The main forces driving change in the Romanian SME's

Mariana Predișcan, Roxana Nadina Roiban*

*West University of Timisoara, Faculty of Economics and Business Administration, J.H. Pestalozzi 16, 300115 Timisoara, Romania

Abstract

Change and innovation come together and are a must in everyday activities of any organization, making sure that the processes developed are able to provide a quick response to all influences that the environment may have on the organization's results. The market, competition and customer's needs are variables that rapidly change, forcing managers to adapt, be flexible and to hasten the decision-making process when it comes to change.

The ability to recognize the need for change in organizations should be one of the most significant skills a manager should have, and this involves a very good knowledge of all internal and external forces that drive change.

This article aims to identify the main forces driving change in Romanian SME's, using a recent study that was made on more than 200 SME's from Romania, by applying a questionnaire to managers and employees from industries such as services, trade and manufacturing, in order to see how they perceive change.

1. Introduction

Change, innovation, flexibility, uncertainty are words most often used to describe the world we are living in, and in which organizations are operating today. The environment has become unsteady, forcing managers to continuously react and adapt their products, services and internal processes in order to survive competition which may sometimes be metaphorically described as a jungle difficult to survive in.

Change refers to making something different from its initial position, threatening the status quo, and involves confrontation with the unknown (Agboola & Salawu, 2011).

First of all the need for survival is a major concern that managers have, as they try to innovate by generating a number of changes and new solutions to current activities performed within the organization (McMillan, 2010).

* Corresponding author Roxana Nadina Roiban. Tel.: +4-074-506-7347.
E-mail address: roxana.roiban@feaa.uvt.ro
In order to perform effective and efficient change, they have to identify which are the forces which drive it, how can they be measured and how can they affecting the organization, because those forces first seen as a warning can later lead to actions that should achieve change (Anderson & Anderson Ackerman, 2001).

Most organizations are currently operating in a hostile, turbulent environment, raising numerous issues, which jeopardize their development possibilities, even threatening their chances of survival. In this case, changes are usually reactive, being mainly focused on new product development correlated with new consumer needs and technologies available on the market.

Although while operating in an unstable environment, some organizations can still implement proactive large-scale strategic changes, leadership skills and a well-defined vision are primarily needed, along with the support of the entire organization (from employee involvement to the existence of a flexible structure and information systems that enable real-time adaptation to new conditions).

As Rosabeth Moss Kanter stated, "at this point, the environment is turbulent as a new struggle for dominance ensures" (Kanter, Stein, & Todd, 1992), so the questions is: how do managers identify all actions needed to be taken in order to become real "change masters" which anticipate and lead productive change (Kanter, 1983). Answering this question is not an easy task for most managers, especially when more than 80% of change efforts fail (Kotter, 1996). However, even if not all initiatives for change are successful, accepting that change has to be present in all processes and activities of the organization is the first step towards change. Creating a climate for change is an essential step required in order to make sure that everybody acknowledges the importance of long-lasting change (Cohen, 2005).

Change implementation within an organization is also an exercise in social influence as the attitude and behavior of one actor needs to be altered in response to another actor's actions (Battilana & Casciaro, 2012). A good knowledge of both internal and external forces of change is essential, and managers should start with a simple analysis of the main opportunities and threats the environment can provide in order to identify and later use the organization's key strengths to maximize results in terms of profit, customer satisfaction and competitive advantage. Changes should also be focused on reducing the weaknesses that an organization has because the future will belong to those that find new solutions with less effort and resources as "the business game is being played under more pressure and with a greater international scope than ever before" (Kanter, 1989).

2. Forces driving change

There are many theories concerning the most significant drivers of change and their effects on companies. Different studies have shown that the impact of a particular force can generate either positive or negative effects depending on the organization's particularities.

According to Michael Stanleigh, organizational change is driven by mergers and acquisitions, innovation, technology, reengineering, globalization, decline in sales or market share (Stanleigh, 2008). Pascale considers that the accelerating pace of changes in the external environment and the pressure from the competitors are the most important (Pascale, Millemann, & Gioja, 1997) while Jick states that the most significant force of change is the rivalry among organizations that constrain the managers on finding new ways to accelerate the process of change (Jick, 1995).

