

St. Petersburg State University
Institute of Management

DISCUSSION PAPER

Tatiana Andreeva

**ORGANIZATIONAL CHANGE
IN RUSSIAN COMPANIES:
FINDINGS FROM RESEARCH PROJECT**

#19(E)–2006

Saint Petersburg
2006

Andreeva Tatiana. Organizational change in Russian companies: findings from research project. Discussion Paper #19(E)–2006. Institute of Management, St. Petersburg State University: SPb., 2006.

This working paper presents findings from research project on organizational change programs in Russian companies. Within the frameworks of the project, several key questions about change programs were addressed: change content, change process and change efficiency. The research discovered that in most of the studied cases resulted changes (content ex post) did not coincide with plans (content ex ante). This result challenges common view of organizational change in popular management literature as of a process easily controlled by company's managers. Data analysis revealed what organizational elements were the least "controllable" from this point of view. The research also addressed various change process characteristics and their influence on change efficiency. It allows to propose some recommendations on improvement of change programs' efficiency.

Tatiana E. Andreeva — Senior Lecturer, Human Resources Management Department, School of Management, St. Petersburg State University
e-mail: andreeva@som.pu.ru

CONTENTS

Introduction	4
Theoretical Assumptions and Hypotheses.....	4
Research Strategy	7
Major Trends in Organizational Change Management in Russian Companies	10
Efficiency of Organizational Change in Russian Companies: Factors which Determine Success	18
Conclusion.....	22
References	24

INTRODUCTION

Today globalization, constantly changing or even disappearing boundaries between industries, intensively changing technologies, knowledge assuming a leading role among the driving forces of competition, appearance of new organizational forms, mass mergers and acquisitions force organizations to change constantly. Today researchers and practicing managers admit that a company's ability to change efficiently following the changes of environment is a guaranty of its successful development in the long run.

For Russian companies the problem of efficiently managing changes is doubly relevant. On the one hand, the transition to market economy made most Russian organizations face the necessity to adapt to new environmental conditions and fluctuations. On the other hand, most of the literature on change management which could help Russian top managers cope with this complex challenge, new for them, is based on approaches developed abroad which are already being criticized where they originated, and the scope of their applicability in Russia is not yet clearly determined. Thus it is impossible to overestimate the relevance of studying the phenomenon of organizational changes and its specificity in Russia.

To study the main trends in Russian companies' change management seemed to us an interesting first step in this direction. What changes take place most often? What approaches are taken to bring them about? Which have proven to be the most efficient in Russia? And what factors determine efficiency of these change programs? In our research project we have tried to find answers to these questions, and we present here our findings.

THEORETICAL ASSUMPTIONS AND HYPOTHESES

The change management issues are being actively discussed by the international community of researchers and managers. In the past decades several theoretical models of organizational changes have been created: the model of organizational development (Lewin, 1951; Blake & Mouton, 1969; French & Bell, 1995), that of organizational life cycle (Greiner, 1972), that of punctuated equilibrium (Tushman et al., 1986). The major part of these models regard organizational change as a planned or at least sufficiently predictable process which is therefore almost completely controlled by the company leader. Every one of them also offers some practical advice to leaders, showing them how to manage organizational change in the most efficient way. Yet numerous empirical studies show that reforms often fail to achieve their goal or are accompanied by decline in companies' performance, despite the fact that the main idea behind all organizational change is to ensure companies' successful development in the

long run. Accordingly it was very important for us, within the framework of this research project, to understand to what results the approaches used to implement change lead and which of them prove to be the most efficient.

So the goal of this empirical research project was the study of the main trends in organizational change in Russian companies as regards content, implementation process and influence on companies' performance. At this point it is important to define clearly the terminology we use. We believe that in the study of organizational change two major components of this phenomenon have to be distinguished clearly: content (what has changed) and process (how it was changing) (see e.g. Barnett & Carroll, 1995). The following definitions, in our opinion, allow to distinguish easily between various meanings of the term *change*:

- *Change content* is the empirically observed change in the form, quality or state of an element of organization which takes place in time. An element of organization may be an individual employee's work, a work team, an organizational strategy, a program, a product, or an organization as a whole¹.

- *Change process* is a sequence of events which have lead to an observable substantial change in organization.

This research project was planned mainly as an exploration study, i.e. meant not only to check the validity of certain hypotheses, but also to discover the major trends in change management in Russia. Nonetheless we have also formulated a series of hypotheses which we wanted to investigate. Let us describe them here in some detail.

In our opinion, one of the drawbacks of recommendations offered for managers' consideration is the prevailing generality of conclusions and advice which do not take into account the variety of many kinds of change (nor the specificity of national and corporate culture, concrete situation, and so on), and a notion of change being completely predictable and controllable. Over the past ten years a new wave of publications dealing with organizational change has emerged and introduced a situational approach to change management and a notion of incomplete predictability of change (Marshak, 1993; Van de Ven & Poole, 1995; Weick, 1998; Palmer & Dunford, 2002), yet the number of empirical studies with such orientation is still far from sufficient, and this may be one of the reasons why these ideas have not yet been reflected in practical books for managers (see e.g. Kotter, 1995; Duck, 2001). That is why in our research project we have paid special attention to this problem and formulated the following hypothesis:

¹ We use here the terms of Van de Ven and Poole (Van de Ven, Poole, 1995), yet applying them not to «change» in general, but to its content only.

Hypothesis 1. A certain part of organizational change escapes control by a company's leaders. The degree of uncontrollability will vary depending on the content of change.

We had contradictory notions regarding the process of change implementation. On the one hand some researchers believe that the Russian management culture is marked by an authoritarian style of management accompanied by a high concentration of authority in any decision making (Kets de Vries, 2001). On the other hand, in today's business periodicals journalists and management consultants are actively promoting the necessity to delegate power and to make the staff participate in making important decisions. We supposed that, influenced by these appeals, a growing number of leaders would want to apply this approach to change management:

Hypothesis 2. The most widely spread approach to change management in Russian companies is based on a wide inclusion of employees into the decision making process.

Let us now pass on to the discussion of the efficiency of change and the factors which determine it. The majority of theoretical models suppose that the efficiency of change is largely determined by a correct choice of a particular type of change (see e.g. Greiner, 1972; Tushman et al., 1986). We supposed that the characteristics of change implementation applied in a given situation, influence the results achieved in a higher degree. Besides, following the situational approach (Stace & Dunphy, 1991; Burnes, 1997), we supposed that the fit between the choice of what to change in an organization and environmental conditions and the situation within the company, exercise the greatest influence on the efficiency of change as compared to other characteristics of change content.

Hypothesis 3a. Among the characteristics of change content, the greatest influence on the efficiency of organizational change is exercised by the fit between the decision on change content to the situation within the company and environmental conditions.

Hypothesis 3b. A whole range of characteristics of change implementation process influence the efficiency of organizational change.

