

## MANAGING ORGANIZATIONAL CHANGE AND INNOVATION ON ROMANIAN SMES

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### ABSTRACT

*The process of change occurs throughout the universe, including our private life or in the life of organizations. Knowledge of the change process in order to rule it possible, is a characteristic of an effective management that can generate organization competitiveness. Change of organizational and managerial paradigms involves crossing:*

- 1. from the "rigid hierarchy" to "flexibility";*
- 2. use of new organizational models in flexible networks, clusters, technologies, in which an important role are played by SMEs (based on high-tech), virtual companies;*
- 3. from the "success on a national market" to "success on a global market";*
- 4. from the "long technological cycles" to "continue innovation";*
- 5. from the comparative advantage to competitive advantage.*

**KEYWORDS:** *knowledge, virtual organizations, flexibility, change*

**JEL CLASSIFICATION:** M11, F23, O52, R38, D24, L11

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### 1. INTRODUCTION

The process of transition to post-industrial society, characterized by extensive use of information technologies and of advanced communications technologies (ICT), is marked by the change of paradigm in all areas of activity, with economic, social and environment of great magnitude.

Change of organizational and managerial paradigms involves crossing:

1. from the "rigid hierarchy" to "flexibility";
2. the use of new organizational models in flexible networks, clusters, technologies, in which an important role are played by SMEs (based on high-tech), virtual companies;
3. from the "success on a national market" to "success on a global market";
4. from the "long technological cycles" to "continue innovation";
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Support of all these changes is represented by people. The success of any major changes depends on the pace to adapt and of creativity of individuals (Verboncu Ion, Ceptureanu Eduard Gabriel, Ceptureanu Sebastian Ion (2012), Model of organizational change by reengineering, International Conference "Modern Approaches in Organisational Management and Economy 2011", ISSN 2284-7634).

Emphasize of the creative side of management, increasing the participation of company staff - managers and performers - to achieve agreed targets have the effect of increasing competitiveness and achieving a high level of competitive advantage.

The creative management must have a fund of knowledge (human capital) which allow to coordinate and lead all the factors of production available to the company (technical capital, human resources, financial resources), using creative management methods and techniques in order to solve the diversity of the problems it faces.

Making the creative potential of the company's management involves:

- designing dynamic and flexible strategies and policies;
- promotion of flexible organizational structures, easily adaptable to rapid changes occurring in business;
- creating a diversified and flexible information system;
- extending the use of delegating method of managerial authority;
- promotion within management teams of people trained, dynamic, sense of initiative and business risk capacity.

The speed of change is a critical factor in keeping up with the basis of competition in an branch of activity. Speed tends to compound the effects of every change driver, whether industry evolution or services evolution, technological discontinuities, or other causes. As the pace of change increases, so, too, must a firm's ability to react swiftly to (and even anticipate) changes in the basis of competitive advantage. In many cases, the most profitable avenue is availed to firms that have the ability to lead industry (or services) change. Reacting to change means detecting and responding quickly to unexpected customer demands, new government regulations or competitor's actions. Anticipating change means foreseeing the appearance of global markets, the development of new market segments, and emergence of the complementary or conflicting technologies (Popescu, I., D., Popa, I., Cicea, C., Iordanescu, M., The expansion potential of using sales promotion techniques in the Romanian garments industry, *Industria Textila*, 5/2013, p. 293).

For example, in clothing industry, in the context of world economic crisis, managers have to face with the new concept from the market, that is fast fashion (5-6 collections per year are presented instead of two, are produced in small series and limited in order to give consumer the feeling of exclusivity, uniqueness, to satisfy his desire to break patterns of ordinary mass-market), and according to this trend the firms must have flexibility in organizing their production process (regarding supply with raw materials, technologies, design) and also remodelling of value chain.

This implies an increasing involvement of retailers in upstream activities of production, such as product design, increasing the role of retailers, resulting not only in bargaining power (for transactions), but also in market power (consumer preference orientation).

## 2. QUALITY STRATEGY

Every manager has to ask himself questions regarding the advantages that allowed his success in the past and those that sustain his business in the present, because this way he is able to judge the advantages that will ensure his future success.

Being considered a competitive strategy, quality strategy implies that product quality level represents an essential strategic element, and every competitive strategy is weighed against the product-market-technology triad, to which, via an entrepreneurial approach, the environmental variable is added.

Moreover, quality integrated strategies are considered, starting with the '80s, to have a central role in competitive strategies (Popescu, D. (2009), *Asigurarea avantajului competitiv în firmele de confecții îmbrăcăminte din România*, Rev. Industria Textila nr. 3/2009, Editura CERTEX, Bucuresti, Romania ). 'Total quality management' (an orientation towards exceeding customer expectations), 'excellence' (quality, efficiency and time saving), 'kaizen' (continuous improvement, the 'umbrella' concept where the process oriented approach dominates) represent examples of such kind of quality integrated strategies. Their implementation is possible with the remark that in some cases, an organizational cultural change is required (Ceptureanu Eduard Gabriel, Ceptureanu Sebastian Ion (2012), *Model of organizational change by reengineering in Romanian companies*, IBIMA Conference ).