Technology is also a highly important factor because the IT industry is changing fast and new tools and devices are available everyday (Kemelgor, Johnson, & Srinivasan, 2000). Being one step ahead of the competition requires extensive investments in R&D, software and equipment which leads to several changes inside an organization.

Even if the environment is a trigger for change and a very important setting for finding new solutions, not all the changes come from outside the organization and in many cases the internal forces can also generate important actions that lead to change.

For example, Frohman states that personal initiative is crucial to the success of a change and that organizations should focus more on individuals and their potential to identify opportunities for change and not just on their resistance every time a change occurs (Frohman, 1997).
Both internal and external forces of change are important and have to be analyzed by managers as a key factor of their business success. As Hammer and Champy claimed, the traditional way of doing business has to be forgotten as it is no longer valid for today's environment and managers should focus on three issues: clients, competition and change (Hammer & Champy, 1996).

**External forces** of change can be divided into seven different frameworks such as (Predișcan, 2004):
- economic forces;
- technical and technological forces;
- political forces;
- legal forces;
- demographical forces;
- socio-cultural forces;
- natural forces.

Regarding economic forces, the most important influences are generated by the market, the consumers and the competition, leading to changes such as development of new products, acquisition of new technologies, changes in strategy and reorganization (Kotter, 2009).

Customer's needs should be the key focus of any organization because without having somebody interested in buying whatever the organization has to sell, we cannot speak about profits, turnover or efficiency. Sometimes satisfying customer's needs tends to be challenging, that is why innovative organizations identify what their customers want before they do, making the right changes in terms of products and customer service (Davenport, Mule, & Lucker, 2011).

There is no business without competition and the best way of maintaining the position that organizations have on the market, is through their strategy that should insure that activities are performed differently and create a long term competitive advantage (Porter, 1996).

Regarding the technical and technological forces, as we have stated above, the technological revolution is driving many changes, being the first way of adapting to the competition and to the environment and most of those changes are radical (McKendrick & Wade, 2009). For example, 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" (Teece, 2010).

The online businesses are more and more efficient in terms of costs and profit, "expanding their focus from selling products to engaging and empowering customers, with the ultimate goal of creating a rewarding customer experience" (Sorescu et al., 2011).

The political and legal forces are related because the activity of the political parties also reflects into all the laws and regulations from a certain country that compel organizations to perform certain changes.

Socio-cultural forces such as the social structure of population, education, science, and culture can provide changes when we think of how often the customer's needs vary while demographical forces can influence the professional career orientation of the population making easier or harder for organizations to find the appropriate personnel.

Natural forces can also generate changes as some natural resources are limited or become too expensive, so managers have to find alternative and cheaper solutions in order to minimize their costs.

The environment is important, but is not the only one generating a reaction from the organizations, so the main **internal forces** that can also drive change are the employees, the managers and the organization's particularities such as the strategy, the organizational structure, the information system and the organizational culture.

There are different opinions on the role that the employees may have in the process of change, some which state that the first reaction the employees have towards change is resistance while others claim that employees should have an active involvement in the process of change as a result of their creativity and innovative ideas that
can increase the organization's performance. It is true that, in some companies, employees are an important source of change because they are actively involved in the change process, but in most of the cases managers are the ones deciding if a change will occur and the main problem is how are they communicating change down the chain of command. According to Larkin, once managers decide to implement a change process, they should be very careful on how that change will affect the employees and how that change will be communicated, based on the way employees prefer to receive news. In such cases face to face communication is crucial because it allows to clarify things before the change actions are started (Larkin & Larkin, 1994).

As far as change is successful, we consider less important if the promoter of that change were an employee or a manager, but in both cases courage is the one making the change possible. As Rosabeth Moss Kanter was remarking "leaders must refuse to accept limits or stop at industry boundaries...and courage doesn't imply the absence of fear, but requires to act anyway" (Kanter, 2011).

