Change Opportunity and its Importance for the Romanian SME`s

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Change is the only constant in everyday life and organizations have to identify different ways to improve their activities and remain competitive on the market, performing certain types of changes in order to do so. The purpose of this paper is to present how managers from the Romanian small and medium sized enterprises perceive the need for change and its opportunity and how often are they initiating a change process, pointing out the main reasons behind their decision to change. The study was conducted on many SME’s from the western side of Romania, applying an interview in order to see how important is change for the Romanian managers.

Keywords: change management, the need for change, SME’s

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1. Introduction

As Heraclitus stated „There is nothing permanent except change” and considering that the pace of change is almost impossible to slow, the traditional way of doing business is no longer enough (J. Westover, 2010, p. 45). Today's organizations face a number of challenges mainly as a result of the globalization process and the IT development and their ability to adapt in a proper manner, as fast as possible, has become a crucial factor of success (C. Peus et al., 2009, p. 159). The analysis of internal factors within an organization correlated with the influences manifested by the environment allows managers to identify a various number of possible changes for two main reasons: first of all because the external factors of the environment create different opportunities and second because the malfunctions and the problems inside the organization force managers to respond as quick as possible.

Achieving readiness for organizational change takes a lot of time, resources and skills, because people (managers and employees as well) are the real source and vehicle of change, embracing it or trying to resist it (I. Smith, 2005, p. 408). Change opportunity is sometimes difficult to be identified because everyday problems force managers to pay more attention at the internal processes and less on finding new ways of doing things more efficient.

As Armenakis and Harris stated the process of organizational change involves three different phases: at first, all the members of the organization have to prepare for change and to consider it opportune, then they have to adopt all the measures that ensure that change will be made according to the plan and finally, change has to be institutionalized, being a part of the organizational culture (A. Armenakis, S. Harris, 2001, p. 169). As we can see, the first step of any change process starts with the identification of the need of change as being opportune, followed by several actions taken by managers, employees and other people involved in the change process, in order to see how can the opportunities be transformed into strengths, using all the available resources.

2. Why is Change opportune?

During time, the problem regarding change had different approaches and if in the early '90s every business's motto was “If it ain't broke, don't fix it”, mainly because the environment was stable and predictable, nowadays things have changed significantly and the challenges that have to be faced are different (J. Kotter, 1996, p. 10). There are many different reasons why managers decide to change and in our opinion the first one should be the organization's survival. Without a proper response to the external environment, the chances of a long term development are very low and many organizations are forced to restrain their activities or even go bankrupt. Definitely the survival is far from being the only important goal of an organization, so after making sure that things as going well, managers should try to consider other reasons why change can be opportune for their business. A constant concern for what is happening on the market, a strategy that focuses on innovation, and a better way of satisfying the consumer's needs and even identifying ways of being proactive rather than just reactive to the environment, are just some examples of possible actions that lead to success and long term development.

Organizations with a constant concern for change and innovation had over the time better results than the ones that were trying hard to adapt to the environment, the main reason being that their leaders developed a vision for change and were aware of the importance of the efforts needed in order to achieve
effective and efficient the organizational goals. An increasing turnover, entering on new markets, creating innovative products and obtaining a competitive advantage are only some examples of why change is opportune for an organization and why all the efforts should be focused on finding new ways of doing things even if the current state is satisfying and things are going well.

It’s also true that not all the transformation efforts are successful and that more than 70% of the companies fail on changing, mainly because managers are not establishing a great enough sense of urgency, a powerful coalition inside the organization and a vision shared by all the people that are affected by the change (J. Kotter, 2007, p. 97). From our point of view, managers have the key role on making sure that change takes place, because even if change ideas can be provided by employees, shareholders or different specialized companies on finding new ways to improve the organization’s current state, managers have the final word and decide how will the change implementation process be. Even if we have given some possible answers to the question “Why is change opportune?”, we still have to see which are the main tools that help managers to find answers to this question. By far, the simplest and the most frequently used method is the SWOT analysis that provide managers answers from both internal and external issues than can have an impact on their current activities. The strengths and weaknesses can be managed because they refer to the internal aspects within the organization, while the opportunities and threats are more difficult to control because they are outside of an organization (P. Fifield, 2007, p. 74). Other possible tools than can be used while trying the find potential changes are: Pest analysis, Porter’s five forces analysis, Kurt Lewin’s force field theory, BCG matrix and so on.