As a logical conclusion and to understand whether a discussion on the best way to implement change makes any sense at all, we wanted to understand what role is played by change management in ensuring a company's competitiveness. Quite naturally most authors believe that this role is positive, yet we wanted to provide the thesis with some additional empirical support. We supposed that the higher the efficiency of organizational change (as a result of successful change management), the higher the efficiency of a company's activities.

Hypothesis 4. The efficiency of organizational change influences positively a company's efficiency figures.

Let us now look more closely at the research strategy we followed to verify these hypotheses.

RESEARCH STRATEGY

Research parameters. To study change content, i.e. to determine what organization elements a company's change program focused on, we put up, following an analysis of available publications (e.g., Greiner, 1972; Hannan & Freeman, 1984; Tushman et al. 1986; Burke & Litwin, 1992; Romanelli & Tushman, 1994), a list of key organization elements. This list is presented in Table 1. The table also indicates conventional codes which we shall use further to present information in a more compact form.

Table 1

List of key organization elements used in this research project

<i>Organization element</i>	<i>Code</i>
Mission	A1
Strategy	A2
Structure	A3
Power and authority distribution	A4
Corporate culture	A5
Management system	A6
Key specialists	A7
Employees	A8
Technology	A9
Operational rules	A10
Functional systems	A11

Following some authors (see e.g. Hannan & Freeman, 1984; Romanelli & Tushman, 1994), we also tracked separately the changes in the so-called "strategic core" to which we consider to belong such organization elements as mission, strategy, organization structure, key values, management system as a whole and key people of a company (i.e. a1-a7).

It was important for us to understand what organization elements leaders most often plan to change. Yet we believe that change is not always controllable – at least not completely (Berger, 1992; Palmer & Dunford, 2002; Huy & Mintzberg, 2003), and that is why we also tried to learn what transformations companies had undergone as a result of implementation of change programs described, whereby we divided all results of change into "planned", "partly planned" and "unplanned" according to Palmer and Dunford's classification (Palmer & Dunford, 2002).

To study the "process of change" we assigned a range of variables: temporal parameters, such as change synchronicity of various elements and

speeds of change processes (real and perceived) (Greiner, 1972; Tushman et al., 1986; Monge, 1990; Pettigrew, 1990, Romanelli & Tushman, 1994; Huy, 2001); change agents (Greiner, 1972; Tushman et al., 1986; Monge, 1990; Pettigrew, 1990, Romanelli & Tushman, 1994; Huy, 2001); existence of support for the change program from key groups of political influence (Mintzberg et al., 2000; Colombo & Delmastro, 2002); degree of concentration of authority in change decision making (Romanelli, Tushman, 1994).

Among situational factors, an important role is played by the characteristics of a company's leader and its corporate culture. A whole series of studies show, for instance, that the characteristics of the top manager influence organizational change and its efficiency (Gupta, Govindarajan, 1984). Yet a qualitative research of each of these characteristics deserves a separate study. Initially we decided to limit ourselves to one characteristic of the top manager, his management style, since it is, in our opinion, the one most closely connected with the approach to change implementation, and included a corresponding question into our questionnaire. Yet the answers we got from experts filling in the pilot questionnaires showed that the measurement of even this one characteristic required a separate questionnaire and a discussion with each expert to clarify the understanding of the proposed classification of management styles. Resource limitations being considered, we decided to exclude this factor from our model. The corporate culture of companies was excluded from the model for similar reasons.

To measure the efficiency of change we used a multifactor qualitative expert evaluation model. The efficiency of change was measured by two factors: the degree to which the goals set had been achieved, and the ratio between expenditure for change implementation and advantages gained through change. Besides, we tried to take into account the remark on the necessity to distinguish between effects brought about by the change content and by the change implementation process itself (Barnett & Carroll, 1995).

Research procedures. Questionnaires were used as a tool to gather data from experts (mainly management consultants). The experts were answering questions concerning change in a company in which they had witnessed changes and about which they had sufficient knowledge. Companies' names and the spheres of activities were kept anonymous in the questionnaires filled by the experts. Therefore to assess the conclusions arrived at, it is necessary to present the characteristics of the both samples – of the experts and of the companies. Let us describe them briefly.

Experts' sample. On the whole the questionnaires from our research project have been filled in by 59 experts from various regions of Russia and the former USSR. 18 % of them are residents of Moscow, 43 % of

Saint-Petersburg, and the rest live in various cities from Arkhangelsk to Vladivostok and Novorossiysk. As regards working experience, the majority of the experts have been working for more than three years as management consultants, which allows us to assume that the experts that participated in our research possess sufficient experience to objectively assess the situation in the company. Only 17 % of the experts held a consultant position within the company they provided data on, so the majority of the experts assume a post external to the organization, which means they are more independent and unprejudiced in their assessment. In our opinion the experts' sample and its characteristics ensure a sufficient degree of reliability of the data and allow to use it for further conclusions.

Companies' sample. Now let us dwell on the derived sample of companies, described in detail as regards their organizational change. Despite companies' anonymity we are able to track a series of their characteristics, such as the country a company is active in, the "nationality" of its capital, the nationality of its managers, the age of the company, the number of its employees, the branch of industry it is active in. Companies with Russian capital (76 %) and Russian managers (98 %) are predominating in our sample. As regards the number of employees, the companies of the sample vary greatly; the three largest groups we could mention are companies employing 100 to 500 people (36 %), 30 to 100 people (22 %) and 1000 to 5000 people (18 %). As regards industry, companies providing services and production companies are almost equally well represented. New companies founded after the "perestroika" make up 61 % of the sample, and companies 6 to 10 years old and older than 20 years represent the largest age distribution groups. In our opinion this corresponds to the real company creation dynamics in Russia over the past decades when the majority of new entrepreneurial companies were founded in the period between the 1991-1992 and 1998 crises.

This analysis of the characteristics of the companies' sample shows that, on the one hand, our sample represents companies possessing various characteristics, and, on the other hand, that its' largest part is represented by companies possessing the same characteristics as companies representing a larger share of Russian organizational population (e.g., there are more companies with local private capital than foreign or state-owned companies). In our opinion this allows to state that on the whole the data gathered from this sample of companies may be used to identify the prevailing trends in our field of study.

The only limitation of our sample is the fact that the majority of companies have in some way used the services of management consultants. We think that this limitation does not affect our conclusions, since companies using consultants' services do not possess any common organizational

features. First, the demand for consulting services is large today, which is determined to a great extent by a specialized economy where it is cheaper to pay specialists' services for short-term projects designed to cope efficiently with certain problems, than to employ them on a permanent basis. Second, consultants' services offered vary greatly as regards content and price, which makes them attractive and accessible to a wide range of companies. For instance, the price of the same services offered by consulting companies and independent consultants may be higher or lower by tenths of times. Besides, there is a whole range of programs funded by international organizations (TACIS, TERF, BAS and others) which cover a considerable part of the client's expenditure for management consulting. Thus Russian and CIS companies from all industry branches, large and small, successful and not so successful, solvent and insolvent, resort today to consultants². That is why we think that the limitation of our sample does not substantially affect the validity of the conclusions drawn from the data obtained.