We referred to the organization's particularities as potential forces of change because it is clear that when managers decide to establish new goals and objectives, when they decide to develop new products or to implement a new system inside their organization, changes have to occur, some of them being less radical than others.

The organizational culture is probably the most difficult thing that managers could change, and it usually occurs when the environment is very turbulent and generates fundamental changes, when the organizations is growing very fast or when the performance is decreasing, and the outlook is not very encouraging (Carnall, 2003). There are many cases in which the organizational culture is a more resistance force than a factor of change.

3. Forces driving change - a case study for the Romanian SME's

3.1. Research methodology

The objective of this article is to show the results of the analyze regarding the main forces driving change in the Romanian SME's, therefore we considered appropriate to use a quantitative research method for gathering the information, more specifically a questionnaire-based survey that was divided into five sections.

The first section included 20 questions that helped us to identify how are the external forces influencing the analyzed organizations. The second section had 10 questions, which serve the purpose of a good understanding of the internal drivers of change. The third section allowed us to see who is the key factor in generating change within an organization. The purpose of the fourth section was to see the manager's attitude towards change while the last section was focused on the potential future changes that managers have in the future.

Considering the paper's topic, we will only analyze the first two sections regarding the internal and external forces of change.

The process of data gathering was performed in June - July 2013, exclusively online on various Romanian SMEs from different industries such as services, trade, manufacturing and public services.

Beside de five sections mentioned above, we also had a different part where the respondents were required to provide essential information about themselves and about the company such as their level of experience, the position within the organization, the studies they have, their age, the number of employees from their organization and the industry in which the organization activates.

3.2. Data analysis and interpretation

The information collected was processed using SPSS 17. Of the 300 questionnaires distributed, 218 were validated. Mainly the respondents were different levels managers 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 table below illustrates the sample characteristics where we have singled out for each variable separately the highest frequency and percentage.
Table 1. Sample characteristics (N = 218)

| Industry      | Frequency | Percent |
|---------------|-----------|---------|
| Services      | 108       | 49.5    |
| Manufacturing | 56        | 25.7    |
| Trade         | 46        | 21.1    |
| Public services | 8        | 3.7     |

| Size           | Frequency | Percent |
|----------------|-----------|---------|
| < 11 employees | 42        | 19.3    |
| 11-50 employees | 98       | 44.94   |
| 51-250 employees | 78       | 35.76   |

| Position       | Frequency | Percent |
|----------------|-----------|---------|
| Owner          | 36        | 16.5    |
| Top manager    | 88        | 40.4    |
| Manager        | 64        | 29.4    |
| Employee       | 30        | 13.7    |

| Age            | Frequency | Percent |
|----------------|-----------|---------|
| < 30 years     | 40        | 18.4    |
| 30-45 years    | 130       | 59.6    |
| 46-60 years    | 44        | 20.2    |
| > 60 years     | 4         | 1.8     |

| Studies        | Frequency | Percent |
|----------------|-----------|---------|
| Associate degree | 16      | 7.3     |
| Bachelor degree | 122     | 56      |
| Master degree  | 66        | 30.3    |
| Phd degree     | 14        | 6.4     |

| Profile        | Frequency | Percent |
|----------------|-----------|---------|
| Technical      | 46        | 21.1    |
| Economic       | 146       | 67      |
| Other          | 26        | 11.9    |

| Level of experience | Frequency | Percent |
|---------------------|-----------|---------|
| < 5 years           | 34        | 15.6    |
| 5-10 years          | 104       | 47.7    |
| > 10 years          | 80        | 36.7    |