3. Change opportunity in the Romanian SME’s

In the past twenty years Romania has faced a series of significant changes in many fields, that generated a quick response from the top managers of the organizations. The transition from a centralized economy to market liberalization and privatization, after the fall of communism and the integration in the European Union in 2007, forced our country to face a rapid transition from centralised state control and national economic planning to a free-market and globally competitive capitalism, affecting also the small and medium sized enterprises (SME’s) that were trying to survive in the new conditions (J. Poor; G. Plesoiaru, 2010, p. 284).

According to Article 3 of Law nr.346/2004 on stimulating the establishment and development of SME’s, the SME are those organizations which satisfy the following conditions:

a) have an annual average number of employees less than 250;

b) have an annual turnover equivalent to 8 million euro or a loss in the balance sheet not exceeding the equivalent of 5 million euro;

c) meet the criterion of independence (any form of organizing the economic activity, autonomous patrimony and authorized under applicable law to acts and acts of trade, for profit in competitive conditions, namely: companies, cooperatives, individuals engaged in independent economic activities and family associations authorized under the law in force).

SME’s are classified according to the average annual number of employees in the following categories:

a) up to 9 employees - microenterprises;

b) between 10 and 49 employees - small enterprises;

c) between 50 and 249 employees - medium enterprises. (Law nr.346/2004, Article 4, paragraph (1)).

There are many internal and external forces driving change in the Romanian SME’s, but the problem is that most of the managers are not open towards change and don’t consider it opportune for their organizations for the following reasons (M. Predișcan, 2004, p. 114):

- Some of the managers think that changes from the external environment cannot generate a response from their organizations, because there is no significant influence from the outside that can generate changes inside;

- Considering that the pace of change is extremely fast, some managers think that changing something inside won’t be good enough or fast enough, so they give up before trying;

- Some managers are not showing any interest for change because things are going well and they don’t want to alter that;

- There are managers that operate in a relatively stable environment so they don’t think that change is necessary;

- There are managers who try to justify the small number of changes made in their organizations due to the lack of resources;

- The general perception is that change is a result of the way the organization responds to the environment and not a way of being more successful.

Even if some of the concerns regarding change are true, and generally SME’s have few available resources, we consider that this should not be a reason to abandon the “fight” because as we stated before, the survival rate of any organization depends on its ability to change. In the case of Romanian SME’s there are mainly six different external sources of change that can lead to finding new opportunities (M. Predișcan, R. Roiban, 2012, p. 1053):

- Economic factors that include the internal and external market, the financial potential, the development pace of the economy. Even if the economic recession started in 2008 had a negative impact on all the organizations around the world, there are still available opportunities on the market, especially in the field of creating new products that can satisfy in different ways the needs of the consumer, new ways of doing
business less expensive (like online commerce) or the existence of the European nonrefundable funds that can solve the problem of the low financial resources.

The purchasing power of the Romanian population has decreased and that has produced changes in their consumer behaviour, forcing the managers of SME’s to adjust their prices, to reduce the costs and try to offer those kind of products that are bought the most in such times of crisis. Reducing costs is not something easy to do, so managers have to find new solutions in order to cover their expenses but in the same time sell as much as possible at a good price. Making changes regarding the materials that are used in the production field, without losing quality and finding new ways of reducing the energy power may give a competitive advantage and obtain the consumer’s loyalty.

- Technical and technological factors include the equipment and the facilities that may be purchased in order to be more efficient, to reduce the costs and to obtain the competitive advantage. SME’s should focus more on IT and the possibilities generated by an up to date technology even if the associated costs can be high. Usually this type of investment requires a lot of time to recover the costs, but the results can be extremely good for that organization, because the productivity and the quality of the products can be increased helping the company to be one step ahead of its competitors.

Unfortunately Romanian managers aren’t focused so much on purchasing the best technology, basically because they have no funds to make such investment, so these factors have not created a great pressure for change in small companies.

- Political factors.

As we said before the fall of the communism produced many changes in our country, the start up of new small businesses being one of them. The problem was that many managers did not have the skills and abilities to do business, most of them having no background in economic studies, which lead to the perception that change is not something that drives organizational success, as long as things are going well. Other political decisions like the UE integration of Romania in 2007 have created a lot of opportunities for the SME making it easier for them to sell their products abroad, or to conclude contracts and partnerships with foreign investors. It’s true that the political decisions in our country had also a very bad impact on the SME’s, especially in times of political instability, changes in the fiscal policy, changes of prime ministers and so on, but we must admit that even in such cases, there were still some doors opened for those who knew how to use them.

