspectives of methodology or main approaches does not allow taking into account system dynamics and synergy factors. This stipulated the objective need for concept approach to change management strategy in organizations.

The object of the research is organizational and economic relationship emerging during change management processes.

The goal of the article is to elaborate the major items of change management concept regulations.

The methods for the research are system analysis, expert judgment, economic and mathematical modelling.

Key research findings. To implement organizational change effectively it is necessary to do some preliminary work. Suggested authentic methodical instruments to assess the possibility, necessity and readiness of economic entities to implement changes is the result of the authors' research aimed at studying specific factors that influence change implementation process.

The question of preliminary assessment of the possibility to implement the changes was recently studied by J. Hiatt (2006) whose model includes several important components:

- awareness of the need to change;
- desire to participate and support change;
- knowledge of how to change and what change looks like;
- ability to implement change on day-to-day basis;
- reinforcement to keep change in place.

Thus, Hiatt suggests analyzing the possibility to implement changes from the point of view of staff readiness to them before starting the actual process of change.

The authors' approach to the problem is more complex. As the basic criteria for substantiation of managerial decisions concerning change implementation we suggest: comfort level of external environment, the ability of economic entities to implement changes (the level of staff resistance), the development potential of an enterprise, the need to implement changes.

To assess the external environment influence the following algorithm is suggested:

- At the first stage we analyze the factors of environment influencing enterprise. In order to do this we assess different parameters of enterprise interaction with external environment systems. This stage was thoroughly studied by L. Gitelmann (1999) but he didn't move further to the complexity and uncertainty of environment.

- At the second stage we define the level of complexity and uncertainty of environment. Such characteristics of environment were suggested by R. Duncan (1992). This allows assessing the risk level of implementing some activity, to search some risky correlation between the enterprise and the environment and to find the factors that cause it.

- At the third stage some necessary measures are elaborated in order to react to the most negative factors. Business units responsible for these measures should also be defined at this stage.

While analyzing the external environment impact it is necessary to assess not only the influencing factors but also the quantitative and the qualitative interaction parameters between the enterprise and the environment. In order to maintain the systematic approach of the research the authors suggest using the method of expert assessment. Each factor of external environment was assessed by the index which characterizes the quantity influence level. The best value of the index is 5, the worst is 1. The studied factors indices should be differentiated according to the experts opinions to define their importance weighting from 0 to 1. Final assessment of each factor is the sum of the point of the factor multiplied by its weight. So we define the factors with the highest and the lowest indices. The higher is the influence index of a factor, the higher is the comfort level of the environment and the more effective will be change implementation.

The second criterion to be assessed is the ability of economic entities to implement changes. Here we suggest the assessment through evaluation of staff resistance level. The question of staff resistance was raised by I. Ansoff and E. McDonnell (1990) who made the hypothesis on the possibility of staff resistance management with the help of various methods depending on the resistance degree and time limits of change implementation. Also, some methods of staff resistance assessment were suggested by J. Hiatt (2006). The main shortcomings of his research are the absence of any practical ways or assessment methods for staff resistance. He mentioned about the necessity to evaluate staff resistance but didn't differ any change management practices depending on the results of this evaluation.

We define the main factors that influence staff resistance and divide them into 3 groups: technical, political, cultural. Technical factors are connected with the influence of technical conditions at an enterprise. These conditions are mainly the ways of human and technical resources combination. Political factors relate to authority redistribution in case of structural changes.

Cultural factors of change resistance refer to values and social norms transformation. We have defined the indices for each group of factors, they give the complex assessment of the highlighted research trends.

The third important criteria used when planning the change management policy is the level of enterprise potential development. The importance of such assessment is defined by the necessity to set up some correspondence between the tasks at which the planned changes are aimed and the possibility to solve some current or even strategic objectives of an enterprise. If development potential does not meet the demands of strategic objectives realization, the effectiveness of change program realization will probably be rather low. We defined some basic economic entities subsystems which determine the development potential: financial, productive, innovative, marketing, informational, administrative. The indices showing some specific development characteristics and characterizing the possibility to implement change strategy were defined for each subsystem. There is some difference between the indices showing enterprise current state and the indices of its development potential. Current state is assessed according to the current development data. Potential indices show enterprise resources to achieve change strategy aims conveyed through the indices. These indices are also defined with the help of the experts assessment

method. Thus, potential assessment should be done in two stages with absolute indices at the first stage and relative indices at the second one.

