CHANGE MANAGEMENT AS A COMPETITIVE ADVANTAGE FOR ROMANIAN COMPANIES

Liviu TUDOR¹
Cristian BISA²

ABSTRACT
Considering the current dynamic business environment, the importance of organizations’ ability to adapt to their environment in order to accomplish their objectives and the associated high costs in case of inefficient change projects, change management becomes an important competitive advantage, securing organization’s progress and facilitating outperforming its competitors. The importance of this competitive advantage is proved by various research results showing that highly effective organizations in change management are much stronger financially and efficient. Based on an exploratory quantitative research, this paper reveals insights on the peculiarities of change management in Romania, discussing the level of implementation of change management’s methodologies and Romanian organizations’ efficiency in change processes. The results show that while 88% of Romanian organizations developed strategies in order to implement changes, only 9% of their managers are very satisfied and 36% are satisfied with the implementation results. Also, change processes’ efficiency in Romanian organizations is half as in their international counterparts. The main reason for this low satisfaction and efficiency level, as revealed in this paper, is that Romanian managers don’t value enough the second most important factor determining the success of a change initiative (as in foreign companies’ perspective) - structured approach of change management.

KEYWORDS: business efficiency, change management, change management methodologies, competitive advantage

JEL CLASSIFICATION: M10, O30

1. INTRODUCTION

Our world is changing every minute. Companies are born, technologies are invented, markets are extended, economic conditions fluctuate, job requirements evolve and even people are changing. Continuous change is our reality that can nurture progress or failure, in accordance with our attitude toward it.

Rogers’ Diffusion of Innovations (1962, 2003) shows that people face change differently: some of them are innovators and early adopters, embracing change immediately, followed by early and late majority, and finally by laggards, who adopt the change only when they can’t postpone it anymore. In the same way, there are some organizations so open to change that they determine not only their own change, but also their environment’s, while others are resistant to change, postponing it as long as they can.

Crawford (2012) showed that organization’s change and improved ability to accomplish organizational objectives are the fourth most common project, while other studies revealed that 70%

¹ Bucharest University of Economic Studies, Romania, lt@idgrup.ro
² Business Management Technologies (ManagerAnticriza), Romania, cristian.bisa@manageranticriza.ro
of all change initiatives fail (Keller & Aiken, 2009; Kotter, 1995). Also, a 2014 study realized by Project Management Institute (PMI) show that “only 18% of the world organizations report being highly effective at organizational change management” and “nearly 15% of every dollar spent on strategic initiatives is lost – US$149 million of every US$1 billion spent” (PMI, 2014), proving that inefficiency costs of change projects are significant.

Considering the dynamic business environment, the importance of the organizations’ ability to adapt to their environment in order to accomplish their objectives and the costs of inefficiency in Change Management (CM), we can state that CM really makes a difference, allowing the organization to outperform its competitors. This way, CM becomes an important competitive advantage, leading to progress and efficiency.

Starting with literature review and continuing with results of our quantitative research on Change Management in Romanian organizations, this paper will prove the importance of CM as a competitive advantage, will offer a clear image of CM in Romania and will provide some directions regarding its efficient implementation.

2. LITERATURE REVIEW

The international literature regarding organizational change and Change Management is extensive, proving the interest of both scholars and practitioners for these matters, but also the necessity and the difficulty to achieve change. Change is difficult to achieve because it is always disruptive and it determines resistance, because “costs are too high, or products are not good enough, or shifting customer requirements are not being adequately addressed, needed change can still stall because of inwardly focused cultures, paralyzing bureaucracy, parochial politics, a low level of trust, lack of teamwork, arrogant attitudes, a lack of leadership in middle management, and the general human fear of the unknown”. (Kotter, 1996, pp. 20).