To conclude the analysis of our methods of gathering data, we would like to note that this sample cannot, without doubt, be seen, given its size and the characteristics of the companies included, as exactly representative of the whole of Russian companies undergoing various changes. Nonetheless the data obtained is in our opinion sufficiently representative for the kind of analysis we planned in our research project.

Analysis procedures. The data gathered from questionnaires have been analyzed quantitatively as well as qualitatively. For the analysis of data allowing statistical manipulation we used such methods as descriptive statistics, frequency analysis, contingency tables analysis, rank correlations, and dispersion analysis. The statistical data processing software SPSS 12.0 was used for computation.

The conclusions we present further on have to be considered taking into account the before mentioned limitations which were determined by the specificity of our sample and the procedures of data analysis.

MAJOR TRENDS IN ORGANIZATIONAL CHANGE MANAGEMENT IN RUSSIAN COMPANIES

Here we shall dwell on the major trends in organizational dynamics in Russian companies, discussing what is changing most often and what the characteristics of the change process are, and shall decide whether the hypotheses we have formulated have been confirmed.

² See, for instance, the survey of the Russian consulting market made by the «Expert» magazine (Krashenko 2004).

Content characteristics of change. While studying the content of the changes taking place in companies, we were interested in the following issues: what organization elements were targeted by the changes planned, what changes actually took place, and what the difference was between these and the initial plans. Fig.2 shows which organization elements were most often thought to need change. As we can see, the large majority (76 %) of Russian companies were interested most in changing functional systems (a11) which comprise marketing, sales, finance, staff management systems, and so on. An additional qualitative analysis has shown that among functional systems Russian companies are mostly focusing on transforming their marketing, sales and finance management functions. The change in organization structure (a3) and strategy (a2) come next. Among the elements which the leaders were least interested in changing were corporate culture (a5) and technology (a9).

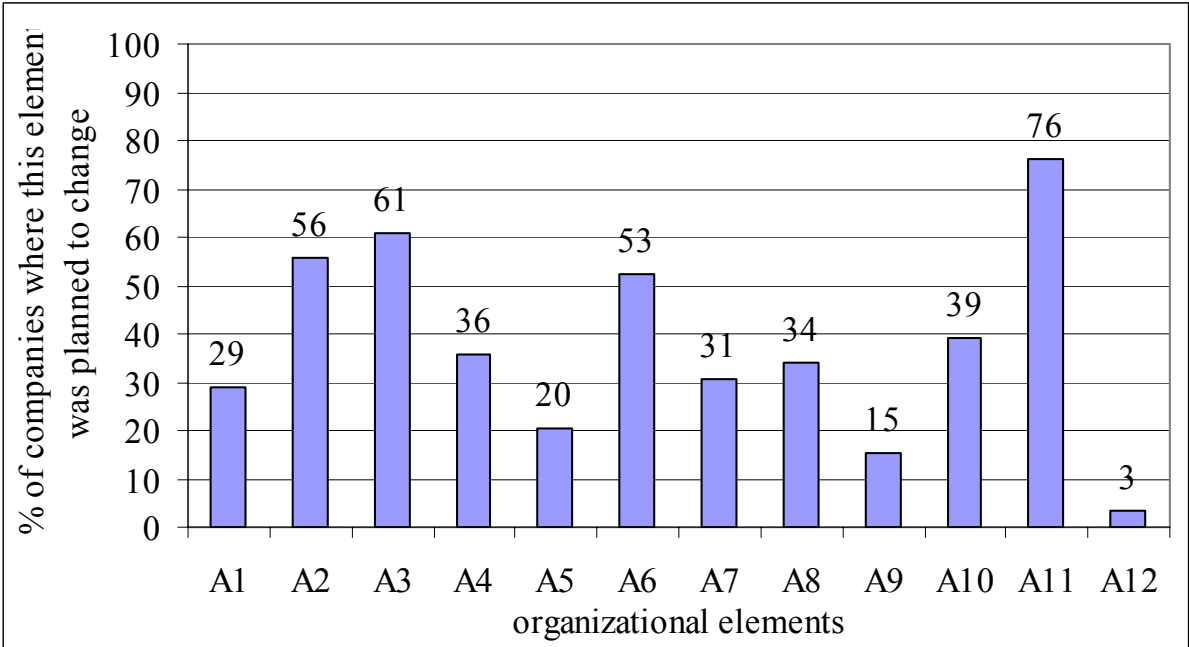


Figure 2. Organization elements which leaders planned to change

Yet in our opinion the problem of correspondence of this or that actual change to the initial plan is most interesting. Fig. 3 shows such a comparison. With the majority of organization elements the actual change is greater than planned. This means that for many companies certain changes are an unlooked-for surprise. For instance, our research has shown that changes in corporate culture (a5), distribution of authority and competence (a4) and key personnel (a7) came as a surprise to more than 30 % of companies (differences between bars).