For a better understanding on the forces driving change we will start first with the external forces that are illustrated in the following table:
Table 2. The influences manifested by external forces on Romanian SME’s (N = 218)

| Economic forces                                      | High negative influence (%) | Low negative influence (%) | No influence (%) | Low positive influence (%) | High positive influence (%) |
|------------------------------------------------------|----------------------------|---------------------------|-----------------|---------------------------|---------------------------|
| Changes of consumer demands                          | 1.8                        | 20.2                      | 8.3             | 54.1                      | 15.6                      |
| Changes of the purchasing power                      |                            |                           |                 |                           |                           |
| High level of market instability                     |                            |                           |                 |                           |                           |
| Competition                                           | 48.6                       | 28.4                      | 7.3             | 11.9                      | 3.8                       |
| Rising prices of raw materials                       |                            |                           |                 |                           |                           |
| Access to bank financing                             |                            |                           |                 |                           |                           |
| Access to EU funds                                   |                            |                           |                 |                           |                           |
| Access to grants provided by the State               |                            |                           |                 |                           |                           |
| Infrastructure quality                               |                            |                           |                 |                           |                           |
| Technical and technological forces                   |                            |                           |                 |                           |                           |
| Pace of scientific discovery                         |                            |                           |                 |                           |                           |
| New devices, technologies, software                  |                            |                           |                 |                           |                           |
| New methods and management techniques                |                            |                           |                 |                           |                           |
| Political instability                                |                            |                           |                 |                           |                           |
| Legal forces                                          |                            |                           |                 |                           |                           |
| Frequent legislation changes                         |                            |                           |                 |                           |                           |
| Control authority of various bodies                  |                            |                           |                 |                           |                           |
| Demographical forces                                 |                            |                           |                 |                           |                           |
| Unemployment rate                                    |                            |                           |                 |                           |                           |
| Healthcare system                                    |                            |                           |                 |                           |                           |
| Qualification level of available staff               |                            |                           |                 |                           |                           |
| Socio-cultural forces                                 |                            |                           |                 |                           |                           |
| The mentality and attitude of citizens towards work |                            |                           |                 |                           |                           |
| Ecological forces                                    |                            |                           |                 |                           |                           |
| Environmental protection regulations                 |                            |                           |                 |                           |                           |

The economic forces have in most of the cases a negative impact on the Romanian organizations because of the economic crisis that we are still facing, which is manifested by reduced purchasing power, on one hand, and rising prices on the other, making almost impossible to survive, not to mention making a change happen. For this reason, many organizations had to reduce their costs, to restrict their activity and even declare bankruptcy. The high level of market instability raises most of the problems, 70.60% of the respondents considering that its negative influence is very high.

Difficult access to loans provided by banks is also slowing the process of change because even if managers identify possible changes, they do not have the resources needed to make them happen.

The changes in consumer's demands and the available funds provided by the EU have a positive effect on the Romanian organizations, showing that even if things are changing so quickly, some of them are still able to be flexible and adapt. Even if the UE programs are not suitable for all the organizations, and despite the fact the
absorption rate in our country is very low, managers are willing to use this opportunity if they manage to outline a change idea.

According to the respondents, the only variable that has no influence at all on their activities is the access to grants provided by the State. An explanation to this perception is that most managers do not know about them and the officers that should provide information are not available when needed.

Unfortunately, Romania still has big issues regarding its infrastructure, two third of the total area needing a rebuilt. The poor state of roads and the lack of investment in this segment is a major impediment for organizations to reduce time and costs of transport.

Managers have a good perception on the new technologies available on the market, considering that technical and technological forces influence their activities in a positive way, helping them to improve the internal activities continuously. Online businesses are developing very fast because of their reduced costs so more managers decide to change the traditional way of doing business by heading to the world wide web.

The political and legal forces are closely related having a negative impact on Romanian SME’s, 69.70% of the respondents saying that frequent legislation changes affect their business. The high percentage is easy to be explained if we think of all the changes that were made in the last two years such as the VAT growth from 19% to 24%, new taxation systems according to the turnover, the VAT collection system and so on.

Demographical forces have also a negative impact upon organizations, the strongest variable being the qualification level of the available staff, that is in 47.70% of the cases considered having a low negative impact. Even if the unemployment rate is high because of personnel layoffs that were made for cost reduction, most organizations find difficult to hire employees that are qualified for particular jobs. The number of those who have a diploma is high, but the graduates that actually find a job according to their qualification are few. A reason for this is that companies are not able to pay as much as they should pay, so most young students prefer to be unemployed than being underpaid. The minimum wage is also very low, and sometimes people choose to start their own business so they could earn more money.

