

# THE CONCEPT OF ORGANIZATION BASED ON CHANGE

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## ABSTRACT

*The organizations specialized in change effectively anticipate, create and react to change. Within the organisations based on change, the primordial factor is the risk management, its quantification and the attempt of reducing it as much as possible by adopting certain correct decisions. This work explain what there has been a coherent framework for the estimation of the actions carried out regarded through two basic elements – the risk and the profit expected from its assuming.*

**KEYWORDS:** *organization, agility, satisfaction, position, risk.*

Many of the companies which are exceeding constantly the medium rentability of the sector in which they are acting, does not figure among the most popular ones, but are the best adapted to the change. The change determinate by these winners companies (also called “Big Winners”) is in fact the perfect combination, depending on the constraints of the environment, of the following four aspects:

- the privileged position - is the unique position in which a company practically has no competition;
- the agility – the ability to reach to a privileged position on the market;
- the discipline – the capacity to defend its position on the market;
- the concentration – the capacity to exploit the positioning.

Each company used the detained resources and information in a characteristic manner, having unique and undefeated results, things that generated the position on the market. The losers could not find the best version of work, because they missed partially or totally one of the four characteristics, or because they did not combine them in an adequate way.

In the following, we shall try to systematize the above four fundamental qualities of a winner company, by the induction of the changes through innovation and transformation.

## 1. The privileged position

Philip Kotler was defining in his famous book “The principles of marketing”, positioning as “the place that a product or a service is occupying in the mind of the customers, comparing with the competitor’s products or services.” When this complex ensemble of perceptions, impressions, feelings which compose the position, is superior to the one of the competitors, then the companies are occupying a privileged position.

In this conditions the privilege position is one of the main reasons for which the successful companies (“Big Winners”) have a bigger profitability then the losers (“Big Losers”). The winners are occupying an area which is ignored or rejected by their competitors; therefore they can control the five elements which are conditioning the success of a company: the suppliers, competitors, customers, potential competitors and replaceable products or services. Therefore, the successful companies are capable to propose to the customers a “value” offered by a few from the competitive companies.

Obtaining of a privileged position - with other words, the missing (almost) in totality of the competition is not the result of hazard. The successful companies have in common four characteristics, as follows:

- **They are orientated to the customer-** the winners understand the specific needs of the clients, while the losers are concentrated over to its product and in fact forget about the customer's needs;
- **They are offering complete solutions** – the customers want more than simple products or services in exchange of the price they are paying. The winners companies simplify the customers life by offering a complete solution;
- **They maintain a permanent contact with the customers** – in order to understand which are the customers needs. The closeness with the customers makes possible that many winners companies to anticipate their future needs with great accuracy;
- **Can be differentiated** – all the winners companies have a quality which separate them by the competitors. The difference can be made by the design, style, experience etc. and this value, superior to the one offered by the competitors, must be kept over the time.

As it can be observed, the obtaining of a privileged position is nearly bind by the capacity of maintaining a tight connection with the customers. Nowadays, “to be near to the client” may sound as a stereotype, through the simple reason that all the companies must perform this thing, but this concept, as it is exposed, is deeper and it has nothing conventional.

The winner companies have at their disposal three modalities to get near to the customer in order to gain their loyalty:

- **The developing of the products and services together with the customers.** Personalizing of the products and services in order to satisfy the specific needs of the customers has a double advantage, on one hand are accomplished important savings of costs in research – development field, and on the other hand to be achieved an accuracy of the customers, so that in case that they intend to change the supplier, to be in need to appeal to the supplementary resources (time and maybe money) in order to start a new personalization.;
- **Infiltration in customers understructure.** For the winner companies, the closeness to the client become physical and tangible. Everything is based on a detailed knowledge of customers needs by involving in the activities developed by the clients. A very good example is given by the IT companies offer, which are developing personalized applications.
- **Positioning as intermediary between the clients needs and its satisfaction.** The winner companies take advantage by approaching to the clients in order to know their needs and they organize the internal processes in a manner they can satisfy.

Nowadays, most of the companies sustain that they are serving the customers, but the truth is they are serving themselves. Yet, all over the world, no matter the type of industry, the power of customer is growing while the technological explosion and globalization of the markets increase their options<sup>1</sup>. In order to compete efficiently and to find themselves inside the “Big Winners” companies, these has to renounce to think like the producers and start to think like customers.