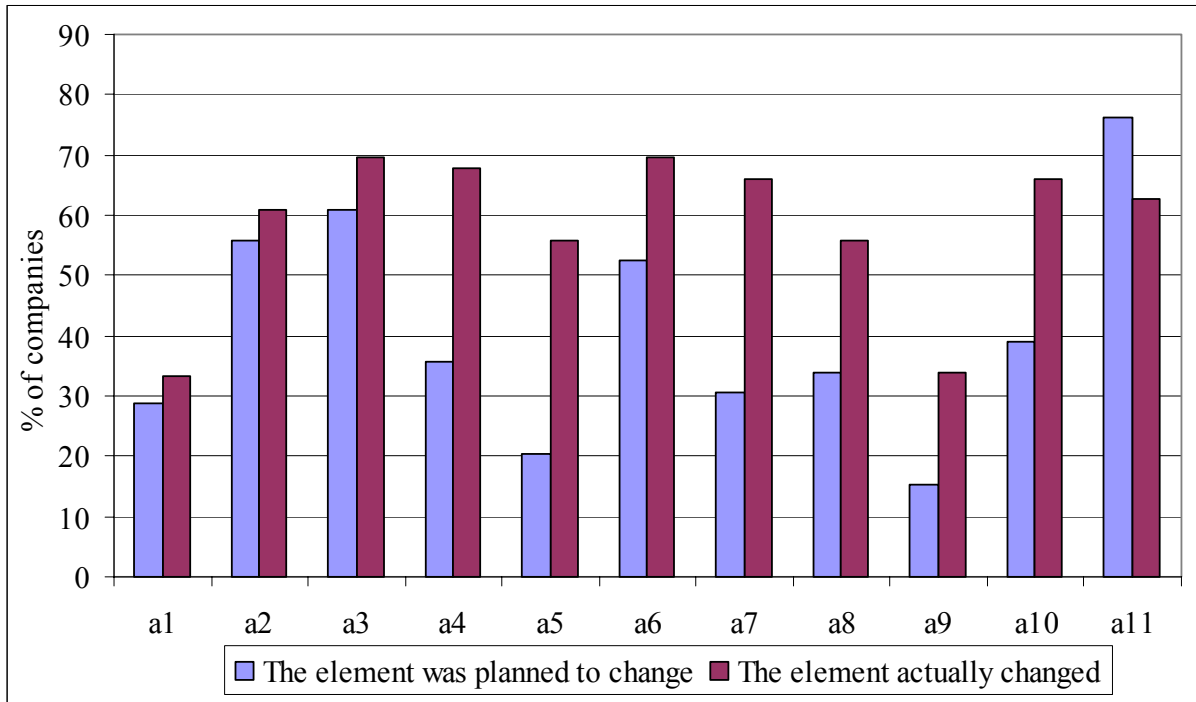


Figure 3. Comparison between planned and actual changes

The following Fig. 4 is also useful to make this comparison more vivid: here not the absolute ratio, but the percentage of plan and fact difference is reflected. As we see, changes in distribution of authority and power (a4), key personnel (a7) and technology (a9) took place two and more times more often than planned, and changes in corporate culture (a5) almost three times more often. Among organization elements, corporate culture is a “leader” in deviations from the initial plan (it changes 2,8 times more often than planned), although, if we remember the data cited above, it enjoyed little notice at the change planning stage. Thus our findings give us a good reason to state that Russian leaders tend to underestimate corporate culture as one of the essential elements of organization and its close connection to other organizational components. It is also worth noting that the only element of organization which actually changed less than planned is functional systems of Russian companies. This means that either the efforts made failed to bring about any change or the goal of change program underwent transformation in the process of its implementation.

Let us now look more closely at the extent to which actual change coincides with planned change. The findings below will be more significant in the light of our analysis because comparing planned and actual change we consider all the companies taken together without taking into account each individual company’s dynamics. For instance, when we make use of the sample of 50 organizations and compare 10 companies which have planned changes with 17 companies which actually implemented changes, we do not know which are these 17 companies, i.e.

whether the 10 which planned change are among the number. It might be so that the outcome was a surprise for all of them, because those which planned change, did not implement it, and the other way round.

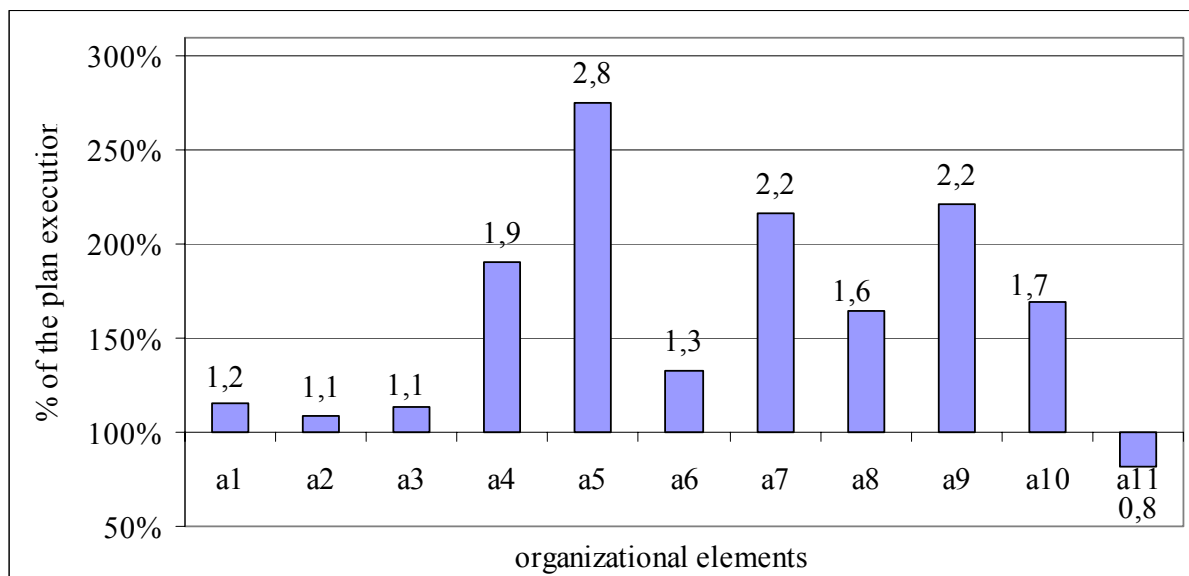


Figure 4. Comparison between planned change and actual change (degree of plan execution)

That is why we have carried out a more detailed analysis, taking into account the plan and fact dynamics of each individual company. Of the six degrees of planned change – actual changed happened correspondence, the first two (starting from left) mean a complete coincidence of planned and resulted change (“nothing planned – nothing changed” or “planned and changed exactly as planned”). Everything farther to the right means some degree of divergence.

We see in Fig.5 that distribution of power and authority (a4), corporate culture (a5) and key personnel (a7) changed most often in a way that was not planned (more than 50 % of all the cases we have studied). Mission (a1), technology (a9) and strategy (a2) proved to be the most “controllable” (in descending order): these changes coincided with leaders’ plans in 70–80 % of cases.

Among the elements which did not change, contrary to plans, the functional systems (a11) stand prominent, as well as among those which changed not as planned or only in partial accordance to plans (16,9 % both). They are followed by organization structure and strategy which remained unchanged in 13,6 % and 10,2 % of cases respectively. This might have happened either because priorities and goals had changed³, or because

³ Yet our analysis of mutability of the goals of change programs shows that they had changed in 27,1% of cases.

the efforts made failed to achieve desired results. From a leader’s viewpoint, such an outcome is not positive, although in such cases organization elements were receiving attention from the very beginning, which means that the situation was, at least partially, under control.