- Legal factors. The legal factors are connected with the political ones so as we stated before, there were a lot of changes in this field, most of them having a negative impact on the Romanian SME’s. Some examples could be the increasion of the VAT rate from 19% to 24%, the law regarding the obligation of a minimum tax that had to be payed by all the organizations even if they were not on profit, all the changes regarding the process of employment and so on. Basically the legal factors are the most important ones when we speak about change, because the organizations have to follow the rules and make changes every time something new comes out in this field. The legal factors are not having only a negative impact on the SME’s, because as a result of the political decisions taken in Romania, there are also some opportunities like smaller taxes for the start ups, or for young entrepreneurs, fiscal advantages when hiring an unemployed, financial support and programs that stimulate the entrepreneurship etc.

- Socio-cultural factors like the social structure of population, culture, mentality, education and so on have a smaller impact on the Romanian SME’s than the other factors do, and can create opportunities if we think about the way organizations have to respond to different cultures or mentalities by adapting their products to specific needs. A strong educational system can provide highly qualified employees which will increase the productivity and the ability of creating new and innovative products.

- Ecological factors. They include all the natural resources that were not created by human, like the climate, soil, atmosphere, vegetation. The care for environmental protection becomes every day more important and necessary because we are facing a huge increasion of the global population and a significant reduction of the natural resources, so it was required to find alternative solutions to reduce the negative effects of the climate change and to foster a green growth and a sustainable development. The EU regulations in this field have forced a lot of Romanian SME’s to adopt different measures in order to minimize as much as possible the pollution and the waste of natural resources.

Even if the costs of implementing environmental protection measures for the Romanian SME’s were high, there are also opportunities derived from the new global movement called CSR (Corporate Social Responsability) that most of the organizations are trying to adopt in their strategies and policies with the aim of sustainable development and achievement of long term goals. Today, a strong brand is no longer enough for an organization success, so the need for companies to demonstrate an awareness of social, human and environmental issues becomes mandatory. CSR being the way of mixing those two aspects (economic and social) effectively (**K. Andersen**, p. 596). By including social goals together with the economic ones, Romanian SME’s can obtain a competitive advantage and can improve their corporate image, stimulating the consumer to choose their products instead of the products provided by their competitors just because the public becomes every day more sensible to social issues. The costs associated with adopting this kind of strategy can be reduced as a fact that the UE and other international bodies like UN (United Nations) or OECD (The Organisation for Economic Co-operation and Development) are providing financial support for those who want to implement such measures.
4. Conclusions

Even if change is the only thing constant and becomes a must of today's reality, there are still many managers that don't pay enough attention to this subject and have no idea how can change improve their current activities and help them grow, or what should they do in order to implement successfully a change process. The environment through his six factors (economic, technical and technological, legal, political, socio-cultural and ecological) has a huge influence in any organization's activity and the ability to know, understand and respond in a proper manner and as quick as possible to all the opportunities and threats, is the key of organizational survival and development. The opportunity of change is very important because the main idea of every change process is to achieve a better state than the existing one with sustainable results during time. As we said before, there are many benefits deriving from a process of change, starting with the organization survival, which is basically the first reason to change. Other advantages associated with change are: increased turnover, profitability, qualitative products and services, customer loyalty, competitive advantage etc. There are many tools that help managers to find changes such as the SWOT analysis, Pest analysis, Porter's five forces analysis, Kurt Lewin's force field theory, BCG matrix and no matter which one of them is used, managers can decide what kind of change is suitable for their organization. Romanian SME's have to face a lot of challenges as a result of the global economic recession but also because of the latest events on the political scene, in many cases having troubles identifying the opportunities that come with every change that is implemented within the organization.

The main problem is that Romanian managers are too busy to solve every day issues and almost never find time to think about the changes that they can perform, unless there are specific laws forcing them to do so. Many managers think that they should change only when their organizations face some problems without taking into consideration that in most of those situations it's probably too late. Change is definitely not a solution to a problem, but a tool that helps managers to avoid that problem to appear because as Rosabteh Moss Kanter stated "To stay ahead, you must have your next idea waiting in the wings". Every change needs a specific time, a lot of efforts and usually significant costs that cannot be supported by the Romanian SME's but the main reason for the small number of changes is the manager's perception. Some consider that everything around them happens too fast so changing becomes useless, others claim that they have no financial resources to change, while others see no advantages in changing because things are going well, or because the environment is stable. From our point of view no excuse is valid for not trying to change, no matter how small that change is, because if managers understand the importance and benefits of changing they will come up with идеe to support that initiative. Change is not something that starts in one point and ends in another, it should be a continuous process no matter what the particularities of the organization are.

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