

Challenges for Change Management in SMEs

Ana NĂSTASE¹
Laurențiu COROBAN²
Nicolae VRANA³

Abstract

Entrepreneurship is a dynamic and multifaceted endeavour and the entrepreneurs must possess or develop a wide range of combination of personal and professional characteristics in order to be successful in their initiatives. These features are commonly associated with individuals who embark on the challenging and rewarding journey of starting and growing a business.

In an interconnected world, a dynamic environment can bring both opportunities and challenges for SMEs. Organizations need to consider the global context when making strategic decisions and managing change, based on a systemic vision.

This paper deals with change management for SMEs by thoroughly analysing and understanding the context of change, the individuals and organizations that are involved, being able to design and develop more informed strategies, anticipate potential obstacles, and implement effective solutions. This proactive approach enhances for the entrepreneurs the likelihood of successful adaptation and growth in the face of ongoing and dynamic change.

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1. Context of change

The environment is changing to an unprecedented pace, while more and more factors should be taken into consideration by organizations in order to be able to have a healthy evolution. Organizational changes are often driven by various needs and factors that compel an organization to adapt and stay competitive. The specific reasons for organizational change can vary widely depending on the industry, market conditions and internal dynamics.

One of the driving forces that lead the changes are related to the market characteristics. Changes in the market, such as shifting customer preferences, emerging technologies, or new competitors entering the scene, can necessitate organizational adjustments. Companies may need to reposition themselves to meet evolving customer demands and stay relevant, having in mind that the environment becomes very competitive.

¹ Ana Năstase, ananastase1@yahoo.com

² Laurențiu Coroban, West university of Timisoara, Romania, dorucoroban@yahoo.com

³ Nicolae Vrana, Bucharest University of Economic Studies, nicu.vrana@gmail.com

This intense competition in the marketplace may require organizations to make strategic changes to gain a competitive edge. As consequence, this could involve improving products or services, optimizing cost structures, or entering new markets and new models for acting with stakeholders.

The COVID-19 pandemic showed many vulnerabilities for different types of organizations but, on the other hand, revealed their resilience capacity and fostered innovative approaches (Drydak, 2022). Technology received an important boost in this period, facilitating the development of new approaches for organizational processes. Rapid advancements in information technology, the digitalization (Akter et al. 2020) can render existing processes obsolete and create a need for organizations to embrace new technologies. Adopting cutting-edge tools and systems (Ciampi et al. 2021) can enhance efficiency, productivity and innovation and creating new bases for companies' operations.

The turbulent times determined some companies to reduce their operations, to downsize and readjust to the new conditions, while others thrive. Changes in the scale of operations, whether due to expansion or downsizing, can necessitate organizational changes of different sizes. Managing growth often requires structural adjustments to ensure the organization can effectively handle increased complexity.

We also must pay attention to the financial performances as various categories of stakeholders watch attentively the evolution of the companies and how attractive they prove to be. Poor financial performance or a need for cost-cutting measures may drive organizations to reevaluate their business models, operations and resource allocation. Financial challenges can prompt a reassessment of strategies to achieve their assumed objectives and to arrive to a sustainable development.

Changes often occur in response to external factors such as economic trends, market dynamics, regulatory shifts or geopolitical events (Clauss et al., 2021). Analyzing the external environment helps to anticipate, to understand, but also to adapt to changes.

A main factor that shouldn't be overlooked is related to the clients, present or potential. Feedback from customers, whether positive or negative, can be a powerful driver for change. Organizations may need to modify products, services or customer experiences based on feedback to enhance satisfaction and loyalty.

As we talk more about internationalization and globalization, we have to pay attention to different approaches or to changes in laws and regulations that can require organizations to adapt their practices to remain compliant. This may involve revising policies, procedures and governance structures to align with legal requirements.

Globalization brings a wide range of opportunities, but also some threats. Expanding into new markets or dealing with the challenges of a globalized economy may prompt organizations to change their structures, processes and strategies to operate effectively on an international scale.

An easily field to be noticed in its dynamics is the social one. Changes in societal attitudes, values, and demographics can influence how businesses operate and how individuals approach their work. Understanding social trends is important for anticipating shifts in customer behavior and employee expectations and the ways in which they can be connected for the common good.