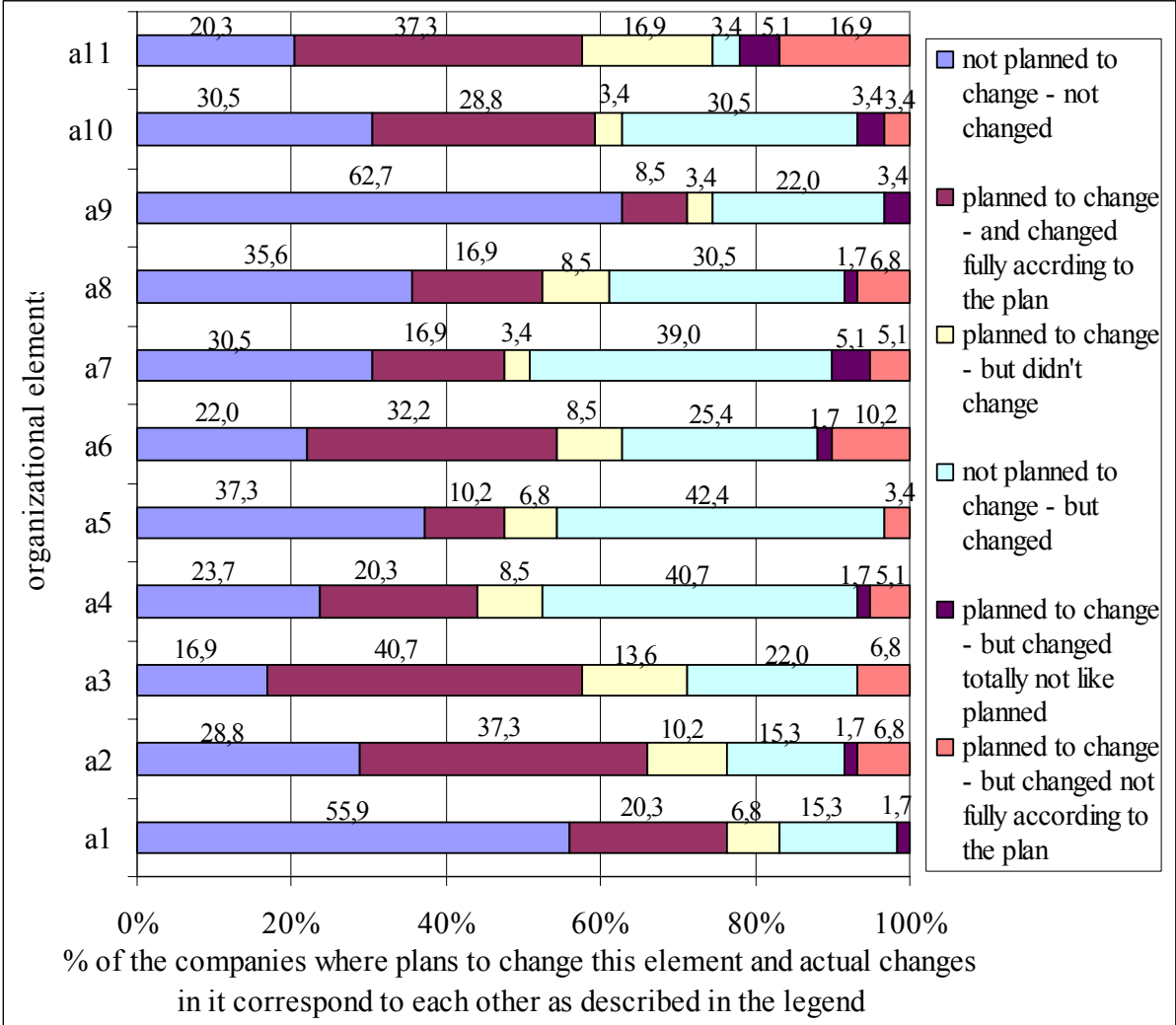


Figure 5. Correspondence between planned and actual changes

In our opinion, those organization elements which are not initially meant to change (i.e. which are not paid any attention), yet do change “on their own”, represent a greater potential danger for the leader. The foremost among these are corporate culture, already mentioned (a5, 42,7 % of cases), power and authority distribution (a4, 40,7 %) and key personnel (a7, 39%). Staff personnel and their skills (a8, 30,5 %) and operational rules (a10, 30,5 %) come next. For a leader this means that, having initiated certain changes and counting on certain results, he/she may discover after some time that, say, several key people have decided to quit or begun to resist changes so much that he/she him/herself has no choice but to dis-

charge them. It is possible that the successful outcome of the initiated change program depended precisely on these people.

To conclude we may say that our findings show that Russian company leaders do not pay sufficient attention to “soft” organization elements connected with human factor, and as a result it is the development of these elements that takes a course unforeseen by leaders. On the other hand local leaders overestimate their ability to manage and control such organization elements (which in fact seem most controllable) as functional systems or organization structure.

We think that the main conclusion to be drawn from the findings we have just discussed is that they prove, in a convincing way, the high degree of uncontrollability of organizational processes. In other words, our hypothesis 1 has been confirmed. The data gathered does not yet allow to arrive at an unambiguous conclusion as to which organization elements are the most controllable and which ones the most uncontrollable; the issue requires further discussion. Yet in our opinion the results obtained are not without interest since they refute to a large extent the validity of a deterministic approach to organization and a control-based management vision, and confirm the latest ideas on creative and developing approach to management (see e.g. Weick & Quinn, 1999; Palmer & Dunford, 2002).

Characteristics of change process in Russian companies. During our research project we have explored a whole range of issues concerning change process, yet now we shall dwell on problems related to our hypothesis 2. Making employees at various levels participate in making decisions on change in organization is a very important characteristic of the change implementation process. We have explored this parameter by means of several questions reflecting different, yet closely related aspects of the problem, and shall first present the output of answers to all these questions.

If we place Fig.6 to 8 one below the other, we shall be able to analyse not only the answers to each individual questions, but the dynamics of participation of various employee groups in making various decisions on change⁴.

If even top managers are not allowed to participate in decision making, this suggests that the leader’s management style or the owner’s behaviour is highly authoritarian, and that is why it seems to us not surprising

⁴ Let us note the cumulative nature of the graphs – e.g., the position of the mark of middle-level managers' participation in making decisions on change content is at levels between 60 to 80% in foreign companies (Fig.14) which means that in 40% (= 100 – 60) of cases middle-level managers participated in making these decisions, and in one half of the cases (20% = 100 – 80) they participated along with staff employees.

that the share of such answers is very small. However, in every group such answers make up 5 to 10 %. Less than 20 % of companies make low and middle level employees participate in making decisions on change implementation.