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<sup>1</sup> Tom Osenton – *Dead of Demand*, the edition of Financial Times Prentice Hall, 2005

The producers logical is different by the customers one, under five essential aspects:

- The producers believe that they are making products; customers believe that they are aquisite services;
- The producers are making problems because of some visible errors. Clients are lost because of some mistakes that cannot be immediately detected;
- The producers consider that the used technologies create products. Clients consider that their wishes create products;
- The producers are organizing in order to simplify the management activity. The clients want that the first priority to be their existence simplification;
- The producers have as scope the performing to highest standards. The clients are interested to have a high way of life.

From a customer point of view, the product is nothing else then a tangible mode to obtain the making of a service. In a world concentrated to the customer, the activity domain should be define based on the similitude in connection with the consumption or use and in no case on the basis of the production models.

The visionary companies overstep the bounds of their field of activity in order to satisfy the customer requests. The power does not result from the control over “the means of production”, but from the influence over “the means of consumption”, respectively the way in which the products may arrive to the customers and can be used by these. Such as some European intellectuals sustained, the real test of the capitalist system does not consist in the efficiency of the industry, but in quality of life that it can offer to the people.

In order to be orientated to the client, the leaders have to concern in connection with the thing that is not visible, yet. The companies have to supervise, not only the present competitors, but also the ones who are not necessarily a part of the industry in discussion, but who possess a technological capacity which might become a threatening if they shall direct to the new markets. The companies need for a new long term perspective regarding the way in which the research/ development may satisfy the request, determinate to a certain period.

“The market” is an abstract thing. The customers are real persons who are behaving as persons not like statistics. The term “dates about the market” can mask the complexity of customer experience. The companies inside “Big Winners” put the accent over the direct contact with the main users, considering it a gear of innovation, transforming the serving of a client in a firs hand factor, an ideas supplier.

Some companies are trying to involve the entire staff in the concentrated innovation over the client by looking useful innovations.

## **2. The Agility**

The obtaining of a privileged position is important, but this is just one from the secrets to a long term success. The winners companies are agile enough so that to find this position, they have the necessary discipline for defending it and the vision to exploit its entire potential.

Not only that the winner companies have knowledge where they have to bring, but they also know the way to their goal. Their strategy is based both on internal increase and an adequate policy of fusion and acquisitions. More then that, they are not attached to the past and know the moment when they have to renounce at the business less profitable, permanently reinventing themselves.

The main characteristics that define agility with which the companies are reacting, without accepting the fact that all the companies have these characteristics, are the following:

- **They are answering precisely and fast to the threats and opportunities which are appearing on the market.** This thing is translated through an agile reaction at a very load market and at the modifying of the request, the big companies threatening, consolidation of industry and technological innovations;
- **They are not obsessed to become very big.** The winner companies are fighting for being the best, not the biggest, saving money by a common develop of new products with other companies, they are ruling the art of public relations, which is used to establish new strategically alliances and profitable co-operation agreements, they are activating outside the range of action of the great companies, things that protect them by an adverse reaction from their side;
- **They adapt the rate of growth to the modifications from the customers requests.** The companies co-operate in an active way with customers from different areas (special projects, products design etc.). the growing of these companies is not accidental, this being associated in every moment with the customers desires.
- **They are directed to the new markets with high potential, in which the customers request special services which can be satisfied only by them.** The companies are directing their attention to the specialized markets, industries and new concepts, alternative markets and suppliers, unexploited market niches, new employed persons who might contribute with creative ideas or market segments in appearance, not very attractive;
- **They are very aggressive regarding the acquisition of other companies and, so that they are benefit by opportunities of extension and improving of the products offer.** This thing presume the acquisition of some present companies on the fragmented markets (being on the decline), but which are not the best in their activity sector and which allowed an increasing of the efficiency and a geographical extension at global scale;
- **They are sufficiently diversificated in order to compensate the decline from a segment through the other segment powerful items.** The diversification strategy adopted by these companies includes the demand of new markets, products and technologies.

### 3. The Discipline

The necessary management abilities in order to make products which can offer to the clients an increased value than the competitors, are those which allow to the winner companies to defend the privileged positions. For this, is necessary a good discipline, and the discipline is obtained starting from efficient cost reducing programs, the growth of products and services, the distribution control, the administration acquisitions, a consistence politics of human resources and efficient procedures.

