

Planning Strategic Changes in the Organization

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Abstract: A key success factor for sustainable development of the enterprise is adequate planning of the implementation of strategic changes in the level of economic potential. Analysis of the main models of change management, their genesis from the process approach and the resource concept to optimize the structural elements change, allows substantiating planning recommendations for changes with the position of the integrated interactive process. Directions of improving the implementation plan of operational and strategic changes increases the efficiency of efforts to reduce the resistance when evaluating the results and implementing the changes in the company.

Key words: Changes, organizational changes, strategic changes, approaches to evaluating the implementation of strategic changes, resistance to changes, involvement of staff in planning and implementing changes, interactive process of planning the implementation of strategic change, reduction of resistance to changes

INTRODUCTION

Regular adequate changes are one of the key success factors and objective characteristic of sustainable development of modern enterprise. Strategy and tactics of new opportunities and resolution of the problems cause the need of restructuring, reorganization, deconsolidation of companies or company mergers, implementation of international standards of corporate governance, build systems to support strategic planning and other changes of this kind. Therefore, optimization of the development of the theoretical foundations and concepts of planning and controlling strategic change has become an urgent task of the producers in terms of variability of the global economy. They should cover all planned, organized and controlled changes in strategy, processes, structure and culture of any socio-economic system including private and state-owned enterprises.

MATERIALS AND METHODS

The original meaning of the French word “change” changer was “bend” or “turning” (reaching for the sun the branches of a tree or vine). The paradigm that “the only constant is change” has become a commonplace since the days of Heraclitus, that is, from 500 BC. In today’s economic practice, the term “change” has several different meanings. It can be a symbol of external changes-changing technologies, customers, competitors

and market structures, social or political factors. This term refers to internal changes arising from the adaptation of the organization to the changing environment in which it operates. Traditionally, leaders of organizations are concerned about production methods, strategies and concepts of the business that kept pace with the changing external environment. There are also several internal causes (sources that are inside the organization) that forcing the organization to changing.

The study of organizational changes as a separate direction began after Second World War when a result of changes in consumption characteristics, the emergence of new technologies and new markets created a need for adaptation of producers to the new conditions of environment in the period of mass marketing and the buyer dictates and the problem of the successful implementation of change was studied scientists and the leadership of the majority of companies.

The main part of the early work was concentrated on the process component of changes but rather on the most effective methods for implementing changes and overcoming resistance of staff to these changes due to the conservative thinking of employees and other factors. Therefore, for several decades in organizational science was dominated an understanding of the process of organizational change proposed by social psychologist Kurt Lewin in 1951.

In the mid-1990s, some researchers have noted that the whole theory of strategic change can be reduced to

the idea of Lewin that said about the static nature of the development of science, most of the researchers only changed the form of presentation of information illuminating the already known facts and not bringing anything new.

However, in the mid-1990s, the theory of strategic change received the “second breath” due to the appearance of new theoretical models and approaches that have proven effective in the application of well-known companies (Kireeva and Chinglinceva, 2012). Currently, the international practice for managing strategic change offers a rather wide range of models of change.

Their review consider it logical to start with the prototype of all modern models—a model of American sociologist Kurt (2000). The basis of this model is the assumption that understanding change involves an awareness of the concept of stability, the concept of homeostasis—the awareness of what forces lead to the establishment and maintenance of equilibrium. Factors that “push” for change and forces aimed at maintaining stability Lewin called “impelling” and “restrictive” forces respectively. Implementing change involves increase in impelling forces or decrease in restrictive forces or some combination thereof, leading to the disruption of the balance.

K. Lewin believes that it is necessary to make considerable efforts to reduce the impact of restrictive forces which reduce stress, whereas increasing impelling forces only increase resistance, for the head who wants to accelerate the process of strategic changes (hereinafter, the SCH). The model is a sequence of three stages:

Defrost: Need to do something to break the existing practice. Most organizations are very committed to the old ways of doing things and do not accept any attempts of change, therefore, required drastic measures the purpose of which is to provide members information on the current situation which they ignored or did not consider previously. Otherwise, employees will resist change not realizing their need, or not taking it. The difficulty lies in maintaining the balance because if the future is unfavorable growing resistance to change. Should justify the need for change and to elaborate on the proposed methods of reform.