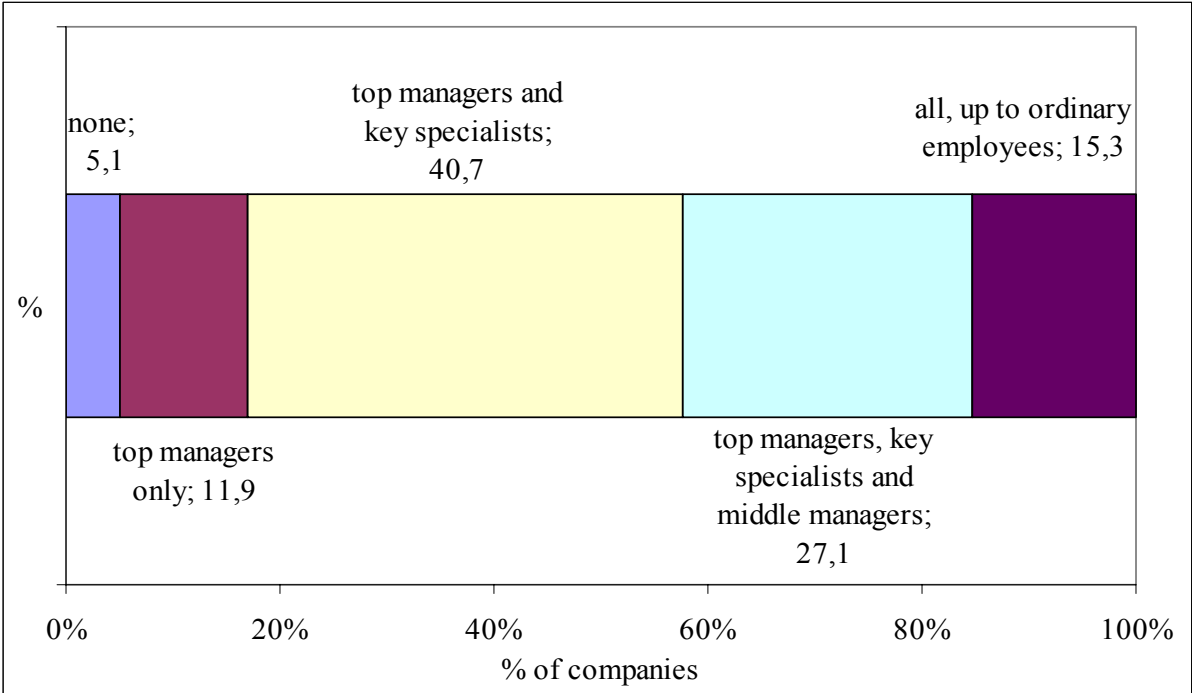


Figure 6. Degree of employee participation in decision- making on change content.

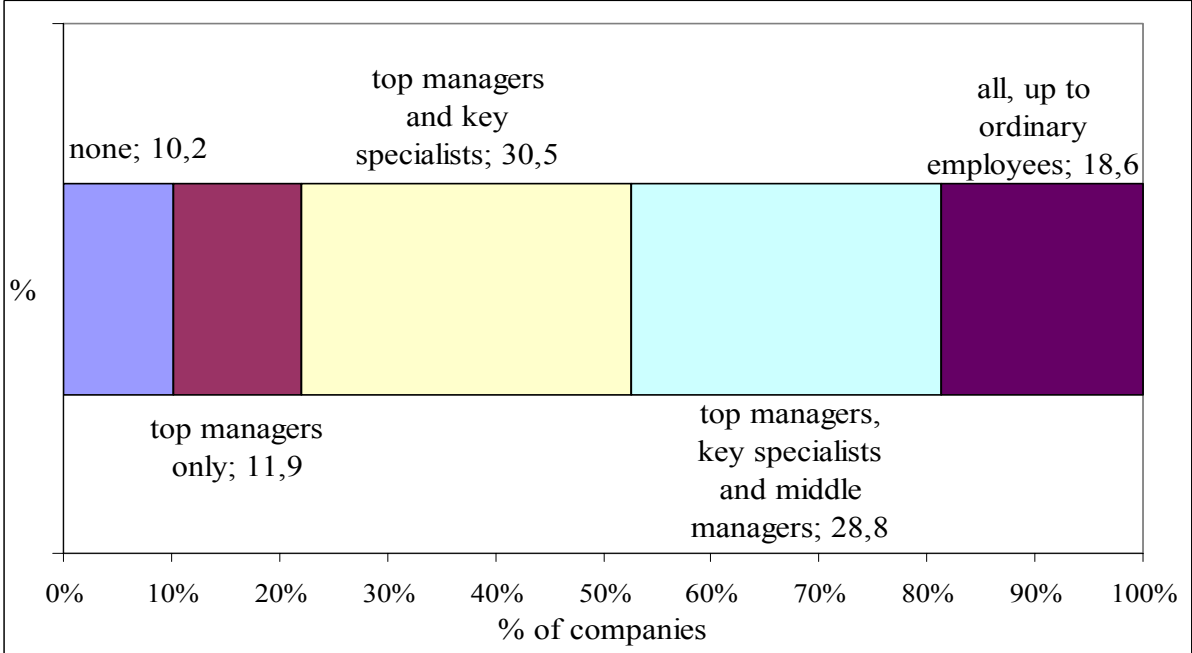


Figure 7. Degree of employee participation in decision- making on change implementation process.

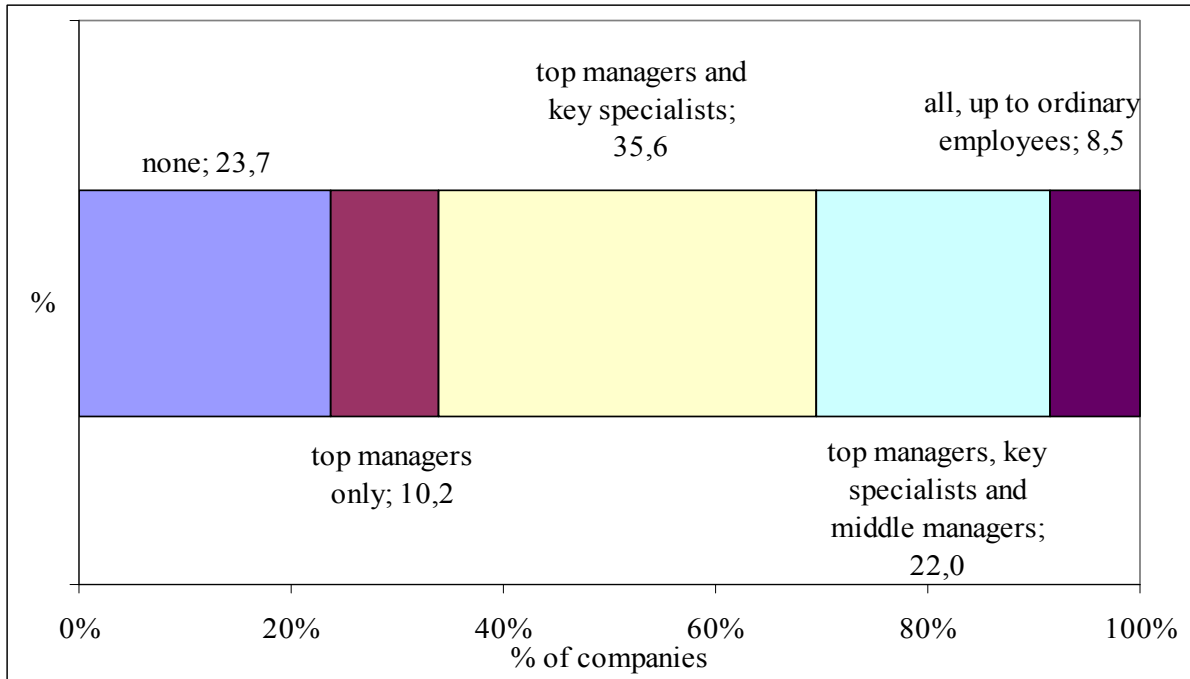


Figure 8. Degree of employee participation in the change implementation teams.