2. SMEs features

Small and Medium-sized Enterprises (SMEs) represent one of the main sector of any economy and a real backbone for a society. SMEs are businesses that fall within a certain size range, and their characteristics can vary depending on the industry, region and specific circumstances.

Even SMEs are characterized by their relatively small size compared to larger corporations, they succeed to be very visible and active in the economy. The specific criteria defining SMEs, such as the number of employees or annual revenue can vary by country and industry, but everywhere they play an important role.

These types of companies often have a local or regional focus, serving a specific market or community, offering a specialized product or range of products and services and being social responsible (Cristache et al., 2019). This local orientation can provide them with a deep understanding of the needs and preferences of their customer base, keeping direct connections with their users (Teece, 2007).

In order to do this, the SMEs are typically more agile and flexible than larger organizations and closer to the customers. This flexibility allows them to adapt quickly to changes in the market, customer needs and business environments, offering a good base for evolution. The modern companies look both for profit and social impact (Năstase, Lisetchi, Bibu, 2014)

SMEs are often founded and run by entrepreneurs or small business owners who have a strong sense of ownership and a willingness to take risks (Nicolescu, 2001), having in mind that they are very involved since the beginning of this venture. This entrepreneurial spirit can drive innovation and creativity within the organization, supporting the value-added processes.

Due to their size, SMEs often have smaller teams, creating a close-knit working environment, with an informal organization and communication. This can foster strong interpersonal relationships and effective communication within the organization, but also keeping focus on the companies' objectives.

The limited financial and human resources compared to larger enterprises represents one of the major threats to their functionality. This constraint requires them to be resourceful and efficient in their operations and continuously to monitor the market in search for new opportunities. Here we notice the need to be adaptable to changes in the business landscape, technology and regulatory environments, proving high flexibility. This adaptability is crucial for survival and growth in dynamic markets and a highly competitive market.

It is important for such entities to build close relationships with their customers and suppliers as well as with other actors from their ecosystem. The personal touch and direct communication enable them to better understand customer needs and provide tailored solutions with good results.

Even if SMEs may not have the same research and development capabilities as larger corporations, they often excel in niche markets and can be innovative in their approaches to products, services, or business models. This is what gives them the possibility to tailor their products and services according to their customers' needs.

Of course, that all of them implies some risks and indeed the SMEs face various risks, and their ability to manage them is crucial. Owners and managers often play a hands-on role in decision-making and risk management processes, being forced to be prepared for different scenarios.

3. The entrepreneur as the key factor for SMEs performances

The entrepreneur is the person who takes on the initiative, risk, and responsibility to start and manage a business venture, based on different reasons. Entrepreneurs are often associated with innovation, creativity and a willingness to take calculated risks in order to bring new products, services, or business models to the market.

The role of the entrepreneur is often considered a key factor in determining the functionalities and performances of SMEs, based on its vision. The actions, decisions, and characteristics of the entrepreneur can significantly influence the success and sustainability of the business, not only for short term, but also in medium and long term.

Even before starting the entrepreneurs typically have a clear vision of what they want to achieve and how. They see opportunities where others might see challenges and are driven by a desire to create something meaningful, based on his/her resources, but also knowing to attract other collaborators.

Their ability to develop a clear and compelling vision, along with a well-defined strategy, helps guide the company's direction and decision-making. Even the entrepreneurs can provide a set of strategic goals for the business we must acknowledge that many times these are elaborated in an informal way and they are accordingly communicated throughout the company.

As a start-up initiative, the entrepreneurs are aware, but also willing to take calculated risks. Their ability to make informed decisions in the face of uncertainty is crucial for navigating the challenges and opportunities that SMEs encounter. While they understand the risks and the potential for failure, they embrace uncertainty and view challenges as learning opportunities for them and their teams.

In order to face turbulent environments, the entrepreneurs are often at the forefront of generating new ideas and innovation. Their willingness to take risks and embrace new ideas allows SMEs to adapt to changing market conditions, technology advancements and customer preferences.

To be successful, the entrepreneurs must provide leadership that inspires and motivates the team, but also other categories of stakeholders. Effective leadership fosters a positive organizational culture, encourages employee engagement and contributes to the unity of people who see in entrepreneur not just a boss, but a symbol, a person that can bring high performance and support the well-being of everyone.