Movement: At this stage are the planned activities to change the behavior of employees and departments.

Freeze: Hold events aimed at strengthening the new organizational practices. K. Lewin believes that ignoring this stage may return the previous working methods. It is

necessary to convince the staff of the organization in the effectiveness of new methods, promoting the benefits of the new system.

This three-stage approach to change requires the investment of significant resources as well as knowledge of the conditions based on the results of research that can facilitate the stages of “Defrost”, “Movement” and “Freeze”.

K. Lewin’s Model offers a general scheme for studying the stages of development of the organization leaving the details to the discretion of the conductive changes of individuals. Today, some scholars dispute the need for the stage “Freeze” because in this era of continuous change, managers often stress that the implemented system is temporary and in the near future will be offered a new, more perfect. Despite its apparent simplicity, Lewin’s Model marked the emergence of a new direction in theory of strategic change—the creation of models of change management, each of which based on the above-described “classical” model. Let us start the analysis of the subsequent models with a brief description of L. Greiner’s model, as in its essence it is a detailed version of K. Lewin’s model.

Larry Greiner, better known as the author of the life cycle model the organization has developed a successful model for managing strategic change that consists of six stages (Greiner, 1998). These stages represent a scheme of influence the structure of power in the organization.

The first stage is pressure on top management. The senior management or other executives who have the authority to accept and execute the decisions must clearly realize the need for change and prepare for their implementation. The second stage is mediation at the highest level of management.

As noted by L. Greiner, “it is likely that the top leadership under intense pressure may have a tendency to rethink their problems by shifting responsibility for them to others. There may be a need for intermediary services of an external consultant that can assess the situation or in engaging their employees if they can be considered impartial and express an opinion which may not please the senior management”. That is, this stage largely involves the perception of new points of view.

At the second stage, response will be to refocus on the internal problems of the organization.

The third stage is to diagnose problem areas. At this stage, management collects relevant information; determine the real causes of the problems that require a change in existing provisions. According to L. Greiner, “this process starts at the top and then gradually descends to the lower level of the organizational hierarchy”. In the case where the leadership is trying to

identify the problem until it receives information from the lower levels of the hierarchy it risks building their own solutions to the inadequate or incorrect information. Determining the scope of the problem leads to the realization of specific problems. The response of the power structure has to be awareness of a specific problem.

The fourth stage is to find new solutions and commitments for its implementation. Commenting on this phase L. Greiner says, "There is always a temptation especially for power structures to apply old solutions to new problems. Thus, there is a need for a fourth phase, in which are found new and unique solutions that will be supported by the entire power structure". In most cases, management must also obtain the consent to carry out a new course of those responsible for its implementation. Ideally, followed by the implementation of the commitment new policy on the part of the authorities.

The fifth stage is the experiment with the new solution. By experiment and identify the negative consequences management will be able to adjust their plans to achieve their higher efficiency. With the use of control mechanisms, the management determines the extent to which planned changes help to improve the unsatisfactory state of things, as they are perceived and how to improve their implementation. It can be detected for example that some people need to give additional powers; additional training or need to create a committee that would monitor the implementation of this program, maybe one of the groups has a strong resistance to these innovations. This is followed by the identification of results.

Sixth stage is reinforcement based on positive results. At the final stage, it is necessary to motivate people to accept the changes. Convincing subordinates that the change is beneficial to both the organization and them personally can achieve this. As explained by L. Greiner, when each person receives an incentive to change were successful, "it can be expected that the majority of people at all levels adopt the methods by which changes are made".

RESULTS AND DISCUSSION

The result should be the adoption of new methods. Also L. Greiner identified three degrees of involvement of staff in ongoing changes such as the "separation of powers" with a high degree of employee participation in the change process; "unilateral actions" in which the orders come down from above and subordinates receptive to the legitimate authority and the necessity of

pluralism is minimal and "delegation of authority" when top-management gives subordinates information about the necessary changes and then delegates authority for the assessment of corrective actions and their implementation. The latter option reduces the resistance of the staff but he may not have the experience to analyze all alternatives in solving the problem, the solution would be under the influence of group opinion and together will slow down the response. Despite the fact that this theory was created quite a long time ago it has not lost its relevance and has much in common with the methods of overcoming resistance to changes.