The characteristics of discipline, observed by the winner companies, are the following:

- **They permanently develop programs for reducing the costs and the improving of the quality of products and services.** This type of companies

are defending the privilege position appealing to advanced technics of products and distribution, permanently improving the processes and relating to the best practices;

- **Controlling of distribution.** Inside the selfimposed discipline of the winner companies, the distribution control is occupying an essential place. Thus, being fully aware by the benefits of globalisation, the companies establish long term supplying agreements with the suppliers – even it is necessary to strongly negotiate with them in order to obtain the best prices – and implemets new technological sistems which allow the pursuit of the products;
- **They are precautious when they are aquisite other companies.** Before the aquisation of other companies, the winners carefully analyse the existent alternatives and, once the aquisation made, their position is consolidate , being as soon as possible in the organizational structure;
- **They are creating their organizational culture which involve the entire staff.** The winner companies are demonstrating their own discipline also, in connection with the human resources. First, they dispose by a selection system which warrant the engaging of capable, with greate knowledge, powerful and aggressive personnel. But this is only one component of the human resources management.<sup>1</sup> Sequel, these companies are making investments in employes loialty, rewarding their qualities, showing respect in relations and giving them the chance for self affirmation by encouraging their own initiatives. More then that, encourage the undertaker spirit of personnel, in order to efficientise the production operations.
- **They analyse the legal frame which regulate their activity and are trying to have an influence over it by respecting the law in force.** The discipline, presume, also, some critical aspects, as will be the fulfilment of the environment standards, and in this point the winner companies have prepared an adequat plan regarding the activities which might affect the environment. From this point of view, all of these are promoting an ethical and integrated attitude regarding the legislation into force.

#### 4. The Concetration

The winner companies are obtaining privileged positions and defend them, but they don't stop here. They are, also trying to consolidate them. This is the so called „concentration”, regarding the satisfying of urgent needs of the clients. The global objective is find out inside of this principle, because the companies are reducing the risks, limiting to develop some activities in which they have specific competence and rejecting the ones which are leading to failure.

The winner companies have some specific characteristics, as follows:

**They are concentrating on their powerful points.** The winner companies are avoiding the secondary activity domains, which are moving away them by their objective or activities which presume a growth risk and may conduct to fail. They concetrate on activities very well known by them, leaving other companies to assume the risks inside those links of the value-chain (value-chain – by which is created the promised value to the customer) that they are not completely controlling. The concentration transforming

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<sup>1</sup> “Human capital is going in a place where in wanted and stays where is well treated. Cannot be manipulated, but attracted.” – Walter Wriston, President of Citibank

these companies in real experts, in their activity domain, things that permit them to develop new roads of distribution and to extend the trade-marks to new products and services.

**Example: Brown & Brown** (a company from the insurance sector, having a medium rate of the annual profit of 45,7% ). Brown & Brown had a position, exclusively as an insurance agent (broker), inside of two niches of the market: for the middle companies and for the ones from professional services domain (doctors, lawyers, dentists etc). It proved a great flexibility in selling other companies insurance policies. That means that on a hand, may enter (or out) on the market place offering (or renouncing to offer) any type of product. On the other hand, being just an intermediary, does not assume the risk for the policies that are sold. The secret of the company Brown & Brown is its excellent distribution system, which assure it a constant income with indirect and very reduced costs.

**They are concentrating on the development of some products with a very specific application and their distribution on the markets with a high and growing potential.** The winner companies identify the urgent needs of the customers, but they are concentrating just on the markets with a big demand. An interesting characteristic of these companies is the fact that although they dispose by a privileged position, based on the licences they possess, their success does not come from this licences, but from the global service that they can perform.

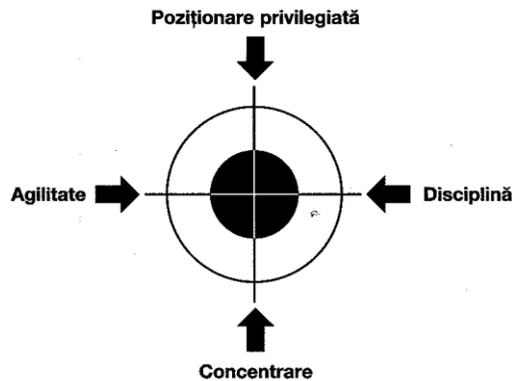
**They extend their activity over the boundaries.** The global development represents an essential aspect of the concentration and has as goal the capitalization of the benefits generated from the growing of foreign markets in order to combat the internal saturation.