The above statements can also explain why more than a half of the respondents (50.50%) consider that socio-cultural forces have a low negative influence, the mentality and the attitude of the citizens towards work being a problem in most Romanian organizations. Because of the hard working conditions, low salaries and in many cases minimum involvement in the company's decision-making process, employees are not feeling motivated and consider in many cases that they are overqualified for their jobs.

More and more Romanians are deciding to study and work abroad in the hope for a better life and a suitable job for their knowledge and experience.

The ecological forces have also a low negative impact mainly after the harmonization with the European laws and regulations regarding environmental protection, use of alternative resources as the natural ones are fewer and fewer because all those measures are increasing costs and in many cases are required by law.
Table 3. The influences manifested by internal forces on Romanian SME's (N = 218)

|                      | Never (%) | Rarely (%) | Neither rare, neither often (%) | Often (%) | 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         |
| External consultants | 9.2       | 39.4       | 27.5                            | 20.2      | 3.7        |
| **Organization's particularities** |          |            |                                  |           |            |
| Strategy             | 0         | 6.4        | 17.4                            | **52.3**  | 23.9       |
| Informational system | 0         | 5.5        | 12.8                            | **45**    | 36.7       |
| Organizational structure | 1.8      | 4.6        | **51.4**                        | 32.1      | 10.1       |
| Conflict             | **45**    | 29.4       | 12.8                            | 11.9      | 0.9        |
| Delegation of authority | 4.6      | 12.8       | **54.1**                        | 24.8      | 3.7        |

As shown in the third table, managers are one of the most powerful internal source of change, in 55% of the cases their ideas being materialized in actual changes. The owners have also an important percentage, 46.80% of the respondents stating that often the changes implemented within the organization are provided by the ones holding the capital.

As expected, unfortunately, Romanian managers minimize the role their employees may have in a process of change, 37.60% saying that proposals coming from the staff are rarely leading to change. An explanation for this situation could be the lack of motivation employees may have, which make them involve as less as possible inside the organization.

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.

Management style can also be a warning, considering that most Romanian managers are authoritative, not willing to know and listen to what their subordinates have to say. The situation is almost the same in the case of external consultants, not only because sometimes their services can be expensive, but mainly because Romanian managers are not interested in other opinions outside of their own.

From the organizational particularities, the variables that often lead to change are the strategy (52.30%) and the informational system (45%). Every time organizations develop new products, enters on new markets or improves its information flow, small or big changes are required, so the big percentages can be explained. On the other hand, changes driven by the organizational structure or the delegation of authority are not that common, in 51% of the respondents saying that neither rare, neither often are those two particularities an important source for change. Most Romanian organizations are still very centralized, so the process of delegation does not happen to all levels, and that could be the reason why respondents considered it a source of change with low impact.

The organizational structure is not easy to be changed because this implies a long term effort, flexibility and usually is a radical decision that managers avoid making if it is not necessary.

Conflict is in 45% of the cases not leading to any change at all, which is a good sign, especially because it tends to increase the resistance to change.
4. Conclusions and discussions

As stated in the beginning, we based our research on the idea that both internal and external forces can lead to change, as a result of the organization's sensitivity to its environment but also to its particularities, the Romanian SME's not being an exception to this.

Throughout this study, we demonstrated that the analyzed respondents have different views on how the forces of change can affect their organization, admitting that some of the forces can have a positive impact while other can rise problems because of their negative effect.

Economic forces are the main external drivers of change, their influence being mostly a negative one because of instability and the turbulences from the environment while managers are the most powerful internal force that drives change.

The paper underlined an important aspect: Change can happen only if managers acknowledge the importance of the change forces, and even if in many cases they are the promoters of change, the success of this process depending on how employees support and understand the need for change.