In addition to the models of strategic changes that offer to initiators of SCH a specific program of sequence steps, experts in the field of organizational behavior and strategic planning develop approaches to change management which describes the overall philosophy of the change process in the organization. In the modern literature on the problem of change management, there are two polar concepts, each of which defines a strategy for change. The authors of these concepts are well-known researchers and professors of the Harvard School of Business Michael Beer and Nitin Nohria. These concepts are respectively called theory E and theory O. Theory E is based on the primacy of financial objectives and focuses on their effective achievement, given the constant pressure of shareholders of the company, while the theory O considers the organization as a self-developing system with more focus on corporate culture, goals and motives of the employees of the organization.

Building a model of sustainable development of the enterprise is impossible without creation of effective system of marketing, strategic management, financial management, human resources, production, as well as without the reorganization and reengineering of business processes. Creation of a holistic model of sustainable development of the enterprise is possible only if an integrated system approach to reforms affecting all spheres of activity of the enterprise. Analysis of classic models of controlling strategic changes are presented in Table 1.

The Russian specialist in the field of strategic management and planning Sukharev (2006) represents an innovative model of management of enterprise development. This model reflects the integrated approach of the author, involves consideration of each control element of the system as a whole considering the interaction and processes between all elements of the system and formalizing and regulating them (Fig. 1).

The structure of the development management model enterprise includes structural elements of a company

Table 1: Models of strategic changes management in the organization

| Kurt Lewin's Model | Theory E and theory O of Michael Vira and Nitin Nohria |
|---|--|
| The model is based on the assumption that understanding change involves an awareness of the concept of stability | Theory E is based on the primacy of financial objectives and focuses on their effective achievement, given the constant pressure of shareholders of the company |
| It is necessary for the manager who wants to accelerate the process of strategic changes to make considerable efforts to reduce the impact of restrictive forces that reduce stress, whereas increasing impelling forces only increase resistance | The only ethical and legitimate contribution of corporation in the society is making a profit and creating economic value |
| The model is a sequence of three stages: "Defrost", "Movement", "Freeze" | Theory O considers the organization as a self-developing system with more focus on corporate culture, goals and motives of the employees of the organization |
| L. Greiner's model | The purpose of the changes, according to the theory O is the development of organizational skills especially ability of employees to involve them in the decision-making process regarding organizational problems |
| Larry Greiner, known as the author of the life cycle model the organization has developed a successful model for managing strategic change that consists of six stages: | Model of Guiar Francis and James Kelly "Transforming organizations" |
| The first stage is pressure on top management | The analogy between the organization and the human body |
| The second stage is mediation at the highest level of management | The biological model of business transformation consists of four categories that are called the four elements of the transformation: reframing, restructuring, revitalization, renewal |
| The third stage is to diagnose problem areas | Reframing is a shift in the corporate representation of what it is today and what can be achieved. Reveals the corporate consciousness filling it with new vision and determination to change |
| The fourth stage is to find new solutions and commitments for its implementation | Restructuring is an important preparatory stage allowing the company to achieve a level of efficiency that ensures its competitiveness |
| The fifth stage is the experiment with the new solution | Recovery is the initiation of growth by linking the body of the corporation with the environment |
| Sixth stage is reinforcement based on positive results | The upgrade. People acquire new skills and set new goals that allow the company to regenerate |

(production base, infrastructure, scientific and technical potential, investment activity, management), the choice of innovative strategy of development of the organization, the choice of innovation component, forecasting and innovation, the analysis of the obtained results.

Thus to date, the theory of strategic change offers a number of different models of change management which allow to develop a common ideology and vision for change and are a good practical guide. The most interesting and useful in our view are K. Lewin's Model of changes, L. Greiner's Model of successful implementation of changes, theory E and theory O of strategic changes, F. Guiar's and J. Kelly's model of business transformation, O.S. Sukharev's innovative model of management development of an enterprise. The choice of the change model should be an important stage when making decisions about implementing changes to Russian enterprises. We propose an algorithm of implementing changes in the economic activity of the enterprise (Fig. 2).