The research on the topic of change management by J.G. Boyette and J.T. Boyette (2001), J. Hiatt (2006), I. Ansoff and E. McDonnell (1990) have mainly discussed the problems of staff resistance or administrative approaches to change implementation. The authors of these research raised the problem of change necessity for the first time. We think that assessment of the need for changes implementation is also one of the most important criterion. We offer the following definition of necessity – a gap between the existing development potential level and its correspondence to the aims of change implementation. The more is the disparity, the higher is the necessity to implement changes.

The final stage of the complex substantiation of managerial decisions on changes implementation is the design of enterprise assessment matrix. The axes of the matrix are formed by the parameters of external environment comfort assessment, the ability to implement changes (staff resistance level), development potential level, level of changes implementation necessity. The matrix field is divided into 9 squares characterizing possible differences in enterprise position. Rough management recommendations were given for strategy decisions elaboration concerning change implementation for each position of an enterprise on this matrix.

The assessment method was tested at the enterprise of the automobile industry. Recently Russian automobile enterprises have survived in the industry crisis which was expressed through the decrease of credit resources volumes and also sales decrease.

The most important area of change management for the tested enterprise is related to organization restructuring and staff costs reduction procedure. It is necessary for organization to release extra labour resources from one side and not to lose qualified personnel from another.

The results of enterprise readiness to changes assessment are presented at the matrix (Figure 1).

The assessment shows that the enterprise is in the fifth square which has the following characteristics: staff resistance level is rather high, the comfort level of the environment and development potential are at the medium level, the necessity to implement changes is rather high. Thus, the tested enterprise is practically ready to perform changes and their necessity degree is rather high. But change implementation process should be preceded by preliminary work with enterprise staff and development of those elements of the potential which have low level of readiness to changes.

Generally, the complex of measures to improve readiness to organizational changes in the enterprise should be based on a *change management program* (Figure 2). It allows reducing negative influence of external and internal environment upon functional stability of an organization.

The basis for the program covers the principles of fast managerial reaction at any changes in external or internal environments, continuous analysis of external and internal environments, timely exposure of changes which can negatively impact the organization's activity. Besides this, the program of change management should take into account the maximum of system adaptivity which allows having flexible management structure.

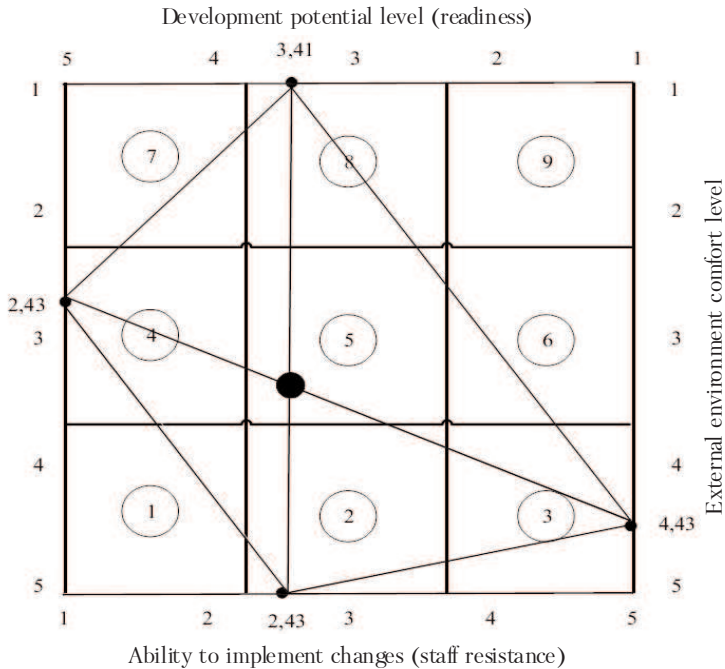


Figure 1. The assessment matrix of readiness to changes for the tested automobile enterprise, authors' construction