But change is inevitable in case of bold moves by competitors, new technology, shifts in government regulations, failures in the performance of a leader (Anderson & Anderson, 2001), a merger, acquisition or divestiture, the launch of a new product or service, a new leader, in case of “new markets, and demands for greater performance with various programs” (Luecke, 2003, pp. 8) etc. Change may occur in the organization’s strategy, technology, structure or culture. Anderson & Anderson (2001) organize the drivers of change in seven categories: environment, marketplace requirements for success, business imperatives, organizational imperatives, cultural imperatives, leader and employee behavior and their mindset. It is practically impossible for an organization never to change, as it is improbably for an organization to stop changing.

Change Management focuses on “understanding and managing the way organizations change and adapt” (Pollack, 2015, pp. 64). Most definitions are emphasizing that CM is a process meant to allow the organization to change in order to be efficient in its continuous changing environment (UNPAN, 2005) and to identify sources of resistance and the ways to overcome them (Kotter & Schlesinger, 2008). CM is even more precisely defined by Taher et al. (2012, pp. 347), as “a process of communicating and enforcing a program consisting of clearly defined, time-framed actions needed to take an organization from an undesirable state A to a desirable state B, with both states being clearly defined and measurable”. CM can be also seen as a psychological transition, helping people to accept change with all its details (PMI, 2013a). The strategic perspective of change process is stressed by terms as planning, initialization, realizing, controlling, solving etc. (Singh et al., 2012, Hao et. al., 2008)

Another perspective on CM is positioning it as a competitive advantage, change being the organization’s choice and reflecting a proactive attitude, not a last minute effort of a laggard organization. Holbeche (2015, pp. 40) notices that in order to survive and thrive in a continuing changing environment, an organization “must be able to adapt, or even get ahead of the next wave of change”. Kudray and Kleiner (1997, pp. 18) present the same perspective: Change Management
is a “continuous process of aligning an organization with its marketplace – and doing it more responsively and effectively than competitors”.

Using CM as a competitive advantage can be difficult, because change is a very complex process with a diversity of forms. Motawa et al. (2007) categorize change as follows: by time - anticipated or emergent, proactive or reactive, pre-fixity or post-fixity, by need - elective or required, discretionary or nondiscretionary, preferential or regulatory, by resulted effects - beneficial, neutral or disruptive.

Change is walking into the unknown. Trying to diminish the risks involved in organizational change, many theoreticians and practitioners developed different methodologies, guidelines, change models, in order to nurture the change process. Success is never guaranteed, but following a good guideline helps finding solutions when obstacles appear during a change process.

A Prosci study (2007) shows that nearly 60% of the respondents utilized a structured approach on change process of their organization. Choosing one of the numerous existing models can be tricky; managers choose which CM methodology to use by the following criteria: ease to use, ease to implement, ease to understand, ease to communicate to others, simple, practical, structured and systematic, logical, comprehensive and holistic (Prosci, 2007).

All change models, starting in the ‘50s with Lewin’s Model (Petrescu, 2010) and hundreds of others present today in literature (Anderson & Anderson, 2001; Kotter, 1996; Luecke, 2003; Prosci, 2007 etc.), suppose that organization’s leaders identify a need to change and create a vision about where they want to reach. Many models are mentioning change planning and implementing, as well as managing the transition. Communication is always a very important part of change models, and evaluation and encouragement of future change are also present.

Porter (1985) presented two main competitive advantages, which help organizations to outperform their rivals: lower costs and differentiation by providing a greater value. Both are possible if organization’s strategies evolve permanently, adapting rapidly to the business context and their costumers’ requests.

For instance, new technologies, cheaper natural resources, new selling concept, or any other strategic actions can help the organization to offer to its costumers the same value at lower costs or greater value at the same costs. But in order to do so, in order to create a competitive advantage, organization has to change mindsets, processes, policies, practices, behavior, or even the entire organizational structure or culture (PMI, 2013a).