In a situation when the life cycles of the product unpredictable short, technology volatility, high probability of severe social and political pressure of stakeholders and responsibility centers of business, operational activities of the enterprises compete with each other for the redistribution of scarce resources, the organization's management should gradually assume strategic workload that cannot be performed at the tactical and operational levels aimed at incremental behavior. Top management needs to ensure that the lower echelons of the general management took over not only the

operational commitments but also strategic responsibility for the performance of their activities. If this is not implemented then the turbulent conditions of the global economy will undermine not only the chances of minimal success but also the foundations of the entire organization. We have developed the mechanism of management of strategic changes in organizations presented in Fig. 3.

The transition to modern systematic strategic analysis and planning changes creates additional workload and the new role for organizational management. Experience of effective corporations of industrially developed countries has shown that the power and responsibility for the strategic development of the organization should be distributed between the head office (headquarters) and responsibility centers of the various types of business and that the strategic planning process should be constructed by combining their efforts and cooperation.

Therefore, the creation of a general startup area the area of harmonization of strategic management decisions and augmentation of the conduct of entities is important whenever strategic changes occur spontaneously and can meet the resistance of the adherents of the current stable state of the organization (Kireeva, 2014).

A buffer zone of harmonization "SCH" is the number of premises, providing a balance between the forces of action and reaction necessary to start their implementation. It allows starting the planning process but does not guarantee the unconditional acceptance of