4. Changing the landscape within the SMEs

As the whole economy and society change, the SMEs sector doesn't make exception! Quite oppositely, it is a kind of engine that supports the appearance of new approaches, new tools, innovative mechanism that fosters the change and progress.

During the last years, a wide range of good things happened that encouraged the companies to be braver and to take more risks in pursuing their visions and objectives. On the other hands, some disruptive events create more pressures on organizations to embrace change. It's important to note that the business environment is dynamic and developments may have occurred under many forms and continue to do so, elements that rise different challenges for SMEs, entrepreneurs, managers and specialists. It is obvious that the entrepreneurs should reconsider different parts of their ecosystem and to understand their role and contribution to its development (Wurth, Stam, Spigel, 2022)

The COVID-19 pandemic represented an unprecedented crisis that influenced all the countries and organizations. However, it triggered important resorts for creativity and innovation in all economic and social fields.

The adoption of digital technologies has become a major trend for SMEs in response to COVID-19 pandemic, but also in their search for effectiveness and efficiency. This includes the use of cloud computing, e-commerce, digital marketing, and other technologies to streamline operations, reach new customers, and improve overall efficiency.

Digital transformation is a buzz expression nowadays and many organizations embark on a wide range of approaches in order to understand different platforms, different information tools and how they could benefit to the best extent of such technological progress (Wang et al., 2022). Strongly correlated, this approach connected to a large extent with the remote work and flexible work arrangements. The COVID-19 pandemic accelerated the adoption of remote work. SMEs have been adapting to new ways of working, leveraging digital tools to facilitate remote collaboration, and reevaluating the need for traditional office spaces.

Disruptions in global supply chains, highlighted by events like the pandemic, have led SMEs to reevaluate and strengthen their supply chain strategies. There is an increased focus on building more resilient and diversified supply chains, proving the sensibility to different factors and their huge impact on economic development.

Based on previous factors, the growth of online commerce has been significant and SMEs are increasingly leveraging e-commerce platforms to reach a wider customer base. The rise of online marketplaces and the shift in consumer behavior towards online shopping have driven this change. The virtual markets and the e-commerce prove to be extremely dynamic in the last few years and the tendency is that more business are considering to expand their activities in the online world.

The growth of SMEs is stronger connected to their digitalization in today's business landscape. The adoption of digital technologies brings about various benefits and opportunities that can significantly enhance the efficiency, competitiveness and overall performance of SMEs. Due to digital tools and information technologies, we could automate manual processes, reducing the time and effort required for various business functions. This efficiency gain allows SMEs to accomplish tasks more quickly and allocate resources more effectively, especially if we pay attention to their scarcity.

By establishing an online presence, SMEs can access new markets, reach a broader customer base and compete on a larger scale, overcoming important previous limitations in terms of their reduced capacity to reach new customers. Digital channels, such as e-commerce platforms and online marketplaces, provide SMEs with a global reach, making them global players and not being restricted anymore to a limited geographical area. Automation technologies and AI have been increasingly accessible to SMEs, offering opportunities to enhance operational efficiency, reduce costs, improve decision-making processes and creating good premises for a solid development.

However, as digital adoption increases, SMEs are becoming more susceptible to cybersecurity threats and this make them pretty vulnerable. Protecting sensitive data and ensuring the cybersecurity of digital assets are critical considerations for SMEs, as their investment capacity are low.

Other important issue is related to increasing the competencies of SMEs employees, both in digital field, but also in dealing with more complex issues as the companies face new challenges as local and global players. Developing employees within SMEs involves implementing strategies and initiatives to enhance their skills, competencies and productivity, fostering the overall HR effectiveness. Employee transformation is crucial for adapting to changing business environments, improving competitiveness, fostering a culture of cooperation and continuous improvement, all of them with a strong focus on organizational objectives.

You must change the approaches in order to develop employees in SMEs, offering regular training sessions to enhance employees' skills and knowledge relevant to their roles, investing in their professional development programs to help employees acquire new skills that align with the evolving needs of the business, but especially leading by example! The leadership proves to be a crucial factor for the progress and development of the employees and the overall performances.

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