If properly used, CM can become the most important organizational competitive advantage, helping the organization to adapt to its environment’s requests, to enlarge its market share and to achieve its objectives. For instance, Project Management Institute names highly effective organizations in CM Change Enablers (PMI, 2014) and asserts that these are much stronger financially than their less effective competitors (83% compared to 52%). Also, Prosci’s studies (2007, 2009, 2011 and 2013) prove that there is a direct correlation between approaching projects using effective CM programs and meeting objectives, on schedule and on budget (Figure 2).

![Figure 2. Correlation of change management effectiveness to meeting or exceeding objectives](source: Prosci (2014), pp. 5)
3. AIM, OBJECTIVES AND HYPOTHESES OF THE RESEARCH

In the last half century, the world changed spectacularly and the dynamic of business environment increased faster in the last two decades. CM proved itself crucial for companies’ ability to adapt and survive, resulting an extensive development, but researches regarding CM in Romanian companies have been brief. In this context, the aim of this research is to describe the coordinates of Change Management in Romania. The main objectives are:

- Evaluating the attitude of managers and employees regarding change and CM.
- Measuring the managers’ level of satisfaction regarding the results obtained by former change implementation.
- Estimating the level of CM implementation in Romanian companies.
- Identifying the factors contributing to Romanian change process’ success or failure.
- Evaluating the results of change processes in Romanian enterprises.

Corresponding to the above-mentioned objectives, it has been developed a set of hypothesis to be validated, as follows:

1. The vast majority of Romanian managers have a positive attitude regarding change initiatives.
2. Romanian employees are rather reluctant regarding change initiatives.
3. Less than 50% of the managers are satisfied with the results obtained by the previous change implementation projects.
4. The level of implementation of change management is very low:
   4.1. In most Romanian enterprises, Change Management is not integrated with Project Management.
   4.2. Securing resources for Change Management, specifically, is an issue in most of the companies.
   4.3. In Romanian jobs’ description can’t be found specific Change Management tasks.
   4.4. Specific CM instruments and methodologies are used by around half of Romanian companies.
   4.5. Small and Medium Enterprises rarely use specific instruments for implementation and evaluation of Change Management results.
   4.6. Training and Consultancy are requested in less than 50% of Romanian companies.
5. Factors contributing to change process’ success or failure are similar to the ones in other countries.
6. Change management process is not as effective as the one at international level.

4. RESEARCH METHODOLOGY

Aside from a necessary theoretical research, the exploratory quantitative research on CM in Romanian organizations has been built on an online survey conducted in spring 2015 on 130 top managers from SMEs and large companies from the entire country; they answered a 42 questions’ inquiry. The questions have been either nominal, either scalar, measured on Likert scale.

The results revealed managers’ perception on CM, the level of implementation of CM’s methodologies in their companies and the particularities of CM process in Romania. Our results has been compared to the results of International studies (Prosci, 2014; PMI, 2013b), therefore we were using both primary and secondary sources of information.
5. RESEARCH RESULTS

Evaluating research’s results, it can be noticed that Change Management presents interest for Romanian organizations, but it is little understood and implemented. Both top managers (93% - confirm hypothesis 1) and employees (80%, as perceived by managers – contradicting hypothesis 2) have a favorable attitude toward change, this being a debate subject for top managers (87%) and a strategic objective (88%). Nevertheless, as seen in Figure 3, only ~9% of Romanian companies’ managers are very satisfied with the level of implementation of the strategy intended to facilitate change initiatives, while ~36% are satisfied (total of 45%, confirming hypothesis 3). It is understandable in this case why only 33% respondents consider that their company is prepared to change.

Figure 4 compares the efficiency of change processes in Romanian and foreign companies regarding three indicators: meeting goals, being on time and on budget. Apparently, the efficiency of changing process perceived by Romanian managers is half of the one perceived by their foreign colleagues: 48% compared with 96%, 33% compared with 72% and 41% compared with 81% (confirms hypothesis 6).
importance to specific approach or methodology of CM. Actually, in spite of the fact that 59% top managers declared that their company use a CM methodology (Figure 5 – partially confirming hypothesis 4.4), when they were asked which one specifically they use, very few answered, and some of them mentioned only project management instruments, without mentioning the human aspect. On international level, also, the most frequently cited reason for the failure of strategic initiatives is that “the organization lacks change management skills” (PMI, 2013b).