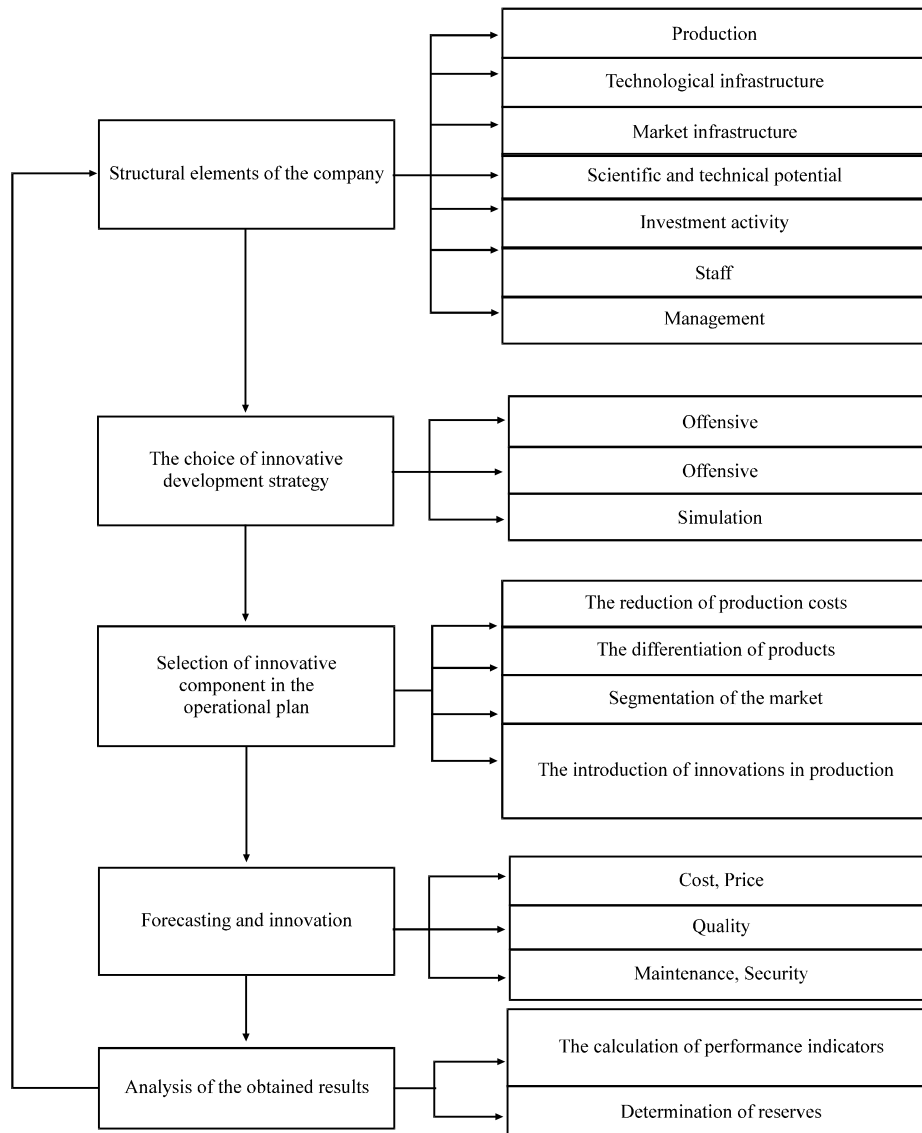


Fig. 1: O.S. Sukharev's innovative model of management strategic development of an enterprise

the plan. This means that efforts to reduce resistance will reduce it to such a degree that it will successfully begin the process of changes of the current state and the introduction of SCH. Monitoring and control of implementation of all modules should be continued until the completion of the process of changes. Interactive introduction of the SCH includes the following steps:

- Changing paradigm, mission, goals and culture of the organization which minimize the resistance to changes, increase understanding of their consequences. These measures provide undoubted support for the SCH adjustment and transition to a new cycle of development

- Restructuring that create a “gentle” and comfortable environment which reduces the resistance of management and staff that expected opposition and create a supporters coalition of changes which is mobile to overcome the resistance at the initial stage of the process
- Planning for the implementation of all modules by reducing resistance and providing support to implement changes

Creating a startup area of the buffer zone “SCH” for the preparation and implementation of the new SCH cycle involves the following steps:

