

# MANAGERIAL CHANGE INSIDE ORGANISATIONS

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**Abstract:** *In a dynamic environment, change could lead to high transformations at high levels for the organization. Given that the organization will evolve into an economic subject of Europeanization, any change that affects the economic position of their trading partners has the direct and indirect repercussions on the environment at the European organization.*

*This papers aim to present the challenges, dimensions of organizational changes and their impact on the organization's performances caused by the global economic crisis on the management strategic dimension.*

**Key words:** *strategy, managerial remodelling, managerial change, organizational change, recession.*

## 1. Introduction

Recession is a moment of truth because it settles things down, the economy on the foundations offered by real economy. At the same time, the recession is a moment of compromise, because the fundamental institution that has the ability to assess and reassess the competitors permanently is seriously discussed about, to reflect the image of the civilized world. In this case, the necessity of the market which was and still is the fundamental institution appears; the one that makes the fruits of human effort blossom', as Mises L. said it. The necessity for human resource to reveal only the good side appears, in order to stay in the competition, and be able to help adjust and fulfill the action plans with the mecanism of price feedback (Hayek 1990). The painful problem is the fact that the market cannot do its job because of the

compromise that socializes loss and makes gains private. The unemployment spectrum generated by the eventual bankruptcy of a few organizations with a considerable amount of influence on the contractual chain of reproduction is a motive privileged by the economic analyses. In this regard, Stiglitz (2008) declared that, neoliberalism is dead, and the actual market economy is in fact only a corporate well-being system defended by the market economy'. Many economists says that the basic cause of this recession is an insufficient and inadequate reglementation of the financial system. At the same time, he refers to the effects of The Gramm-Leach-Bliley Act, passed in 1999, which made an additional wave of malfunction in the industry, leading to the appearance of synthetic but very little understood products, from the perspective of the risk that they implied' (Daianu, 2008). We

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think that the financial crisis phenomenon is the effect of a deficiency in the market, as a human creation, because the man always needs the help of the people' (Smith, 1962). On the same position there is also Buchanan, who sees the market as, that institutional process in which the individuals interact in the following of individual objectives.' (Buchanan, 1986).

Classics, as well as neoclassics have seen the market as a ground for competition in between as many and as equal in means of competitive force. The basic problem doesn't constitute why the state intervenes now, but why have things progressed to the situation where they need an intervention like this. On this line, the imperative of the massive intervention of the state to fight with, the blind forces of the market risk two things, as follows:

1. to bankrupt an institution;
2. to help irreversibly compromise the referee, as well as the state.

It was preferable that the spark didn't light anything up, and that the market was left to solve the problem before the panic arrived; 'after the fire lights up, the intervention becomes necessary' (Krugman, 2007). If the state is called up to regulate the crisis phenomenon, the battlefield will have the main objective of:

- a). re-establishing the competition rules;
- b). taking over the monopoly;
- c). reintroducing the free competition spirit which leads to low prices and high clarity.

Although we have showed the recession as an economic phenomenon with unwanted effects, it's safe to say that it is has a transient character; today it is part of the long cycle called Kondratieff (1984). Surpassing the recession outside the intervention of the state can be made through know-how. We believe that human nature is the most capable of solving the

problem through Keynesian psychological mobiles, which urges people to abstain from spending money, or to stimulate their appetite for consumerism, in the form of impulses.

The approach of a certain behavior is based on its own budget line, as well as the psychological structure. In the country where the crisis originated, Oliver Williamson (2005), on basic thought guidelines from Herbert Simon (1997) replaces the homo economicus rationalist with an agent whose rationality hits certain boundaries, either derived from his native inheritance, or from the difficulties of communication and improvement.

Following, personal interest with fraud', Williamson opens the gates for some behavioral deviations, under the false impression of normality: scamming, lying, making promises, manipulating, supplying distorted information (Williamson, 2005). We think these behaviors prefaced the recession successfully. Agents with healthy behavior have been forced to understand that 'their instruments are taking them out of the competition'.

## **2. Minimizing the Recession's Financial Effects**

Extending the global financial recession over the Romanian economy has the contagion effect as a basis-spreading unbalances from a region to another becomes more and more acute in a globalized world.

The Standard Poors organization published on April 22nd 2008 an analysis, according to which Romania, along with Lebanon and Turkey are some of the most vulnerable countries to the recession's effects, owed to the mortgage loans from the United States of America.

The contagious effect always comes with the cumulative causality effect, when talking about the economic crisis; a situation in which the major unbalance that appears in an area is overlapped with the lack of balance from other areas, creating a major impact shock. It is remarkable how the effects are spreading in the technological chain specific to each industry, because a decrease in requests is a decrease in the company's incomes, lower dividends and a downfall in the stock market shares' price. The herd behavior must not be ignored even in the conditions of market globalization. The international financial turbulence affects and will continue to affect the Romanian economy, and the main channel through which the shockwave will be transmitted is linked to the foreign investment funds' activities.