Although 41% companies are not using specific methodologies 68% Romanian managers declared themselves open to adopt new specific methodology and instruments in change process (Figure 6). However, considering the fact that at international level 70% of questioned organizations (Prosci, 2014) have already used specific CM methodology (Figure 5), we can conclude that Romanian organizations have much to learn yet.

Considering the comparative situation of CM’s results in Romania and the international practice, as presented in figures above, it can be stated that CM implementation in Romania is not very efficient (confirms hypothesis 6). Table 1 shows what is to be improved in Romanian companies, overall and by size of companies. Overall, CM in Romania benefits from Leaders’ support for Change Process, Human and Time Resources needed for change, Change integration with current activity and Change Project’s Evaluation, while other implementation aspects represent multiple challenges. The main challenge is lack of a professional approach on CM, reflected on the low usage level of CM instruments and methodologies, training and consultancy.

Enterprises with turnover of EUR 50-100mn registered values over general Romanian average regarding the CM implementation and met challenges only regarding three criterion. They use specific CM instruments and methodologies and Evaluate Change Project’s, they ensure all needed resources for change, and they include CM tasks in jobs description, but it can be noticed their tendency not to use external services, registering low scores regarding the request for training (both, for leaders and employees) and consulting services for CM.

Actually, external consulting and training are showing the worst situation compared with other implementation aspects, followed by Use of change management instruments, these being probably the main reasons for the low efficiency of CM in Romania, compared to the International level.

### Table 1. Change Management implementation aspects

<table>
<thead>
<tr>
<th>Change Management’s implementation aspects</th>
<th>Overall Average vs. Enterprises Category’s (Size of Turnover) Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall</td>
</tr>
<tr>
<td>Change integration with current activity</td>
<td>3.56</td>
</tr>
<tr>
<td>Change Management integration with Project Management</td>
<td>3.27</td>
</tr>
<tr>
<td>Leaders’ support for Change Process</td>
<td>4.08</td>
</tr>
<tr>
<td>Employees’ support for Change Process</td>
<td>3.35</td>
</tr>
<tr>
<td>Securing resources needed for change</td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td>3.61</td>
</tr>
<tr>
<td>Financial resources</td>
<td>3.46</td>
</tr>
<tr>
<td>Physical resources</td>
<td>3.47</td>
</tr>
<tr>
<td>Time resources</td>
<td>3.58</td>
</tr>
</tbody>
</table>
Change Management’s implementation aspects