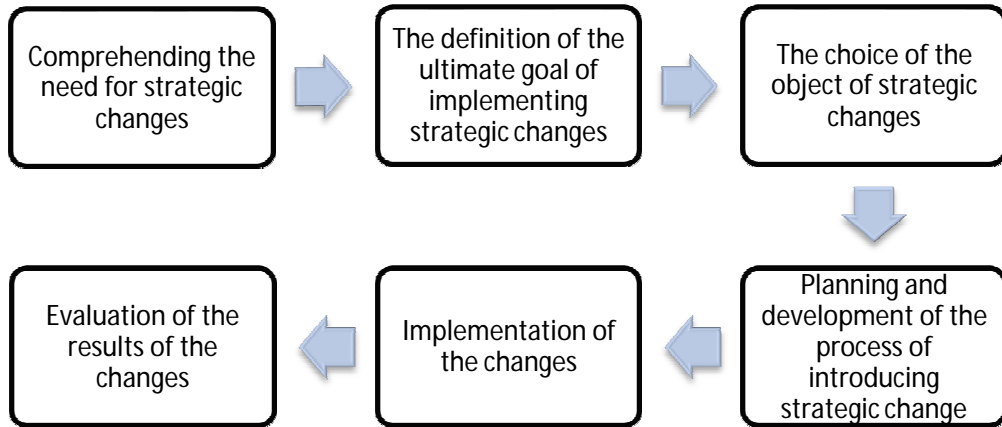


Fig. 2: Sequence of stages of changes implementation in the organization

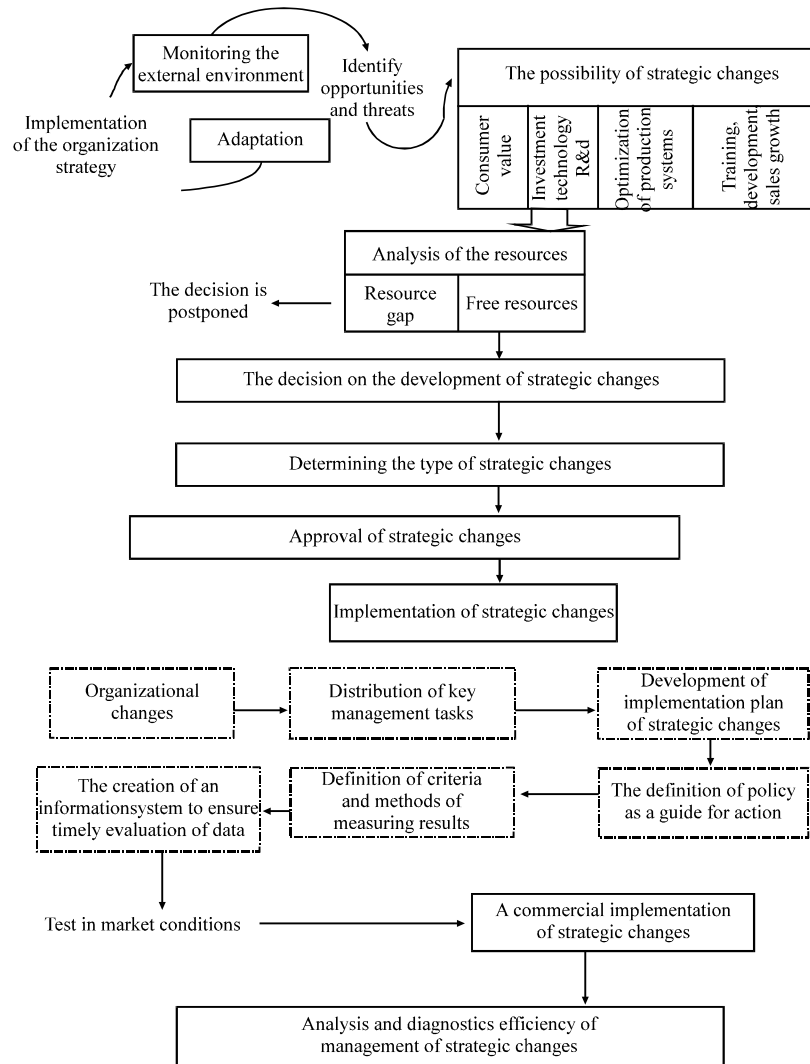


Fig. 3: The mechanism of management of strategic changes in organizations

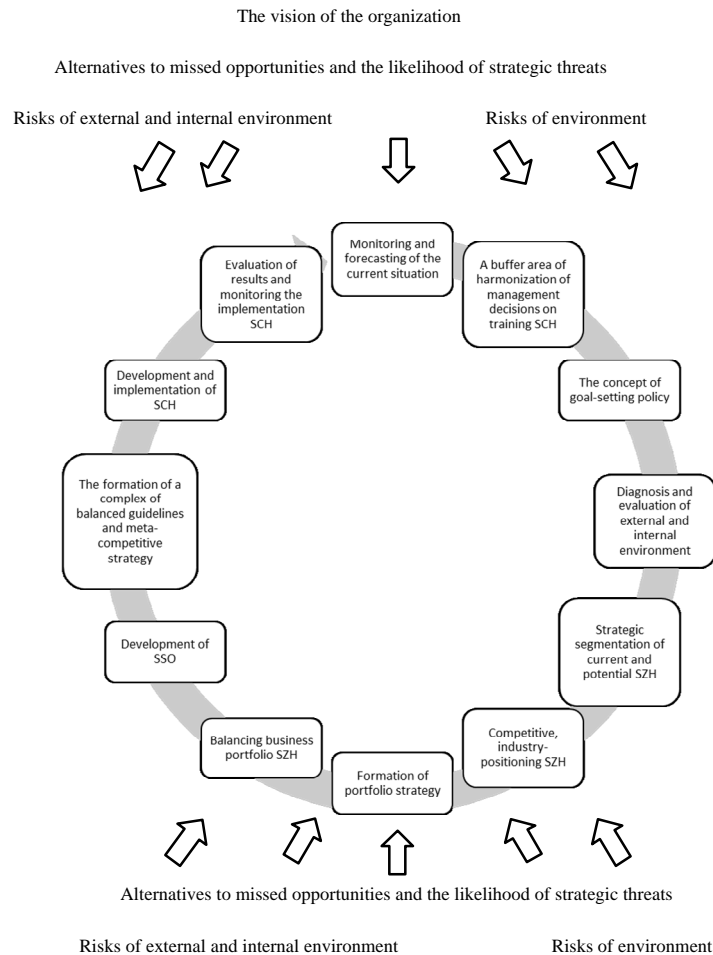


Fig. 4: The cyclical process of planning the management of strategic changes in the organization