In the dynamics sectors, in unstable conditions or in domains which are implying a permanent technological innovation, is requested agility. In this case, the future is uncertain and the companies need by revolutionary who shall break the rules. Undercontrary, in a stable industry, in balanced conditions and consolidated technologies, are imposed the discipline and concentration. Is unlikely that the future shall bring new things, and the proper managers are the ones who can control the situation and improve the company position. But, how can be known, when has to be done the passing from the agility to discipline and concentration, or reverse? In the present economical conjuncture, it is difficult to anticipate the next actions. For this reason is important to be maintained the elements from the three success keys of a company, being clear the fact that the privileged position is kept. Actually, this is the place where is hide the real success key obtained by the companies of which results had overtake constantly the medium of the sector.

The managers know how to maintain the necessary balance in order to obtain consistence profits. This is the „magical” formula of any winner company: a creative balance, that might transform it in an unique company, generation profit on a long term.

The manager of a company has to know how to obtain a balance between agility, discipline and concentration. Although, most of the companies are in an intermediary area , between winners and losers. It is necessary a detailed analysis in order to distinguish the strong points by the weak points and to find the best method for a permanent improvement. The finding of the formula for becoming „Big Winner” is a great challenge, but the obtained result deserves all the efforts.

The change means a sustained transformation, often to a large and coherent scale that have as a scope the accomplish of the strategical objective to create or maintain an advantage inside the competition or to annihilate the advantage of a new competitor or one already existent.



**Figure 1 The characteristics of a company inside environment**

The concept is relevant for the organizations confronted with challenges and opportunities that can not be approached in a realistic way, through the classical methods, in order to get improvements to the organizations, processes, technologies, management and models of the existing businesses.

The need for change is existing so in the private sector, that in the public one.

The impulse for change may vary. In some cases, the change is stimulated by a very fast deterioration of the position of an organization inside the competition, resulted from unexpected transformations of the environment in which takes place the competition or by rhythms of change, unknown until then.

In other cases, the transformation represents an opportunity conducted and generated by the desire to create or to make strong the advantage inside the competition by the exploiting of some new technologies or in course of appearance. For this, it is sometimes necessary to make some organizational, processing or at the level of people changes<sup>1</sup>.

In that case, that we denominate cyclical business, the leadership or the management, constantly critical, may cause deterioration of the position of a firm in a competition, in a such a way that the perspective of transformation can be necessary in order to recover the advantage detained in the past.

**The evaluation of advantage inside the competition that generates changes.**

It is said that an organization has advantage inside the competition when has a superior position in comparison with one or many competitors.

The position into the competition represents a relative measure of performance.

In practice, this can be measured through the comparison of the integrated capabilities of the competitors in a competitive environment.

The start point inside the change operations is defined by the following:

- **The changing starts with the informations about the process utility, directed to action.** It is necessary to discover what people doing, what the participants to the change want, but the most important thing is to evaluate the

<sup>1</sup> Peter Navarro - *The Well Timed Strategy*, edition Wharton School Publishing, 2006

way in which are normally developed the processes. In addition to obtaining the concrete informations regarding the present realities, are determined the unsatisfied necessities. At the basis of the changes that are suffered by the market from any activity domain, is the imprevisible nature of the value, so it is defined by the customers. In a restricted manner, do not exist products, anymore, just services. The companies have to think at the services that are offered by their products. Terms like "functionality" and "utility" transmit a similar idea: the way in which the clients can use what a company produce, is the same with what is creating a market for the respective product:

- **The thing that follows to be constructed has to be crested on a preexistent foundation.** Are determined the strongest points and possibilities that are offered by the resources, the past experiences that generate informations. Nomatter what difficulties have, any company has some positive innovations on which it can be built. Even in the industries with problems, some companies find solutions, or inside of a company with problems, some departments find solutions;
- **Are sustained the experiments that are bringing benefits and which are diverting from tradition, without destroying it complete.** Many companies start programs of majore changes, without training before their staff. The experimental give birth to options, to many possibilities and assure in some way the knowledge, and the training has to be performed with teams that are innovating. The proliferation of the modeste experiences makes that the experince of ogranization itselfes to be improved with elements specific to other business models.