Romania's negative option would be the one in which the massive retreats of speculative investors' funds actually happened, which would lead to the Ron powerful depreciation and a high inflation. Using the negative option, to retreat the foreign speculative funds by the foreign investors, the Romanian authorities will be faced with some hard decisions. That is why we think that one of the opportunities would be the policy to 'allow the Ron to depreciate', because the Romanian banks have only a few loans made in foreign countries.

On the contrary, the solution is not favorable because it threatens the solvability of the banking section.

Another option would be to prevent the strong depreciation of the Ron through the growth of the interest, to reduce the amplitude of capital outbursts. A high efficiency can be given by applying the structural solutions, and through the early warning procedure, the European

Commission will enforce public spending rationalization, restrictive fiscal and monetary policies, to stabilize the macro-economy on a short-term basis.

Growth is imposed to currency reserves of Romania's National Bank for a possible intervention on the market, in case a large unbalance appears. Not least, it is necessary that the Ministry of Finance implements an anti-cyclic fiscal policy, and consolidates the public finance's sustainability.

In our opinion, the determining role in surpassing all of the aspects connected to **the problems brought by recession reverts to the organizational intelligence.**

To do so, two perspectives must be considered:

- 1) Peter Senge (Senge 1990) and Chris Argyris' (Argyris 1999), consolidated in the United States and
- 2) Ikujiro Nonaka and Hirotaka Takeuchi's (1995), specific to the Japanese thinking. The first perspective refers to the organization which teaches a group of people to continuously enlarge their capacity for creating the expected results. The following appears: systematic thinking, expertise, mental models, common vision, and team learning. The human resource can become the passive accomplisher of rules that create efficiency. Organizational intelligence is, in fact, the partial result obtained in an organizational environment following the application of a contextual management (Menkes, 2005).

**The behaviorist approach** refers to the establishment of behaviors adapted to the organization's interests, which must be reached on the basis of an input set of data. It consists of selecting the corresponding algorithm each time a situation resembling

the past takes place. It is what Argyris (1999) called single loop learning.

**The cognitive approach** Schiller, (2000) use the cybernetic modeling of organizations, equalizing intelligence with the information-processing organizational structures. While the behaviorist approached intelligence is a reflex, its manifestation depending solely on environmental stimuli, the cognitive approached intelligence is an autistical one, ignored the context placement.

**The adaptive approach** of organizational intelligence describes the evolution of organizational intelligence under the impulse of environmental stimuli, but adopting a non-linear model.

**The definitions of organizational intelligence accentuate different aspects** of this conglomerate of characteristics, from which we keep in mind:

a) In Wilensky's opinion, 1967:

The accumulation, processing, interpretation and communication of the necessary technical and political information in the decisional process

b) In Haeckel, Nolan's opinion, 1993:

The ability to withstand complexity through the captioning, dissemination, and drawing out of meanings from the market's signals.

Based on the three directions, connection, for captioning knowledge, interaction, for dissemination of knowledge, and structure, for extracting meanings, the organization's IQ is calculated.

c) In Nonaka's opinion, 1995:

The organization's intelligent behavior, as a function of their structure

d) In Glynn's opinion, 1996:

The information processing's functions which allow the adaptation to the environment's requests and are put in a link with initiation and implementation of novelty.

e) In Halal et Al's opinions, 1998:

The organizational intelligence is made from 5 cognitive subsystems: the organizational structure, culture, relationships between the interest holders, knowledge management and strategically processes.

The accent on information processing to obtain knowledge, present in all these definitions, is noticed. The possession and creation of knowledge are two different processes comprised in the organizational intelligence. The intelligent organization uses knowledge management as an instrument of adapting to the always-evolving environment, through early identification of opportunities and avoiding risks, a behavior which is overlapped with the strategical orientation of the company, understood as the capacity to position itself on a long term, so that it generates and maintains its competitive advantage. Simplifying, an intelligent organization is that which, being the best, is successful and the other way around.

All of the above said approaches show the connection between organizational intelligence and the learning process, an intelligent organization being nothing more than an organization capable of learning.

The capacity to teach an organization is influenced by the way in which the employees perceive the organizational intelligence, the benefits which an intelligent organization offers its members and the acknowledging, or not, of the level it's placed on, organizationally speaking, on the scale of intelligence, as well as the effort the employees are willing to put in for the improvement of this level.

The assembly of transformation processes from knowledge to organizational intelligence: Fig 1



Fig. 1. *The assembly of transformation processes from knowledge to organizational intelligence*

The learning process' success depends on the quality and quantity of the effort.

