

Methods of assessment of enterprise potential to changes

Svetlana Igorevna Ashmarina, Gabibulla Rabadanovich Khasaev, Anna Sergeevna Zotova

Samara State Economic University, Sovetskoi Armii Street, 141, Samara, 443090, Russia

Abstract. The article investigates main economic trends assessing the enterprise readiness to implement changes such as the methods of enterprise potential assessment, the elements of changes in organization structure, the instruments of overcoming changes resistance. Suggested authentic methodical instruments to assess the possibility, necessity and readiness of economic entities to implement the changes is the result of the authors' research aimed to study specific factors that influence change implementation process.

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Introduction

Each year the rise of complexity and uncertainty of the exterior and interior environment of economic entities is becoming one of the key problems for continuous and sustainable growth of enterprises. Contemporary managers have to make decisions under the conditions when the product life-cycle grows short, the production profitability falls, the technology systems change systematically. In this situation the problem of development of strategic planning instruments is becoming more and more actual. The most usual decision which is made by management now is to rise efficiency in financial sphere and it has some effect but only for a short-term period. Long-term planning forces managers to work out more flexible aims and to formulate the tasks taking into account changeable external and internal conditions of environment. At the same time strong competition at the market forces the enterprises to optimize their strategy work by improving synergy collaboration in all business activities.

Thus enterprise managers should design a great number of aims to develop each kind of business activity and achieve general efficiency. They should also define synergy links between the departments and develop them.

Change management and staff resistance was investigated by Acoff [1], Harrington [2], I. Konev [3], A. Prigozhin [4], Duck [5], Chernetsov [6] and others. However, the process of change management is rather complex and its fragmentary study, from the point of methods or main approaches do not allow to take into account system dynamics and synergy factors. This stipulated the objective need for concept approach to change management strategy in the organization.

The methods for the research are systems analysis, methods of expert judgments, economic and mathematical modeling.

The main part of the research

To implement the organizational changes effectively it is necessary to do some preliminary work. Suggested authentic methodical instruments to assess the possibility, necessity and readiness of economic entities to implement the changes is the result of the authors' research aimed to study specific factors that influence change implementation process.

The question of preliminary assessment of the possibility to implement the changes was recently studied by J. Hiatt [7] whose model includes several important components:

- Awareness of the need to change;
- Desire to participate and support the change;
- Knowledge of how to change and what the change looks like;
- Ability to implement the change on day-to-day basis;
- Reinforcement to keep the change in place.

Thus, Hiatt suggests analyzing the possibility to implement the changes from the point of view of staff readiness to them before starting the process of changes itself.

Authors' approach to the problem is more complex. As the basic criteria for substantiation of managerial decisions concerning change implementation we suggest: comfort level of external environment, ability of economic entities to implement the changes (the level of staff resistance), the potential of development of enterprise, the necessity to implement the changes.

The assessment of external environment influence is suggested being performed according to the following algorithm.

At the first stage we analyze the factors of environment influencing the enterprise. In order to do this we assess different parameters of enterprise interaction with external environment systems. This stage was thoroughly studied by L.Gitelmann [8] but

in his research he didn't move further to the complexity and uncertainty of environment.

At the second stage we define the level of complexity and uncertainty of environment. Such characteristics of environment were suggested by R. Duncan [9]. This allows to assess the risk level of implementing some activity, to search some risky correlation between the enterprise and the environment and to find out the factors the cause it.

At the third stage some necessary measures are elaborated in order to react at the most negative factors. The business units which are responsible for these measures should also be defined at this stage.

While analyzing the influence of external environment it is necessary to assess not only the influencing factors but also the quantitative and the qualitative interaction parameters between the enterprise and the environment. In order to maintain the systematic approach of the research the authors suggest using the method of expert assessment. Each factor of external environment was assessed by the index which characterizes the quantity influence level. The best value of index was assessed by point "five", the worst – by point "one". The studied factors indexes should be differentiated according to the experts opinion to define their importance weight from "zero" to "one". Final assessment of each factor is a sum of the point of the factor multiplied to its weight. So we define the factors with the highest and the lowest indexes. The higher the influence index of the factor, the higher is the comfort level of the environment and the more effective will be change implementation.