The fundamental innovation can be produced throug the "expeditionary marketing" – testing on the market of a big number of different options – solving of he problems, involving in a continuous process of experimental and assuming of new risks.

The fast succeeding of the experiences on the existent foundation solves an important dilema that appears around the idea of transformation of the company. A company cannot ignore the present business while the step to another one. A company can not be closed in a day, and the next day to become something different. The stagnation of the old business developed by the company put permanently the fingertip on the new adopted system.

The experiment presume and consolidate, in the same time, the trust. It allow to a company to write its own case studies regarding the success of change and to learn from its own experience.

The big number of small experiences reduce risks, offering in the same time alternatives. Thus, can be chossen for implementing the best option. The internal comparative analysis is important as the external one.

The main problem "from where shall we start" is a complex one, which necessitate the self examination of the organization. The problem "when shall we start" is more simple having, already, the start point.

The examples of capabilities in business domain are including the design of products, production, marketing, sales and distribution. No matter the type of business or actions, an organizations can value the present and future position inside the organization by the answer of the following questions:

- a). For the present position inside the competition :
  - Who are the present competitors and what capabilities they have?

- How performante are their actual organizational capabilities in comparison with the other competitors?
  - How is the rithm in which the organization allow currently the knowledge, adaptation and improving of the capabilities existent to a moment in comparison with the oothers competitors rithm?
  - Which is the probability to appear on a short term new competitors?
- b). For the future position inside the competition:
- Who are the most probable future competitors and what are the most probable their capabilities?
  - When shall appear the most probably the new competitors?
  - What capabilities is anticipated to realize the organization in the future?
  - What kind of actions may be performed in present so that to intimidate the future potential competitors?
  - What kind of actions have to be performed in present in order to create an advantage inside the competition, in case that the intimidation is failed?

The answeres to these questions shall characterise the present position to an organization inside to an eventual change and they shall furnish an estimation of its future position inside the competition.

In some cases, the answers can be given very clear because implying uncertainty, ambiguity and the evaluating of risks. This thing may often conduct to justified disagreements and stimulates discissions inside the company.

If can be realized a consensus regarding the existence to an unpleasant thing inside the competition – actual or future- then may start a dialog regarding the potential action courses in order to fortify the position inside the competition. In this moment, after it gets tu a consensus over a need of change, the transformation must be considered a way of its accomplish. If we are accepting the premises according to it, the capabilities represent the foundation of the competition between the organizations , then the effort to develop or defend the advantage inside the competition is based on capabilities.

Thus, the main focus point of the transformation has to be development and the fortifying of capabilities.

As a concept, the capabilities can be seen as being composed from people, processes, structures of organizations and technologies.

This thing involves the fact that these capabilities can be fortified by innovation and change at level of the components. When the changes at the level of the components involve a sustain innovation, the traditional methodologies for innovation are in the most proper. Anyhow, when the fortifying and development of the capabilities need a sincronysing of the innovations in two or more components or when the innovation at the components level is difficult, shall be necessary technologies of transforming.

A transformation inside an organization based on change, concentrated on the capabilities, involve the following elements and inter-relations:

- **The transformation is a continuous process**, which creates and maintain the advantage inside the competition;
- **The transformation includes co-evolution of the processes, organizations, technologies and of the human capital**, which when are approached together, fortify the existent capabilities and allow the accomplish of new capabilities;
- **The transformation expend the base of capabilities by creating of new domains** of competition and competence, giving in this way a new value to the existent competitive attributes;

- **The transformation pursuit to modify the present or future advantage** inside the competition by identification of the changes at the level of basis principle or of the new rules that shall appear;
- **The transformation involve the identification of new sources of power which**, if they are exploited , could increase the advantage inside the competition;
- **The transformation is concentrated on the human component of change** , creating leaders , that can conduct to change, and creating an organizational culture, which is opened for changes, sustain the innovation, knowledge and assuming of the risks.

These elements offer a frame for reflex in the domain of transformation and the structuration of the transformation initiatives. It is obviously that the particularity of the situation inside the competition of an organization shall determine the goal, the rhythm and intensity of the necessary initiatives for accomplish the strategically goals.

In conclusion, the correct answer to the question “What means and how it looks the transformation?” is often “Depends by the specificity of the situation in which is finding an organization inside the competition.”