<table>
<thead>
<tr>
<th>Overall Average vs. Enterprises Category’s (Size of Turnover) Average</th>
<th>Overall</th>
<th>Less EUR 1mn</th>
<th>EUR 1-10mn</th>
<th>EUR 10-20mn</th>
<th>EUR 20-50mn</th>
<th>EUR 50-100mn</th>
<th>Over EUR 100mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change Management tasks present in jobs description - Yes/No (%)</td>
<td>48%</td>
<td>50%</td>
<td>37%</td>
<td>54%</td>
<td>50%</td>
<td>75%</td>
<td>38%</td>
</tr>
<tr>
<td>Employees’ Change resistance</td>
<td>3.02</td>
<td>2.83</td>
<td>2.93</td>
<td>3.23</td>
<td>2.93</td>
<td>4.25</td>
<td>3.38</td>
</tr>
<tr>
<td>Leaders’ Change resistance</td>
<td>2.62</td>
<td>2.25</td>
<td>2.70</td>
<td>2.54</td>
<td>2.79</td>
<td>3.75</td>
<td>2.85</td>
</tr>
<tr>
<td>Involvement of organizational culture in planning the Change</td>
<td>3.27</td>
<td>3.33</td>
<td>2.89</td>
<td>3.69</td>
<td>3.50</td>
<td>4.25</td>
<td>2.77</td>
</tr>
<tr>
<td>Clear communication in Change Projects</td>
<td>3.35</td>
<td>3.63</td>
<td>3.11</td>
<td>3.62</td>
<td>3.29</td>
<td>3.50</td>
<td>3.08</td>
</tr>
<tr>
<td>Use of Change Management instruments and methodologies - Yes/No (%)</td>
<td>34%</td>
<td>25%</td>
<td>37%</td>
<td>31%</td>
<td>36%</td>
<td>50%</td>
<td>23%</td>
</tr>
<tr>
<td>Change Project’s Evaluation - Yes/No (%)</td>
<td>79%</td>
<td>88%</td>
<td>63%</td>
<td>85%</td>
<td>79%</td>
<td>100%</td>
<td>77%</td>
</tr>
<tr>
<td>Utilization of change management KPIs in the evaluation</td>
<td>3.34</td>
<td>3.54</td>
<td>2.81</td>
<td>3.00</td>
<td>3.50</td>
<td>4.00</td>
<td>3.85</td>
</tr>
<tr>
<td>Training in Change Management for leaders - Yes/No (%)</td>
<td>41%</td>
<td>54%</td>
<td>37%</td>
<td>38%</td>
<td>36%</td>
<td>0%</td>
<td>38%</td>
</tr>
<tr>
<td>Training in Change Management for employees - Yes/No (%)</td>
<td>37%</td>
<td>38%</td>
<td>33%</td>
<td>38%</td>
<td>36%</td>
<td>0%</td>
<td>31%</td>
</tr>
<tr>
<td>External consulting for implementing changes - Yes/No (%)</td>
<td>36%</td>
<td>33%</td>
<td>44%</td>
<td>31%</td>
<td>36%</td>
<td>25%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Legend:  favorable score     medium score     unfavorable score

It is interesting that Romanian enterprises are usually ensuring human and time resources needed for change, but less physical and financial resources (partially confirms hypothesis 4.2), which are more accessible to companies with turnover over EUR 20mn, meeting higher scores than average. All leaders responding to our questionnaire declared their strong support for Change Process, which might actually be oversized.

CM integration with Project Management has rather low scores (confirms hypothesis 4.1), but in 48% of Romanian companies job descriptions include specific CM tasks (declines hypothesis 4.3, especially within companies with turnover of EUR 50-100mn). Only 34% of Romanian companies are using CM instruments and methodologies (declines hypothesis 4.4). Specific CM evaluation approach is used by 79% of Romanian companies, but when asked what evaluation instruments they have used, only managers of enterprises with turnover between EUR 20-50mn gave an informed response.

Continuing the comparison between the international and Romanian change management implementation, we present Top 7 contributors to change project’s success. A Prosci study (2014) is ranking the seven main factors that determine success of change initiatives at international level (Table 2). The study starts from this ranking and compares the importance allotted by Romanian and international managers, in order to learn about different challenges in CM.

*Active and visible executive sponsorship* has been the main contributor to change project’s success in eight Prosci’s consecutive studies, but Romanian top managers (the respondents in our study)
perceive this factor as being less important than Employee engagement and participation and Engagement with and support from middle management, proving that they feel helpless in front of employee’s and middle management’s resistance to change, while being satisfied with their engagement in change process.

The biggest surprise comes from another factor, Structured CM approach, which drops three positions from international’s second place to Romanian’s fifth (invalidates hypothesis 5). Structured approach of CM deserve an important place on Top 7 contributors to change project’s success, because it means working with a clear methodology, increasing efficiency on change projects, and even obtaining the employees’ and middle management’s support (declines hypothesis 5).