- Diagnosis of strategic orientations, goals and tactical tasks with an estimate of complexity of their implementation
- Analysis of the behavior of personnel in terms of the expected resistance or support for changes in the structure, culture and objectives of the organization and distribution of power in the “field”
- Reducing the resistance by changing the KPI evaluation criteria and support organization in order to create a secure environment for the development and implementation of the SCH
- Preparation of solutions analyzed problems

To develop and monitor performance indicators SCH complex control modules, training and motivation of staff at each stage of the following conditions must be met:

- Positive attitude of staff towards changes should be formed with the beginning of each module of the strategic planning process

- Complex planning should be organized in such a way that the implementation started as early as possible

Both of these requirements may be possible if the planning process will be presented in modular form. The cyclical nature of the modular scheduling system of management SCH taking into account the formation at each stage of startup areas a buffer zone of harmonization of management decisions and eliminate the resistance to the introduction of SCH is presented in Fig. 4.

Traditional approaches to the development and implementation of long-term strategic plan formed in the classical way: planning precedes the implementation (Ansoff, 2009). The planning should be based on decision-making and to focus exclusively on the best course of action to the general development strategy. On the implementation of SCH must be taken care of only after complete planning.

A comparison of this approach with the practice of dynamically developing companies shows that in the

context of global turbulence challenges of strategic planning are resolved differently: the processes of planning and implementation going in parallel.

In addition, the purpose of planning is not only to arrive at an optimal solution but also to ensure staff acceptance of the new criteria and new structures. As a result, the planning process generally does not take longer but implementation is much faster. A parallel approach to the planning and implementation of SCH adapted to Western criteria with the aim of creating interactive strategic management processes development, formation and implementation of strategic changes in the organization.

CONCLUSION

From the standpoint of an integrated approach to planning and management SCH this method consists of the following methods and objectives:

- The creation of a “buffer zone of adaptation” for the process of SCH
- Using the procedure of strategic planning, implementation of the strategy of sustainable development of the organization and fundamental decisions about the conduct of changes or restructuring
- The inclusion of training in each module of the process of strategic changes management
- The inclusion of the stages of implementation in the management process by addressing issues close to specialists of the planning, budgeting and internal audit, facilitation of decision making, involvement of senior management in the planning and prior establishment of information bank strategic data
- Control of planning and creating guarantees that each module of planning will be approved staff
- Start the program and implementation of the projects after the completion of each SCH control module
- The institutionalization of changes by increasing the capacity and competence of managers, the formation of culture and power structure, contributing to the realization and implementation of SCH. It allows starting the planning process but does not guarantee acceptance of the plan

IMPLEMENTATIONS

This means that efforts to reduce resistance will reduce it to such a degree that it will successfully start the changes process. Monitoring and control of

implementation should continue pending completion of the process of changes. Of course, planning of strategic changes should be directly linked to the overall strategic management of the organization.

The decision to develop the strategic changes is made after analysis of the external environment of the organization, opportunities and threats of the enterprise and the resources available to the organization. Next is defined the type of changes, is made the process of changes, calculated the market implementation of strategic changes and analyzed the effectiveness of change management.

The proposed mechanism allows developing a unified scheme of management of strategic changes, define the redistribution of functions of strategic changes management between levels of management, to combine and reallocate the resources of the organization, to define a consistent orientation on long-term goals.

Successful implementation of the elaborated strategic changes should also lead to the conquest of new competitive advantages on the market. Connection competitive advantages obtained through the implementation of the strategy and competitive advantages from the additional active strategic changes that should ideally result in a synergistic effect. The presence of synergies and the ability to manage this effect creates a specific competitive advantage which is realized on the level of the whole organization.

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