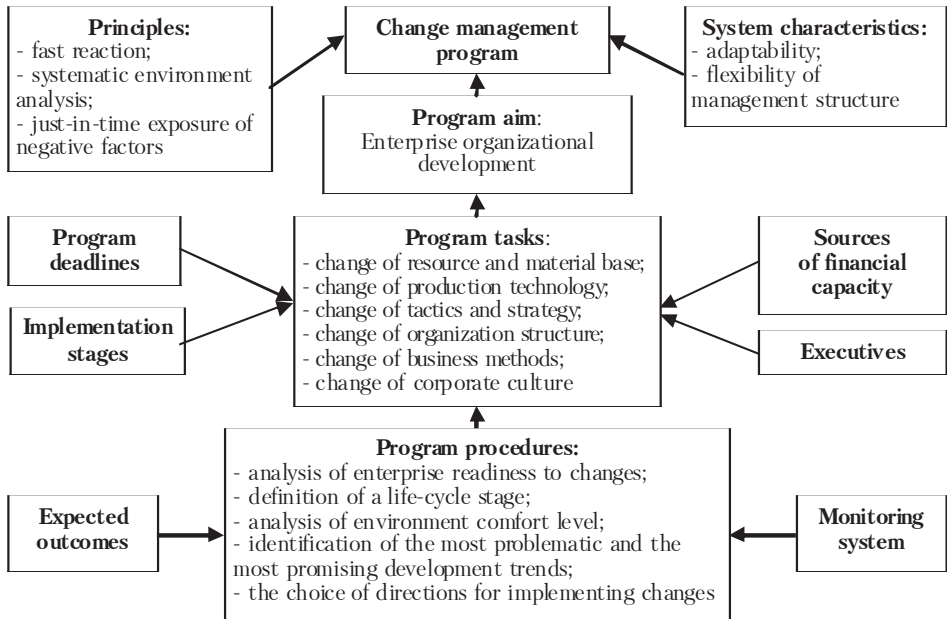


Figure 2. Elaboration structure of change management program, authors' construction

The program includes the key trends of organizational development of the enterprise in the areas of production and management activities. These trends include the change of resource and material basis, production technologies, strategy and tactics of functioning, organization structure, aims and methods of business activity, corporate culture considering the stage of organization life cycle. The program should also contain detailed information on the authority of CEO who is responsible for changes implementation and for the decisions about time and sequence of changes. Besides, organization's readiness to changes will be higher in case of the expected influence of the environment, thus permanent environment monitoring and functioning risk analysis may help it.

The improvement of enterprise readiness to changes can be assisted by the creation of a special department responsible for changes implementation. This department can be created as a temporary one or a permanent one, specialists can be attracted for some time from consulting companies. The organizational form of this department depends on the demands of the organization, its size and business specialization. The main function of such department is managing the change implementation process.

The competence of such change management department should cover trend research of the external and internal environment of the organization, the analysis of existing changes and the forecast of future ones, detection of organization development trends, elaboration of strategy and change implementation methods, change implementation process control, correction of main activities if it is necessary.

All information on the performed changes should be gathered at this department and it should be analyzed thoroughly in order to find out the most effective ways and methods of change implementation. Besides, while implementing changes the competence of the department can become wider because of the ability to coordinate the work of other departments to perform changes more effectively.

The improvement of enterprise readiness to changes can be assisted by *overcoming change resistance* which may emerge among staff. Change resistance provokes the instability in the relationship between staff members. I. Ansoff and E. McDonnell (1990) mentioned that the clear vision of something new and the necessity of changes usually appears at the top management levels, the resistance may occur practically at all lower levels. The strength of such resistance depends highly on how much personnel is informed about external policy; on understanding not only the importance of implemented changes but also the vision of their own role in these changes.

To overcome the resistance at the initial stage it is necessary to involve personnel into decision-making processes. This allows decreasing the level of dissatisfaction and denial of changes.

Conclusions. While implementing changes it is necessary to guarantee staff their employment, to inform them about change performance and the achieved outcomes, to establish comfortable environment and motivate staff to take active part in changes.

During the period of change implementation some special inducements should be used because at this period staff resistance becomes stronger and it restrains the effectiveness of change implementation.

Motivation is essential for the interests of all stakeholders such as workers, management, investors and owners. The analysis of all the participants of changes process should be done. It includes their personal traits and characteristics, analysis of their ability to achieve the aim, the terms of targeted tasks and their work results. These data will be the basis for defining the motivating inducements for each group of stakeholders. The inducements should activate their interest in achievement the aims of implemented changes.

Thus, suggested organizational instruments allow organizations improve their readiness to changes, increase the degree of validity of managerial decisions at the stage of initial choice of further change implementation trends.

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