The so-called 'quality-appeal' is constantly enhancing its importance, over the years, proving Deming right, who, in his book *Out of crisis*, underlines quality evolution becoming a chain reaction element, along with productivity, downsized costs and market winning.

In a world of competition and sophisticated demand, quality represents the way towards company survival. Quality can be obtained only via continuous improvement of the company's performance and an adequate training for workers, who see quality as an innovative culture, more importantly with every worker of the company contributing to quality (fact that is enhanced in the 4Q contribution model: design quality, production quality, distribution quality and rational quality) (Doina I. Popescu, Ceptureanu Eduard Gabriel (2012) *Organizational and individual approaches to stress prevention and management*, International Conference "Modern Approaches in Organisational Management and Economy 2011", ISSN 2284-7634).

Thus, the entrepreneur's vision (the change initiator), transformed into strategy terms and objectives, relies on the implementation of an innovation culture, where the innovation process becomes part of the daily routine. Focusing on innovation means change in the held portfolio. Therefore, a more profound categorization may benefit more efficiently from the attention and the resources allocated in order to create an innovative culture. The final goal is to create a social system inside the company, able to maximize personnel's abilities and creativity, orientating it towards the consumer.

Innovation has to be open via using employees' abilities and taking into consideration their interests, and also via opening partnerships with other companies (Ceptureanu Sebastian Ion, Ceptureanu Eduard Gabriel (2012), *Knowledge based economy perception in Romanian companies. An empirical study*, IBIMA Conference).

Integrated innovation relies on product refining during all its stages: idea, prototype, development, qualification, marketing to be incorporated in the general company innovation process. This sequential practice rigorously analysed needs active leaders and the existence of a strong innovation culture (Doina Popescu, Ceptureanu Eduard (2010), *Managerial Re-Projection In Cultural Institutions* International Conference "Modern Approaches in Organisational Management and Economy 2011", ISSN 2284-7634).

Furthermore, integrated innovation is based on engaging company's employees, who work for innovation, in business, planning, budgeting etc.

In order to maintain contact with the external environment, companies have to create external development groups. The latter have the task to establish meetings with individuals, groups, research labs, collaborators, even market competitors. Anyone can suggest new technologies, prototypes or connections with the consumer base (Aldrich, H., Herker, D. (1977), *Boundary Spanning Roles and Organization Structure*, *Academy of management Review*, April 1977, p. 218). In addition, companies have to collect ideas from several areas. In the past century, innovation was created in the developed countries and exported to the emerging markets. When new technologies were conceived in Japan, Germany or USA, they were exported primarily in the region, beginning with more developed countries. Nowadays, over 40% of the innovation originates from outside the US. India, China, South America and even Africa have become part of the social system. This tendency compensates the silo approach. The companies' strategies have to approach openness as a value, according to the global tendency.

On average, managers and young employers prove to be more open to change (Ivancevich, J., M., Matteson, M., T., (1999), *Organizational Behavior and Management*, fifth edition, McGraw Hill, Singapore) and innovative thinking. Moreover, company management has to encourage persons from outside getting on board, in order to stimulate creative thinking.

The decision to maximally concentrate on the innovation process has a direct influence on company's performances, in terms of turn-over, profit, market position (Lock, D. (coord.), (2001), *Manual GOWER de Management*, Editura Codecs, Bucharest, Romania ). In this context, the significant amplitude that the SMEs sectors have taken, starting with the eighth decade of the 20th century is justified through important advantages that these present such as:

- a) high levels of adaptability to market demands;
- b) realizing products and services for a differentiated demand;
- c) great innovation capacity;
- d) creativity climate;
- e) a better human resource management.

### **3. VIRTUAL ORGANIZATIONS**

One of the fastest developing practices in business throughout the world involves firms in cooperative relationships with their suppliers, distributors, and even competitors. These networks of relationships enable organizations to achieve both efficiency and flexibility to exploit advantages of the mechanistic and organic organization designs (Nicolescu Ovidiu, Ceptureanu Sebastian, Ceptureanu Eduard, *Knowledge Related Activities In Romanian Smes*, *Annales Universitatis Apulensis Series Oeconomica*, 11(2), 2009 Alba Iulia).

Cooperative relationships enable the principal organization to rely upon the smaller, closer-to-the-market partner to sense impending changes in the environment and to respond at the local level, thus relieving the parent organization of that necessity.

