

# The Impact of Capacity to Change and Change Leadership on Organizational Change Process

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## *Abstract*

*Nowadays, change and how to lead it successfully has become the foremost topic on the minds of organizational leaders. And for good reasons: change is happening everywhere; its speed and complexity are increasing; and the future success of our organizations depends on how successful leaders are at leading that change.*

*In today's marketplace, change is a requirement for continued success, and competent change leadership is a most coveted executive skill.*

**Keywords:** *change, change management, leadership, strategy, capacity to change*

**JEL classification:** M10, M14

## 1. Introduction

Many theses about change say that it is time to change organizations focused on product and geography with organizations that have customers in the mainstream. Challenges of the twentieth century, production and distribution, are no longer current. Globalization, Internet and many other changes in business environment, moved challenges into the customer relationship, which is complex, demanding and changeable. But how we do it with management help, which traditionally focuses on product and geography?

Change must begin with management. Whether we talk about how performance is defined, how to allocate resources or organizational culture looks like, management processes are the first to be innovated in order to create the desired change.

As the pace of change increases, more and more companies find themselves on the wrong side of the curve change.

Recent research suggests that industry leadership is changing and competitive advantage is eroding faster than at any other time. Currently, there are not only a few companies caught on the wrong foot but entire industries.

These new realities require new organizational and managerial skills. To thrive in a world of increasingly fierce, companies will have to become as strategically adaptable as legally effective are operational.

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To maintain profits, companies must become able to break the rules of innovation. And if they want to lie, in terms of innovation and strategic thinking, above the gang of increasingly numerous new competitors, companies will need to learn how to determine employees to be good every day. These are challenges that will face the 21st Century managers.

They will have to learn to coordinate the efforts of thousands of individuals, without creating an oppressive hierarchy of supervisors, to keep a close margin costs without obstructing the imagination, to build companies that discipline and freedom are not mutually exclusive.

## **2. Challenges for management companies involved in change processes**

Some of the most spectacular challenges that businesses face this century are:

- significant acceleration in the pace of strategic renewal in large and small organizations;
- including innovation in the daily responsibilities of all employees;
- creating a very stimulating work environment that inspires employees to provide the best in them.

Taken together, these challenges are for the 21st Century companies, which have been economy of scale, control and efficiency for business early years of the twentieth century. Business models, that seemed immortal, degrade sharply because the environment has changed - and most astonishing change has suffered the change itself. What differentiates our era is not any other communications smoothing effect, no economic rise of China and India, no degradation of the climate and ancient animosities or religious revival. The difference is astonishing pace of change. (Hamel&Breen, 2011)

Thus that, the big challenge for the 21st Century companies will be how much they will change as fast as those around them.

A review of the huge number of publications that talk about change management reveals a worrying fact. Almost all instances of profound change - which generated massive changes in terms of business model or company's essential mission - are cases of change of direction. It seems that deep change is almost always generated by a crisis, episodic, and programmatic - obtained through a cascade from top to bottom, messages, events, objectives and carefully planned action. Unfortunately, change is only rarely determined by the opportunities, and a product of the company's intrinsic ability to learn and adapt.

Companies should understand that the only thing that makes them resist and even win is adapting to change (Boin, et al., 2006). Or better said, anticipating and even provoking change! Success companies are and will be the ones in which the organizational culture is putting an emphasis on change, even if at the beginning, change means fear and discomfort to people.

Change means complex processes, uncertainty, anxiety and taking risks. Managing organization "on change paths" means understanding, discipline, creativity and ingenuity. (Năstase&Barbu, 2010)

In conclusion, therein consist of the challenge for the 21st Century managers: to make deep changes to be an independent process - to create companies capable of continuous renewal in the absence of a crisis.

There are many factors that contribute to strategic inertia, but three of them represent a serious threat for a change at the right time. The first factor is the tendency of management teams to deny or ignore the need for a reinvention of the strategy. The second is the lack of viable alternatives to the status quo, which usually leads to strategic paralysis. The third factor is the rigidity in terms of allocation, which makes the redistribution of talent and capital according to new initiatives, to be much more difficult. Each of these barriers stand in the way of non-traumatic change, and each of them should be a focal point for innovation in management.