The issue of change implementation team existence and its' participants is, in our opinion, closely connected with the previous two issues since the creation of a workgroup is one of the means of making employees participate in the decision making process, particularly in the change implementation process. A relatively high percentage (more than 20 %) of cases where such a workgroup was simply non-existent, as well as a comparison of the degree of participation of various level employees in its activities with the data from previous graphs warrants our supposition that actually in the majority of cases the answers to questions concerning employee participation meant just exploration of various employee groups' opinions: the employees were given the right to voice their opinion or/and be informed, but did not actively participate in the actual decision making process.

As a question meant to check the previous questions, we also asked about the concentration of authority in making decisions on change. The answers to it show that real authority in decision making was highly concentrated in the selected companies at the top organization level (68 % of cases). A high degree of authority concentration does not imply participation of even key specialists in the decision making process which remains the exclusive domain of top managers. Comparing these results with the graphs above, we can see that about 80 % of Russian companies declare that key specialists participate in making decisions on change content as well as change implementation, but at the same time only 42% of companies have a level of authority concentration below high, which implies key

specialists' participation. Thus we can see that our hypothesis 2 has not been confirmed, and the leaders of Russian companies actually incline to a rather authoritarian approach to change management process.

Yet it is also possible that the displacement of focus we have discovered does not by itself affect the efficiency of change implementation – for instance if being able to voice their opinions does not matter less for employees than immediate participation in elaborating the change program. We shall elucidate further on the influence this factor exercises on the efficiency of change.

EFFICIENCY OF ORGANIZATIONAL CHANGE IN RUSSIAN COMPANIES: FACTORS WHICH DETERMINE SUCCESS

What is the significance of the trends described above as regards the efficiency of an organization's activities? Let us discuss our results concerning the hypotheses 3 and 4.

The data on interrelation between parameters of change content and change efficiency is represented in Table 9. As can be seen from it, we have discovered the following relationships:

- The fit of the decision taken has a positive influence on both efficiency parameters, which actually confirms our hypothesis 3a: the higher is the fit, the higher these figures are. This can be explained by the fact that, other things being equal, a proper decision is better understood and less resisted to by key specialists as well as by other employees. As a result, the change initiator is able to achieve the desired goals with less effort (and this means also with less resource expenditure), and the goals themselves undergo less change (which may be necessary, e.g., to win over the company's employees).

- Yet besides the the decision fit, there is another change content characteristic which influences – negatively – the efficiency seen as goal achievement. This is the share of the elements of the strategic core that are planned to change. We think that this can be explained by the fact that the simultaneous changes in various “strategic core” elements calls forth a strong resistance in the organization, on the part of employees as well as caused by other inertia forces within the organization, and that is why the goals set are less often achieved fully.

Besides general characteristics of change content, we have tried to find out whether the change in some given organization elements affects the efficiency of the change program. Having applied Mann-Whitney U-test to the analysis of the available data, we have obtained the results presented in Table 10:

Table 9

Interrelation between change content parameters and change efficiency

Kendall rank correlation coefficients, Mann-Whitney U-test		<i>Change efficiency</i>	
		Goal achievement	Costs / benefits
<i>Characteristics of change content</i>	Share of strategic core elements that were planned to change	-0,242**	-0,130
	Share of elements planned to change	-0,138	-0,052
	Share of evolutionary changes among all changes	-0,123	0,034
	Nature of changes (qualitative / quantitative)	-	-
	Fit between the decision on what to change and the situation	0,375**	0,440**
	Share of strategic core elements that actually changed	0,124	0,037
	Share of elements that actually changed	0,153	0,088
	Degree of change reversibility	-	-

** - significance level $p < 0,01$

* - significance level $p < 0,05$

Table 10

Influence of actual change content on change efficiency

		<i>Organizational elements that actually changed</i>										
		A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11
		Mission	Strategy	Structure	Distribution of authority	Culture	Management system	Key specialists	Staff	Technologies	Operations	Functional systems
<i>Change efficiency</i>	Goal achievement					+						
	Costs / benefits					+						

** - significance level $p < 0,01$

* - significance level $p < 0,05$

As can be seen from the table, in the cases where the corporate culture had changed as a result of change program implementation, the change efficiency got a higher assessment by experts according to both parameters, than in the programs where no change of corporate culture was wit-

nessed. In our opinion this can be explained by the fact that corporate culture is a “linking” organization element which, changing synchronously with other organization elements, ensures good effort coordination and therefore increases the output obtained. On the whole we see that the content of change, i.e. changes in these or those organization elements, do not influence much the efficiency of change (at least our selection shows few relationships).

Thus we see that our hypothesis 3a has been confirmed in the part which supposed a considerable influence of decision appropriateness on change efficiency, but we have discovered several other characteristics of change content which also influence efficiency.

Let us now discuss the hypothesis 3b – or in other words the issue whether the “how to change?”– decision influences goal achievement. The results of our data analysis are presented in Table 11.

Table 11

Influence of characteristics of change implementation process on change efficiency

Kendall rank correlation coefficients, Mann-Whitney U-test		<i>Change efficiency</i>	
		Goal achievement	Costs / benefits
<i>Characteristics of change implementation process</i>	Share of changes initiated at the same time	0,066	0,051
	Duration of implementation period	-0,212*	-0,202*
	Employees' participation in decision-making on change content	0,078	0,101
	Employees' participation in decisions-making on change implementation process	0,178	0,126
	Employees' participation in change implementation teams	-0,135	0,036
	Degree of authority concentration in decision making	0,138	0,154
	Speed of implementation	(+)**	(+)T
	Support from political groups of influence	–	–

** – significance level $p < 0,01$

* – significance level $p < 0,05$

T – statistical tendency level $p < 0,1$

It can be seen from the table that, contrary to our hypothesis, we have discovered but few correlations. We have discovered that the assessment of change efficiency is influenced only by temporal parameters of change

process: actual duration and perceived speed. The shorter the actual duration of changes and the higher their perceived speed, the better both parameters of change efficiency (whereby the efficiency as regards cost efficiency remains at the level of statistical tendency). These findings coincide with conclusions in many previous publications (e.g., Romanelli & Tushman, 1994) and at first sight correspond to the model of the punctuated equilibrium, which states that the longer the duration of the change process, the greater the stress undergone by employees due to uncertainty and instability, and the stronger resistance opposed to change by its opponents. Yet in contrast to the same model we have not seen any evidence of either synchronicity of initiation or concentration of authority influencing change efficiency. We have also explored the influence of the position of change leader on change efficiency and have not found any relation between them.

To conclude we might say that our hypothesis 3b has not been confirmed. Contrary to expectations, no numerous influence factors have been discovered among parameters of change process, and we have found only the influence of temporal characteristics of the process on its efficiency. Yet it is possible, in our opinion, that other factors from the change process influence change efficiency – e.g., the management style applied during the change period. The exploration of this problem may become one of the targets of future research in this field.