The second criterion to be assessed is the ability of economic entities to implement the changes. Here we suggest its assessment through the evaluation of staff resistance level. The question of staff resistance was raised in the research of Ansoff [10] who made a hypothesis about the possibility of staff resistance management with the help of various methods depending on the resistance degree and the time limits of change implementation. Also some methods of staff resistance assessment were suggested by Hiatt [7]. The main shortcomings of his research are in absence of any practical ways or methods of assessment of staff resistance. He said about the necessity to evaluate staff resistance but didn't define any change management practices depending on the result of this evaluation.

We define the main factors that influence staff resistance and divide them into three groups: technical, political, cultural. Technical factors are connected with influence of technical conditions at the enterprise. These conditions are mainly the ways of human and technical resources combination. Political factors are connected with redistribution of

authority in case of structural and cultural changes in the enterprise.

Cultural factors of change resistance are connected with values and social norms transformation. We have defined indexes for each group of factors, they give the complex assessment of highlighted research trends.

The third important criteria used when the change management policy is planned can be the level of development potential of enterprise. The importance of such assessment is defined by the necessity to set up some correspondence between the tasks which the planned changes are aimed at and possibility to solve some current or even strategy tasks of the enterprise. We offer the following sequence of stages in defining enterprise readiness to changes (Figure 1).

The first stage – we define the resource potential of the enterprise. The authors think that enterprise readiness to changes can be characterized by its technical potential, technological potential, financial potential which are in general parts of the resource potential of the organization.

The second stage -we define enterprise readiness to innovations. Here we include management information supply, staff supply and current innovation activity of the enterprise. The latest researches done at this topic as J.G. Boyette [11], J. Hiatt [7], Ansoff [10] are generated around the idea of staff management, its motivation or knowledge development but in our research work we insist that organization readiness to changes depends on staff attitude but also on effective communication and information delivery.

The third stage - we analyze management system effectiveness according to its functional mechanisms and possibility to achieve the aims set up by the stakeholders.

The scientific researches about the topic of change management done by J.G. Boyette [11], J. Hiatt [7], Ansoff [10] have mainly discussed the problems of staff resistance or administrative approaches of change implementation. The authors of this research raised the problem of change necessity for the first time. We think that assessment of necessity of changes implementation is also one of the most important criterion. We are giving the following definition of necessity – a gap between the existing development potential level and its correspondence to the aims of change implementation. The more is the disparity the higher is the necessity to implement the changes.

The final stage of the complex substantiation of managerial decisions about changes implementation is the design of enterprise assessment matrix. The axes of the matrix are formed by the

parameters of external environment comfort assessment, ability to implement the changes (staff resistance level), development potential level, level of changes implementation necessity. The matrix field is divided into nine squares characterizing possible differences in enterprise position. Rough management recommendations were given for strategy decisions elaboration concerning change implementation for each position of the enterprise on the matrix.

The assessment method was tested at the enterprise of the automobile industry. Recently Russian automobile enterprises have survived in automobile industry crisis which was expressed through decrease of credit resources volumes, decrease of sales.

The most important area of change management for the tested enterprise is connected with organization restructuring and staff costs reduction procedure. It is necessary for the organization to release extra labour resources from one side and not to lose qualified personnel from another side.

The results of enterprise readiness to changes assessment are performed at the matrix (Figure 2).

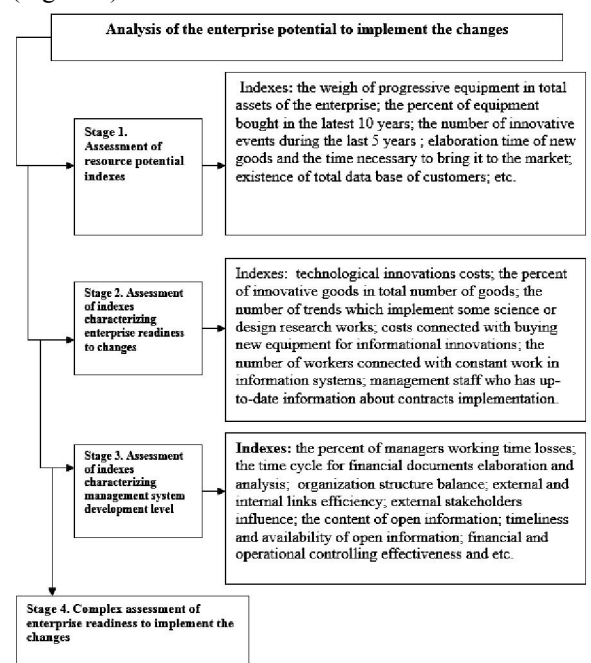


Figure 1. Stages of enterprise potential assessment, authors' research.