The first step for change is to know what drives it, but several other steps need to be followed in order to actually achieve it.

As further research, it should be noted that this study focused mainly on how SME's perceive change, without taking into account bigger companies that have over 250 employees. As such, a further research topic will concentrate on studying the impact of internal and external forces that drive change upon organizations of all sizes, not only SME's.

We could also include a new variable based on the geographical location of the organizations in order to see how managers from different areas perceive change.

References

Agboola, A.A., Salawu, R.O. (2011). Managing Deviant Behavior and Resistance to Change. International Journal of Business and Management, Vol. 6, No. 1, 235-242.
McMillan, C. (2010). Five competitive forces of effective leadership and innovation. Journal of Business Strategy, Vol. 31, Iss: 1, 11-22.
Anderson, D., Anderson Ackerman, S. L. (2001). Beyond Change Management - Advanced Strategies for Today's Transformational Leaders. San Francisco: Jossey-Bass/Pfeiffer.
Kanter, M. R., Stein, B. A., Todd, D. J. (1992). The challenge of organizational change: how companies experience it and leaders guide it. New York: Free Press.
Kanter, M. R. (1983). The Change Masters. New York: Touchstone.
Kotter, J. (1996). Leading change. Boston: Harvard Business Review Press.
Cohen, D. S. (2005). The Heart of Change field guide: tools and tactics for leading change in your organization. Boston: Harvard Business School Press.
Battilana, J., Casciaro, T. (2012). Change agents, networks, and institutions: a contingency theory of organizational change, Academy of Management Journal, Vol. 55, No. 2, 381-398.
Kanter, M. R. (1989). When Giants Learn to Dance. New York: Touchstone.
Stanleigh, M. (2008). Effecting successful change management initiatives. Industrial and Commercial Training, Vol. 40, Iss: 1, 34-37.
Pascale, R., Millemann, M., Giajo, L. (1997). Changing the way we change. Harvard Business Review, November-December, 127-139.
Jick, D. T. (1995). Accelerating Change for Competitive Advantage. American Management Association, Organizational Dynamics, Summer, Vol. 24 Issue 1, 77-82.
Kemelgor, H. B., Johnson, D. S., Srinivasan S. (2000). Forces Driving Organizational Change: A Business School Perspective. Journal of Education for Business, January/February, 133-137.
Frohman, I. A. (1997). Igniting Organizational Change from Below: The Power of Personal Initiative. American Management Association, Organizational Dynamics, Volume 25, Number 3, Winter, 39-53.
Hammer, M., Champy, J. (1996). Reengineering-ul întreprinderii manifest pentru o revoluție în managementul afacerilor. București: Editura Tehnică.
Predișcan, M. (2004). Schimbare organizațională Ce, când și cum să schimbăm?. Timișoara: Editura Universității de Vest.
Kotter, John. (2009). Forța schimbării: Cum diferă leadershipul de management. București: Editura Publica.
Davenport, T. H., Mule, D. L., Lucker J. (2011). Know What Your Customers Want Before They Do. *Harvard Business Review*, December, 84-92.

Porter, E. Michael (1996). *Strategie concurențială, manual de supraviețuire și creștere a firmelor în condițiile economiei de piață*. București: Editura Teora.

McKendrick, D. G., Wade, J. B. (2009). Frequent incremental change, organizational size, and mortality in high-technology competition. *Industrial and Corporate Change*, Volume 19, No. 3, 613-639.

Teece, D. J. (2010). Business Models, Business Strategy and Innovation. *Long Range Planning*, 43, 172-194.

Sorescu, A. et al. (2011). Innovations in Retail Business Models. *Journal of Retailing*, 87S, S3-S16.

Larkin, T. J., Larkin S. (1994). *Communicating change: how to win employee support for new business directions*. New York: Mc Graw-Hill.

Kanter, M. R. (2011). Courage in The C-Suite. *Harvard Business Review*, December, 38

Carnall, A. Colin (2003). *Managing change in organizations: fourth edition*. Harlow: Prentice Hall.