Table 2. Top 7 contributors to change project’s success

<table>
<thead>
<tr>
<th>Contributors to change projects’ success</th>
<th>Top 7 at International level</th>
<th>Ranking position for Romanian companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active and visible executive sponsorship</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Structured change management approach</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Dedicated change management resources and funding</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Frequent and open communication about the change and the need for change</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Employee engagement and participation</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Engagement and integration with project management</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Engagement and support from middle management</td>
<td>7</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: compared to Prosci’s top at international level (2014, p. 4)

Project Management Institute names the highly effective organizations in CM Change Enablers. This companies “demonstrate that the success of strategic initiatives occurs through: Standardized project and program management practices, Engaged sponsors who actively rally senior management to commit to change, and Managing people through organizational change” (PMI, 2014). Notice the first factor determining success is a standardized, structured approach. More than this, Change Enablers are stronger financially (83%) than their less effective counterparts (52%) (PMI, 2014). Thus, a structured approach on CM would offer an important competitive advantage, increasing the efficiency of change processes and obtaining competitive economical results.

4. CONCLUSIONS

Changes appear everyday on macro, micro and internal environment of any organization. Some of them are affecting people more than others, creating a higher level of resistance, and some are more expensive than others in case of failure. Romanian organizations should be prepared for change, getting information about change process, creating a culture favorable to change, adopting a change methodology and implementing it, enforcing the change, and then starting all over again.

A proactive attitude toward change will reinforce the organization’s position on the market. For instance, Change Enablers (PMI, 2014), as highly effective organizations in CM, are much stronger financially, proving that CM is a very important organizational competitive advantage, securing organization progress and facilitating outperformance of the competition.
CM is a difficult process and, over the last decades, it has been a topic of high interest for both theoreticians and practitioners. Over time, various theories and models on change process have been developed. Thus, it is very difficult for an organization to choose the right path through the jungle of information and models of CM. Also, change process should be adapted for each industry, country, company, or change cycle, which make the issue even more difficult.

Corresponding to the research objectives, we conclude that:

- Managers and employees are conscious of their companies’ need for change and CM, and are willing to use new instruments and methodologies.
- Managers’ level of satisfaction regarding the results obtained by former change implementation is medium (9% very satisfied and 36% satisfied), considering that the efficiency of CM process is half of the one at international level.
- Both managers’ declarations and low efficiency of former change initiatives are suggesting that CM level of implementation is modest in Romania. The aspects receiving good scores are: Leaders’ support for Change Process, Change integration with current activity and Securing resources needed for change. Aspects needing most improvements in order to reach a high efficiency level received the lowest scores: Training and consultancy consumption, Usage of CM instruments and methodologies, and Integration of CM with Project management.
- Romanian managers identified a very different top of factors contributing to change process’ success or failure relative to International managers. The most important factor, at Romanian level of CM development, is employees’ engagement and participation. Unfortunately, Romanian managers don’t understand the importance of a structured CM approach, putting it on the fifth place, compared to second place at international level.
- The results of change processes in Romanian enterprises are much lower than at International level regarding meeting goals (48% compared with 96%), being on time (33% compared with 72%) and on budget (41% compared with 81%).

Research limitations are: limited sample (difficult to reach CXOs), errors generated by managers’ subjectivity or wrong perceptions of CM concepts. In order to reduce these limitations, in the following researches will be requested specific, quantifiable variables like change projects costs, direct financial results, project length, size of CM team, etc.

CM is a structured approach, a strategic action, a cyclic process, and a psychological transition from one state to another, intended to achieve the organization’s business objectives. Unfortunately, it appears that very few Romanian organizations are approaching change in a structured and strategic manner, this leading to a lower level of efficiency than their counterparts at international level. Romanian managers probably need more information and guidance during the process, in order to increase their efficiency.

A visionary manager, a true leader, with a strategic perspective, is a must when the organization needs a change. All change models start with the supposition that organization’s leaders identify the need to change, create a vision about where they want to reach and are designing the change process. Admitting their need for CM, Romanian managers appear to be visionary and conscious about the advantages of a strategic change process. However, local organizations have yet much to learn about effective CM; the existence of some valuable best practices in the field and managers’ disposibility to use new, specific methodology and instruments suggest that CM will soon reach a new level of development in Romania.
REFERENCES