### 3. The dimensions of organizational intelligence

Organizational intelligence is evaluated based on seven factors: strategical vision, common fate, orientation for change, 'body and soul' devotion, alignment, dissemination of knowledge and pressure of performance (Albrecht, 2005, adapted in Prejmerean and Vasilache, 2007).

For the evaluation of the strategical vision, the following characteristics must be watched for:

- Strategical conversation in the organization-plus or minus;
- Scanning the external environment-plus or minus;
- The annual strategic balance sheet - present or absent;
- The total value statement-plus or minus;
- The correlation between the proclaimed direction and the actual action-present or absent;
- Identification and promotion of potential leaders-plus or minus;
- The common fate is evaluated following seven other factors:

- Common plans and priorities of managers and employees-present or absent;
- The understanding of the organizational idea at every organizational level-plus or minus;
- The communication of information between departments-plus or minus;
- The feeling of belonging-plus or minus;
- The management-employee partnerships-present or absent;
- The employees' trust in the organization's success-plus or minus;
- The projection of long term relationships with the organization-plus or minus.

*The orientation for change is determined by:*

- Offering new services to keep up with the request-plus or minus;
- Natural mechanisms to encourage novelty-present or absent;
- Stimulation of employees to find more efficient ways to accomplish their attributions-plus or minus;
- The permission to question the currently used practices-plus or minus;
- Bureaucracy-plus or minus;

- The management's availability to admit its mistakes and to change rules which prove to be uncorresponding-plus or minus;
- The opening-plus or minus.  
*'Body and soul' devotion is measured through:*
- The quality of life in the organization, as employees perceive it to be-plus or minus;
- The management's interests, as perceived by employees-plus or minus;
- The pride of being part of the organization-plus or minus;
- The availability to make an additional effort to help the organization be successful-present or absent;
- The optimism regarding the future organization career-plus or minus.  
*The alignment shows:*
- The organizational structure's adequacy to mission-plus or minus;
- The coherence of politics and strategies, reported to the mission-plus or minus;
- The facility of employees performance-present or absent;
- The informational systems as facilitators-plus or minus;
- The creation of value-plus or minus;
- The delegation of authority-plus or minus;
- The alignment of departments' missions, to facilitate cooperation-present or absent.  
*Dissemination of knowledge is expressed through:*
- Cultural processes of commonly placing knowledge-present or absent;
- Management's respect regarding the employees' knowledge-plus or minus;
- Porous organizational frontiers-plus or minus;
- Sustaining the flow of knowledge through informational knowledge-plus or minus;
- The continuous study of new tendencies on a management level-present or absent;
- The support of continuous learning-present or absent;
- The adequate appreciation of tacit knowledge of employees-plus or minus.  
*The pressure of performance takes into account:*
- The clear understanding of roles and responsibilities, at all levels-present or absent;
- Permanent communication of expectations regarding the level of performance and the gained results-present or absent;
- Replacing the employees with low performance-present or absent;
- Replacing the failing managers-prezenta sau absenta;
- Feedback sent to the employees and the recognition of their contribution-plus or minus;
- The perception of employees as their performance contributes to the organization's success-plus or minus;
- The perception of the employees that their career success is influenced by their performance level-plus or minus.  
The pressure of performance, in a 'society of excellence' (Lyotard, 2004), in which the Performance is the main factor of justifying oneself, reflects an organization's capacity to turn the request in its favor. The request is also influenced by the marketing and research-development costs of the company. Thus, the creation of organizational intelligence operates on the outside, through relational management, as well as the inside, generating technological advantage. (Yang, 2004)
- Kohli and Jaworski (1990) mention the generating of market intelligence as a prime element of orientation. They say the main sources of market intelligence are:

1. *Databases*, which comprise relevant information regarding the companies working in a certain activity domain;
2. *Opinion leaders*, those who give directions for that domain and who can be consulted regarding the innovation's feasibility;
3. *The informal contacts* - channels that remain open for informational flows;
4. *Professional associations from that domain*.

*The horizontal alliances* (with the complementary companies on the market) and vertical (licensing by the bigger companies, with proven competences in marketing)

***In the authors' opinion, to these intelligence sources there could also be added:***

- 1.The incubator with applicative ideas that have an immediate effect;***
- 2.Focusing on the positive motivation of the human resource.***

These mentioned elements show a multiple competitive advantage and allow obtaining intelligent organizational performance to surpass the recession.

#### **4. Conclusions**

As an important factor on the political-economical scene, the recession involves profound mutations in the Romanian companies. Its effect is transmitted to the technological chain specific to each industry, because a decrease in requests automatically means a decrease in the company's income.

The dimensions of organizational intelligence in the Romanian companies is meant to be dynamic in conformity with the modifications made by the recession phenomenon. Through combining the sources of intelligence, the organization emphasizes its connections with the leadership and the organizational culture.

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