

# ORGANIZATIONAL CHANGE IN KNOWLEDGE-BASED FIRM

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## ABSTRACT

*For sustainable competitive advantages gain, modern organizations, knowledge-based, must promote a proactive and flexible management, permanently connected to change which occur in business environment. Contextually, the paper analyses impact factors of the environment which could determine a firm to initiate a programme strategic organizational change. Likewise, the paper identifies the main organizational variables involved in a changing process and emphasizes the essential role which managers and entrepreneurs have in substantiation, elaboration and implementation of organizational change models.*

**Keywords:** *knowledge-based firm, organizational change, impact factors, organizational variables, competitive advantage.*

## 1. Introduction

In the society and knowledge-based economy context, change is by itself the essence of business development. Approach of change became a key-element of competitive advantage, because only by a coordination of employees with the purpose of the fastest implementation of change, organization may react to market pressures before a context modification. [6]

Continuous change of the organizations evolutionary environment is determined by a series of factors within which we remind technological evolution, knowledge boom, a fast moral depreciation of products, work conditions and mutation in labour power character. [4]

Managers and entrepreneurs in modern firms, based on knowledge, must identify, analyze, and evaluate systematically main variables of impact on the environment inside and outside the organization. To enter the sphere of operational excellence, organizations must show flexibility, substantiate and implement proactive business strategies, which include initiation processes and periodical implementation of proper organizational changes. Viable organizational system is the flexible one, which can answer favourably to any challenge of the environment. [9]

An eloquent example on what concerns the understanding of organizational change is famous company Hewlett Packard. William Redington Hewlett, one of the co-founders of the company, states: "Above anything, consider change inevitable, do not try to oppose it. Always be ready for 180° turn when discover a new and promising direction".

A significant number of papers, studies and articles are found in literature, which address issues of organizational change, underlining the necessity of projecting and implementing several programmes of organizational change in modern firms, as a sine qua non condition of competitiveness. [1, 3, 10]

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## 2. Conceptual delimitation

Established on strategic diagnosis-analysis, organizational change covers a sum of activities for the firm to be prepared to gain necessary competence to implement a new business strategy. An important premise of subscribe a firm on the trajectory of economic and social efficiency is represented by the existence of an organizational infrastructure, flexible and adaptable. In the context of contemporary economic dynamics, change became necessary, for medium and long term objectives are permanently reviewed and modified according to registered evolution in business environment.

Organizational change implies a change of mission and vision in organization, introducing new technologies, a modern system of performance evaluation, redesigning remuneration system, orientation towards new clients' target-groups, as well as applying several complex managerial methods such as management by objectives, management by projects, management by budgets, total quality management and so on. [11]

Organization change corresponds to new orientation, fundamental and radical, concerning ways which the organization follows to develop activity, having essential implication on the behaviour of all its members. Launching a process of change implies the awareness of change necessity, to manifest desire of change, accumulation of knowledge as well as formation of necessary ability for implementing change.

Peter. M. Senge [13], management professor at Massachusetts Institute of Technology, introduced the notion of "learning organization". In such organizations, it is are developed and grown new models of thinking, human resource are permanently stimulated in the learning process for gaining competences and every experience is considered as being an opportunity to learn.

Knowledge-based firm is, by, an organization which learns, and also a sustainable organization, an entity generating added value integrated in economic, social and ecologic environment, which, by a proactive management, flexible and innovative, creates constantly competition advantages reported to competitive firms.

For adjusting to business environment mutations, knowledge-based modern firms must be permanently connected to change. Over time were developed a series of models which support managers and entrepreneurs in the trial of understanding and implementing change. Organizational change models are based on gaining consensus between human resources of organization. One of the model's, such as Lewin's, helps managers to analyse change, to preview probable consequences and identify solutions to decrease resistance and difficulties of such step.

Lewin's model suggests that it should be accomplished a balance between change sources and resistant forces to change. Robbins appreciates a simple announcement of change and does not eliminate previous conditions and its success. For gaining a sustainable effect of change, it is necessary that managers to anticipate and to evaluate forces which are opposed to change and reduce intensity.

Beer and Eisenstat [2] believe that enterprises tend to oppose a greater resistance to change if this is not of paramount importance for their surviving. Other authors state that for reducing resistance to change, managers must induce to their employees the sense of urgency.

## 3. Forces of organizational change

First step in initiating organizational change represents identifying factor which greatly influenced the evolution of firm. Researches of specialists and professional consultants reveal the connection between these factors, mainly, to the firm environment, to the organizational and management structure. [15]

Of the environmental factors which could generate failure of an organization we remind new firms on the market, technological innovation of competitors, and dependence on a supplier or a single customer and so on. On what concerns organizational structure, in most of small and medium enterprises, this is flexible and marks, usually, a potential source of success. Issues on inadequacy of any changes of the organizational structure may appear in some medium firms which develop diverse activities or are expanding, such as larger firms.

In small enterprises and many other small firms, management factors which generate failure are, in our opinion, the insufficient managerial training of entrepreneur, promoting an authoritarian managing style and inadequate coordination of developed activities within the organization. In medium and large enterprises, management factors which generate failure are, mainly, the excessive analysis of information and the existence of some conflicts which can determine serious dysfunctions when they neither are nor well controlled. Groups in conflict reduce efficiency and often establish personal objectives to prevail on those organizational. For such reason, conflict must be controlled thus to remain in accepted limits.