The assessment shows that the enterprise is in fifth square which has the following characteristics: staff resistance level is rather high, the comfort level of the environment and the development potential are at the medium level, the necessity to implement the

changes is rather high. Thus, the tested enterprise is practically ready to perform the changes and their necessity degree is rather high. But change implementation process should be preceded by preliminary work with the enterprise staff and development of those elements of the potential which have low level of readiness to changes.

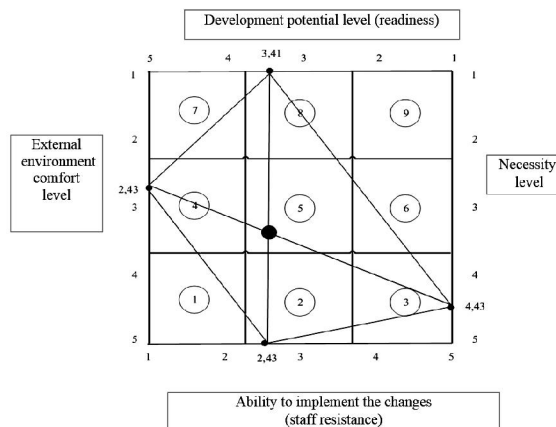


Figure 2. The matrix of assessment of readiness to changes for tested automobile enterprise, authors' research

The improvement of enterprise readiness for the changes can be assisted by the creation of special department which is responsible for changes implementation. This department can be created as a temporary one or a permanent one and the specialists can be attracted for some period from consulting companies. The organization form of the department depends on the demands of the organization, its size and business specialization. The main function of such department is the management of change implementation process.

The competence of such change management department should cover trend research of the external and internal environment of the organization, the analysis of existing changes and the forecast of the future ones, detection of organization development trends, elaboration of strategy and change implementation methods, change implementation process control, correction of main activities if it is necessary.

All information about the performed changes should be gathered at this department and it should be analyzed thoroughly in order to find out the most effective ways and methods of change implementation. Besides while implementing the changes the competence of the department can become wider because of the ability to coordinate the work of other departments of the enterprise to perform the changes more effectively.

The improvement of enterprise readiness for the changes can be assisted by **overcoming change resistance** which may appear among the staff. Change resistance provokes instability in relationship between staff members. Ansoff [10] in his research mentioned that the clear vision of something new and the necessity of changes usually appears at the top management levels the resistance may appear practically at all lower levels. The strength of such resistance highly depends on how much the personnel are being kept informed about external policy; on understanding not only the importance of the implemented changes but also the vision of their own role in this changed organization.

To overcome the resistance at the initial stage it is necessary to involve the personnel into the decision making process. It allows decreasing the level of dissatisfaction and denial of existing changes.

Conclusions

While implementing the changes it is necessary to guarantee the staff their employment, to inform them about change performance and the achieved results, to establish comfortable environment and to motivate the staff to take active part in changes.

During the period of change implementation some special inducements should be used because at this period staff resistance becomes stronger and it restrains the effectiveness of change implementation.

Motivation is essential for the interests of all stakeholders such as workers, management, investors and owners to coincide. The analysis of all the participants of changes process should be done. It includes their personal traits and characteristics, analysis of their ability to achieve the aim, the terms of targeted tasks and their work results. These data will be the basis for defining the motivating inducements for each group of the stakeholders. The inducements should activate their interest in achievement the aims of implemented changes.

Thus, suggested organizational instruments allow organizations to improve their readiness to changes, increase the degree of validity of managerial decisions at the stage of initial choice of further change implementation trends.

Corresponding Author:

Dr. Ashmarina Svetlana Igorevna
Samara State Economic University
Sovetskoi Armii Street, 141, Samara, 443090, Russia

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