There are two key roles in change management: *change leader*, responsible for identifying the need for change and ensuring the necessary work to make a change at senior management level, and *change manager*, responsible for carrying out change. (Newton, 2009)

If the change manager is rational, analytical and focused on the present, leaders have a non-linear thinking, being more intuitive and creative.

Also, there are two groups of essential support in change management: *change team*, working with a change manager, to bring about change, and the *coordinating committee*, who ensures that diverse views are considered and obstacles to change are removed.

In a successful large-scale change, a coordinating team, that works well, answers the questions that help to establish a clear direction: What change is necessary? What is our vision of the new organization? What would be changed? What is best to translate vision into reality? What strategies for change are too dangerous?

One of the reasons which for a direction is not established or an unclear direction is established for change process, is that managers have been taught that "designing the future" means planning and developing budgets.

However, "where have successfully completed large-scale changes, we see four elements that contribute to guiding approach: budgets, plans, strategies and visions.

The budget is the financial component of the plan. The plan specifies the steps of the strategy. Strategy describes how to implement the vision. Vision shows the final state which is reached after the implementation of plans and strategies". (Kotter&Cohen, 2008)

Budgeting is an exercise in computing, mathematics. Planning is a logical, linear process. Elaborating strategy requires a large amount of information about customers and competition, and conceptual skills also. Elaborating vision has both a creative component and an emotional one.

In terms of a small change process, visions and strategies are often obvious. Everything is done in the exercises of the resulting plans and budgets.

Since the change is large, visions and strategies are the most difficult, because the team commits to venture into uncharted territory.

Without an adequate budget, the organization can remain without money. Without a realistic plan, it can get into a crisis time. Without a proper strategy can be reached in a hopeless situation. Without an appropriate vision, the organization may fall into the wrong direction without even realizing this. Strategic plans motivate a few people, but a compelling vision can go to the heart of all, motivating them.

In a world increasingly dynamic vision of change is becoming increasingly bold.

Consequently, more and more managers consider now that in their vision must appear the idea of becoming a leader in the field of activity, being the first company entering new markets or being the competitor with the lowest cost.

Bold strategy also requires bold visions. And because, the most times, people do not have experience in developing strategies bold, they do not know what to do because they have to do something completely different from what they did before, the implementation of the vision fails.

Speed is one of the most important strategic issues when a company needs to make a leap into the future. Very often this problem is not taken into account, leaving the change to take place, uncontrolled, with some speed.

Finally, we draw the conclusion that for developing a proper vision are important the following aspects:

- trying to literally see the future;
- visions that are so clear that they can be explained in one minute or can be write on a single page;
- visions that impress, such as the decision to serve people;
- strategies bold enough to make bold visions a reality;
- paying attention to the speed which with strategic change is made.

### **3. Capacity to change and successful change**

Change is not a one-dimensional process. There is no a single recipe for organizational change. There is not only a silver bullet strategy, one way to bring about change. Change is a feature of life that brings both pain and unexpected pleasures. One of the secrets of managing change refers to how we respond both as leaders and as individuals, too.

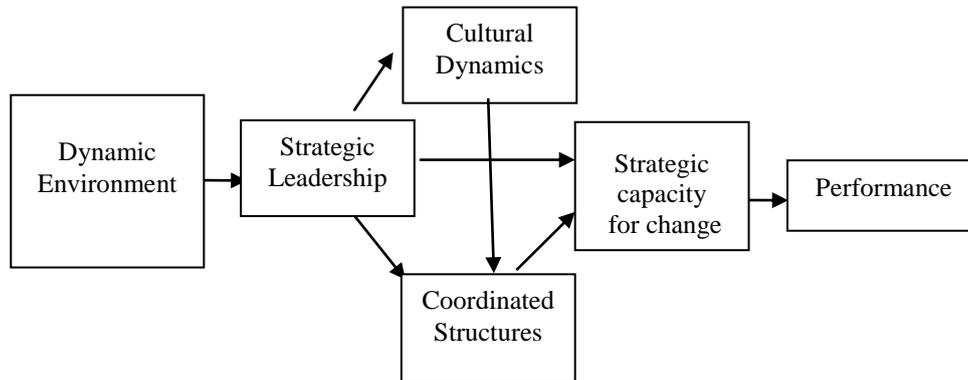
Those managers, who achieve successful change, do something different. Maybe they do not realize what they do, but all do the same. They choose an appropriate strategy - one that fits best with their potential domestic and external challenges.