The exact form of the virtual organization varies. Some organizations develop relationships only with key suppliers. Other organizations develop relationships with marketers and distributors. In the extreme case, the parent organization functions much like a broker and deals independently with product designers, producers, suppliers, and markets. The critical managerial and organizational decisions involve which of the functions to buy and which to produce and how to

manage the relationships with their partners. Managers in these organizations have less environmental uncertainty to deal with because they have, in a sense, subcontracted that responsibility to their counterparts in the network (Ceptureanu Sebastian Ion, Ceptureanu Eduard Gabriel, Tudorache Alina, Zgubea Filip (2012), *Knowledge Based Economy Assessment in Romania*, Economia. Seria Management, ISSN 1454-0320).

Virtual organizations originated in Japan where firms create alliances with other firms. These alliances take the form of cooperative agreements, consortia, and equity ownerships to establish networks of businesses. In Japan, this form of doing business is termed keiretsu and involves a very large financial institution, a very large industrial conglomerate, and smaller firms in a network of relationships that enable the large firm to produce the product and the smaller firms to supply components, do research and design, and perhaps distribute and market (Tushman, M. L., Scanlan, J., Boundary (1981), *Spanning Individuals: Their role in Information Transfer and Antecedents*, Academy of management Journal, June 1981, pp. 289-305). The participating bank provides the financial requirements to support the network of cooperative relationships. This form of inter organizational network has enabled Japanese industry to grow without bottlenecks of supply and damaging competition from domestic firms (Popescu, I., D., *The correspondence between workforce skills and company needs*, Industria Textila, 3/2013, p. 168).

The Japanese experience provides some guidelines, much is left to be learned and put into practice. These kind of cooperative relationships represents another reaction from organization that must maintain flexibility to deal with the dynamic changes of the global economy.

#### 4. CONCLUSIONS

Action of change anything in the world it is exposed, including organizations, regardless of scope, scale and other boundaries, given that socio-economic systems are open and there is a particular medium of whose influence cannot be exempted.

For Romania, the problem has become very current changes since 1989, with the start of reforms in macro and micro levels and obviously never will lose actuality the reason that change is the law of life, namely, the foundation of the market economy.

Romanian companies have experienced and also faces a number of issues subject to transformational processes, for whose solution requires strategies and policies developed and focused on changes at the level of financial resources and human time, materials and information to achieve change and, above all, the will to achieve organizational change. In this connection increases the importance of developing a scientific methodology grounded approach and achieving organizational change.

Theoretical and practical research done allowed to make the following conclusions:

- a) 1 Evidently to full investigation was needed "search" level and specificity reflect organizational change management theory in practice firms. In general, the results of implementing changes in firms in Romania are different: according to the specific type of activity, starting from the initial conditions change, the type of property, how to deal with change and how management processes and of the consolidation of change.
- b) 2 In an attempt to obtain information about the results of transformational processes operate and analyse the reasons for the successes and failures of firms analysed, we found that many of them have a very strong tendency not to report poor results, as reluctant to publicize failures . Also, companies do not analyse objectively development activity (Cases successes and failures), every year, from their appearance. Today, the past,

including recently viewed and analysed subjectively different interviewees giving contradictory answers depending on their interpretation of events.

- c) 3 Also in the research, we noted that the investigated subjects have not developed a policy on the management of organizational change, the specific channels were probing the changes in external and internal environment, the approach (proactive or reactive, or mixed), the degree of collaboration with the consultants, the level of competence of the organization's staff in initiating, planning and managing change; ways and people should work with employees who resist change to clarify the reason and give them psychological support. Consequences of the fact that there are no manifest this by addressing priority reactive and negative unintended changes, ignoring the role of organizational culture change process, which, of course, minimize the chances of obtaining better results.
- d) 4 I note with regret that the owners and managers of some of the analysed companies recognize that human capital is one of the most important resources of the organization and, obviously, he has developed and motivated. Following research, we concluded that the implementation of various organizational changes, the lever used to reduce the level of resistance to change was a priority, rather than forcing stimulate and support staff in the process of adaptation, which negatively influenced carrying out the change.
- e) 5 Based on the concept of life cycle Beckhard's vision (5 stages) and the vision of I. Adizes (10 stages) following investigations conducted, we concluded that there is no logical connection between the initiation of change and life cycle phase in which the firm. Begin to act more often in the opening of the decline in activity (when crises occur), is an eloquent proof of the reactive approach to change. Taking into account the opinion of the American researcher I. Adizes to draw up a new business idea (a new product) between launch and development stages (or between development and maturity as the traditional view) not to enter the phase of decline is necessary organizational changes to be made not in response to different types of crisis, but anticipated and planned to minimize the risk of organizational pathologies.

### **Acknowledgements:**

This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/142115 „Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

Această lucrare a fost realizată în cadrul proiectului POSDRU/159/1.5/S/142115 cu titlul "Performanță și excelență în cercetarea doctorală și postdoctorală în domeniul științelor economice din România", cofinanțat din Fondul Social European prin intermediul Programului Operațional Sectorial Dezvoltarea Resurselor Umane 2007 – 2013

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