Modern organizations represent open economic systems to correspond more diverse consumers' demand. Firm's ability to adapt market manifestation demands depend on their flexibility. Henk Volberda considers that flexibility must represent a defining characteristic of organizations. Thus, from organizational perspective, flexibility could be defined as being the capacity of a firm to react to change. In a turbulent business environment, development strategies must be permanently filled and connected to programmes of planned strategic change. Actually, strategic organizational change includes continuous initiatives starting at entrepreneurs and manager. Management implementation of total quality is an example of organizational change within a firm.

Forces to determine an organizational change could be internal or external. Strategic orientation change of competitors, government regulation, new firms on the market technological innovation of competitors and product and services quality growth offer by these represent forces to determine a firm to resort to making some strategic organizational changes.

Organizational change could find its origin inside an enterprise – a new vision of entrepreneur or managerial team, introducing a new fabrication technology, developing a product or a service, intention to enter a new market. Change can produce reactively (as a response) or proactively (as an initiation). Otherwise, the firm either anticipates the necessity.

Several authors appreciate that organizational change must be approached as a phenomenon which is the result of the interaction between economic, technological, social and political factors on the environment.

#### **4. Variables involved in organizational change**

Despite the firm's proactive or reactive approach on strategic organizational change, should be established main involved variables of changing process. As we see it, organizational change variables are strategic view, objective, organizational structure, technology, organizational culture and managerial techniques. Such variables are found either totally or partly, in different proportions, based on the firm's dimension. In small enterprises, main variables of organizational change are represented in the entrepreneur's view also by organizational culture which, at its turn, carries the imprint of his personality. In medium enterprises with productive profile or which develops more activities, as well as in large enterprises, in the process of organizational change are found, usually, all above mentioned variables.

Key-elements of organizational change, human resources – entrepreneurs, managers and employees – create and implement organizational change model, connecting mentioned variables and coordinating interaction between these. In many firms, strategic vision and system of objectives are

not connected adequately. Entrepreneurs and managers must have the capacity to communicate employees their strategic vision and firm's mission. Unfulfilled objectives, inadequate communication between different hierarchical steps, lack of management involvement are obstacles in changing process. [7]

Implementing an organizational change programme implies operationalization of certain systems, methods and managerial techniques which lead to reaching afferent objectives for new strategic orientation of the enterprise. Managerial practice targets the connection between human resources and organizational activities, as well as regulating and developing principles to govern labour process of the firm. If employees are not motivated to fulfil attributed tasks or do not understand the report between their objectives and the firm's objectives, we may find a "system incoherence" which is necessary to be analyzed and solved for the enterprise to be successful in the change initiative. [14] Rogers and Byham suggests that posts in a firm should be projected such that subscribed tasks, competencies and responsibilities to be congruent with the new organizational strategy. [12]

Organizational change represents an integrating process in which are involved two interconnected subsystems: human resources – managers and employees – and organizational change variables – strategic vision, objectives, organizational structure, technologies, organizational culture, managerial methods and techniques.

Vectors which define connection between the two subsystems are orientation towards change, change resistance and organizational learning. Human resources are main actors of change. Managers and entrepreneurs have an important role by their strategic vision leads the effort of change, as well as the involved process in organizational change. Also, managers and entrepreneurs must know what are the employees' opinions and attitude towards change and to induce a feeling of mobilization for accomplishing a sustainable change. Communication between managers and employees is essential for understanding the essence of change and for implementing it successfully.

Strategy changes of competitors, technology mutations, law regulations, and new firms as well as the general trend to quality growth of products and services lead to certain organizational changes. A new strategic vision of managers, introducing new modern fabrication technologies, developing a new product or service and entering a new market implies profound change on organizational environment.

Taking into account pressures of the environment, modern firms, knowledge-based, must have flexible and adaptable infrastructures which to allow reaching high levels of performance. The greatest difficulties are not connected to technological change and managerial methods, though to human resources change.

## **5. Conclusion**

Managers and entrepreneurs in modern firms, based on knowledge, must identify, analyze, and evaluate systematically main variables of impact on the environment inside and outside the organization. To enter the sphere of operational excellence, organizations must show flexibility, substantiate and implement proactive business strategies, which include initiation processes and periodical implementation of proper organizational changes. Viable organizational system is the flexible one, which can answer favourably to any challenge of the environment. Knowledge-based firm is an organization which learns and a sustainable organization, integrated in economic, social and ecologic environment which, by a proactive, flexible and innovative management creates constantly competitive advantages reported to competitors. Organizational change implies new competences, as a result to gathering information through continuous learning process.

Strategic orientation change of competitors, government regulation, new firms on the market, technological innovation of competitors as well as quality of products and services growth offered represent external forces that determine the firm take use of strategic organizational change. Internal forces of organizational change we remind the new vision of entrepreneur and managerial team, introducing a fabrication technology, development of a product or service, re-projecting organizational structure, operationalization of new management methods, intention to enter a new market and so on.

Organizational change represents an integrating process in which it are involved two interconnected subsystems: human resources – managers and employees – and organizational change variables – strategic vision, objectives, organizational structure, technologies, organizational culture, managerial methods and techniques.

Human resources are the main actors of change. Managers and entrepreneurs have a determinant role in transformation of firms they lead in flexible organizations, towards change, for they create and implement projects of planned strategic change, connecting involved organizational variables and coordinating interactions between these. In the society context and modern knowledge-based economy it is necessary a new mentality of managers and entrepreneurs on what concerns change, which must be gradually induced to employees, in an adequate cultural model, thus to pass from acceptant of change to initiators.

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