Michael Jarrett (2011), further research in this area, states that the best indicator of success or failure of organizational changes is given by the "*capacity to change*".

The *capacity to change*, it means a sum of several factors: leadership, internal procedures and organizational skills that prepare the company for change.

A major difference between those companies that succeed in making the change and those that fail is given by "*the capacity to change*". It reflects the attitudes and the internal capacities essential as well as the dynamics, which help companies to adapt to changing external environment.

$$CAPACITY TO CHANGE = Internal Skills + External Environment + Leadership$$



**Figure 1 General Model**

Internal skills (capabilities) can be seen in strategic management, organizational culture and structure.

Change always exist and can be difficult. Progressive change of a company can be a real tsunami for another. The key point is to understand the nature, scale and change opportunities, and management have clearly in mind what to do in this situation and the issues they face. A constant concentration of leaders is beneficial for success, such as stumbling in problems makes them vulnerable to failure. Once clarified the objectives of change, what makes the difference depends on the promptness in action of leaders.

Organizations that successfully navigate the waves of change have considerable internal capabilities:

- constantly scanning the external environment;
- extract relevant meaning from scanning;
- collaborate and innovate internally;
- do not let political and small differences to stand in the way;
- moves among structures that allow a fluid, easy implementation.

Dynamic external environment often creates factors of change and shows how the strategies chosen for change influence organizational performance.

Leadership is that factor in the equation that makes the difference; leadership style should be adapted to the context change.

Transactional leadership does tangible things, focus on short-term goals and progressive changes.

Agents of change of 180 degrees take a break with the past and adopt necessary changes, often for the survival of the organization.

Visionary leaders provide an image of the future which is not easy to understand now. They may present a vivid picture of how everything could be great, or a doomsday scenario, to get people out of comfort zone.

Transformational change leaders inspire minds, hearts and hands of people to work in a timely and constantly change.

The strategic leaders are change leaders. They drive organizations that learn and lead in such a way which to make them maintain the competitiveness level even in most difficult times. Their goal is to succeed in having the capacity of profitable continuous adaptation to changes as one of the organization's key competence. This doesn't mean change for the sake of change since change has value for the organization that makes it only if it is strategic and oriented towards the client. The organization has to change itself and reinvent itself taking into account consumer's needs and the peculiarities of the destination market.

The strategic leadership has six components, as follows: establish the goal and the vision of the organization; exploitation, maintenance and development of the fundamental competencies of the organization; organization's human capital development, development of an effective organizational culture; using ethical practices and balanced lead of the organization. (Nastase&Barbu, 2010)

Leadership styles may overlap, but they provide a clear direction and should be used with flexibility when circumstances are changing.

Preparing for change applies to both the philosophical level - to be open and ready to embrace change - and practical level.

The preparation applies to organizations that have developed a set of internal and dynamic basis capabilities, enabling them to adapt when faced with external demand.

## **Conclusions**

The secret of change management is not just what is happening outside, but also in how we respond from within, as leaders and as organizations. To make a change, we must have an organizational training, and organizations with a high degree of training promote change.

Therefore, in order to succeed in implementing a change, managers must understand that different situations require different change strategies (Jarrett, 2011).

Well proven strategy may be adversely affected by the ravages of the outside world: uncertainty, instability and turbulence.

Managerial groups, who spend their time actively scanning the horizons of their landscape, tend to be advantaged in the sense of early detection of complex trends.

Managerial groups, who are also able to interpret and draw conclusions concerning the information they hold, are more likely to stimulate change, anticipating and mitigating the consequences of it.

Leadership, which made them both, is insightful. Such groups, which display such behavior and support procedures, are associated with high-performing organizations.

Also, as long as the strategy is a response to market opportunities, synchronization of the organizational structure with strategy, is very important.

Structure provides the framework and environment for health of an organization and for its performance. It is therefore very important structural flexibility. Organizations, characterized by profound rigidity, manage to implement the transition very difficult and perform difficult communication of new ideas, practices and behavior. Organizations with loosely coupled structures, which are interconnected and organic, are associated with change. (Jarrett, 2011)

Strategic analysis is important. But implementation is the element that makes the difference between success and failure. The best plans laid by managers have no value if it can not produce change.

The big challenge for management team is not to understand the need for change (although it is a vital starting point), but to produce actual change. And this requires the capacity to change.

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