According to our hypothesis 4, *the efficiency of organizational change influences positively a company's performance*. By means of correlation analysis we have discovered (see Table 12) that in Russian companies the efficiency of change influences labour productivity⁵.

In our opinion, this result has a logical explanation: among all the parameters of a company's efficiency we have explored (market share, sales volume, profitability, productivity), productivity is most dependent on internal organizational factors, whereas others are strongly influenced from outside the organization. The correlation we have discovered confirms the importance of organizational change management in maintaining the competitiveness of today's companies, and the relevance of our research project.

⁵ Before analyzing interrelations it was very important for us to determine whether any of the expert's characteristics did not influence the assessment of efficiency of an organizations, since we feared that an expert's position with regard to a company or the fact of his participation in elaborating change content or implementing it might bias the impartiality of his/her assessment (for instance, internal experts may provide more prejudiced assessment, or an expert who has taken part in change implementation may feel personally responsible for the results and overestimate them). Yet Mann-Whitney U-tests did not reveal any such correlations, which allows us to consider the experts' assessments as unbiased and use them for further analysis.

Influence of change efficiency on company's performance

Kendall rank correlation coefficients		Company's performance parameters			
		Profit	Market share	Sales volume	Productivity
<i>Change efficiency</i>	Goal achievement	0,17	0,16	0,17	0,25*
	Costs / benefits	0,06	0,16	0,21	0,30**

** - significance level $p < 0,01$

* - significance level $p < 0,05$

CONCLUSION

Thus within the framework of our research project we have succeeded in discovering the most relevant and problematic trends in change management in Russian companies and in factors which determine their efficiency and an organization's overall performance.

We have seen that Russian managers most often plan to change structural and market elements of their organizations: functional systems, organizational structure and strategy. Russian leaders do not pay sufficient attention to "soft" organization elements when planning change. We have shown that more than 30 % of actual change in an organization is not controlled by the leader who has initiated change. The least controlled by Russian leaders are changes in "soft" organization elements (corporate culture, power distribution, authority of key people and key people personnel), and the least controllable are changes in an organization's functional systems (perhaps Russian leaders tend to overestimate their ability to control these factors). Thus our hypothesis 1 affirming a high degree of uncontrollability of organizational change has been confirmed, which seems to us particularly interesting since this confirms the most recent ideas on improvisational and emergent approaches to management (see e.g. Weick & Quinn, 1999; Palmer & Dunford, 2002).

We have also seen that, contrary to recommendations actively suggested in management literature, Russian leaders are characterized by a rather authoritarian approach to change management. Besides, the results of our research allowed us to suppose that, in the majority of cases studied, not more than exploration of the opinions of employees is actually meant by their participation in making decisions on organizational change, and not actual active participation.

Further we have discovered that such content parameters as the fit between the decision taken and situational characteristics, the share of “strategic core” elements that were planned to change and actual change of corporate culture, exercise substantial influence on the efficiency of change program. In our opinion *the fit of the decision taken* has a strong positive influence on change efficiency because a decision perceived as appropriate calls forth more support from a company’s staff, whereas *the planned degree of change in strategic core* elements influences change efficiency negatively as regards goal achievement, due to inertia forces within the company which resist simultaneous substantial change in strategic element and, as a result, cause the desired goals to be less often achieved fully. The influence of *corporate culture* can be explained by the fact that it is a “linking” organization element which, changing synchronously with other organization elements, ensures effort coordination and so increases the result obtained.

Our hypothesis about a strong influence exercised by change process parameters on change efficiency has not been confirmed. We have discovered that only the temporal parameters (actual duration and perceived speed) influence change efficiency. These findings correspond to the ideas of the punctuated equilibrium model (Tushman, Romanelli, 1994). Yet other ideas of this model (the factors of synchronicity of change initiation and authority concentration influencing change efficiency) have not received confirmation.

Besides theoretical significance, the findings from our research project have practical relevance since they allow to offer a series of recommendations to change-managing leaders, despite the incomplete controllability of organizational change we have discovered. Thus, in order to achieve a more substantial organizational change and to make it as widespread within an organization as possible, we can recommend to take into account, while planning change, a greater number of organization elements and their substantial change, to initiate massive changes synchronously and to make employees participate in discussions about various alternatives of change implementation while retaining a high degree of authority concentration as regards the final decisions.

REFERENCES

- Barnett, W., G. Carroll. 1995. "Modeling internal organizational change", *Annual Review of Sociology*, Vol.21, No.1, pp.217–236.
- Berger, A. 1992. "Towards a framework for aligning implementation change strategies to a situation-specific context", *International J. of Operations and Production Management*, Vol.12, No.4, pp. 32–44.
- Blake, R. R., J. S. Mouton. 1969. *Building a dynamic corporation through grid organization development*. Addison - Wesley Publishing Company.
- Burke, W., G. Litwin. 1992. "A causal model of organizational performance and change", *J. of Management*, Vol.18, No.3, pp.523–545.
- Burnes, B. 1997. "Organizational choice and organizational change", *Management decision*, Vol.35, No.10, pp. 753 – 759.
- Colombo, M. G., M. Delmastro. 2002. "The determinants of organizational change and structural inertia: technological and organizational factors", *J. of Economics and Management Strategy*, Vol.11, No.4, pp.595–635.
- Duck, J. 2001. *The change monster: The Human Forces That Fuel or Foil Corporate Transformation and Change*. Crown Business.
- French, W.L., C.H.Jr. Bell. 1995. *Organisation development. Behavioral science interventions for organisational improvement*. Prentice Hall, Inc.
- Greiner, L. 1972. "Evolution and revolution as organizations grow", *Harvard Business Review*, Vol.50, No.4, pp.37 – 46.
- Gupta, A., V. Govindarajan. 1984. "Business unit strategy, managerial characteristics and business unit effectiveness at strategy implementation", *Academy of Management J.*, Vol.27, No.1, pp.25–41.
- Hannan, M.T., J. Freeman. 1984. "Structural inertia and organizational change", *American Sociological Review*, Vol.49, No.2, pp. 149–164.
- Huy, Q. 2001. "Time, temporal capability, and planned change", *Academy of Management Review*, Vol.20, No.4, pp.601–623.
- Huy, Q., H. Mintzberg. 2003. "The rhythm of change", *MIT Sloan Management Review*, Vol.44, No.4, pp.79 – 84.
- Kets De Vries, M.F.R. 2000. "A Journey into the "Wild East": Leadership Style and Organizational Practices in Russia", *Organizational Dynamics*, Vol.28, No.4, pp.67-82.

- Kotter, J. 1995. "Leading change: Why transformation efforts fail", *Harvard Business Review*, Vol.73, No.2, pp.59–67.
- Krashekno, L. 2004. "Protivostojanie: Karta rossijskogo konsaltinga", *Expert*, No.7 (410), pp. 25–28. (title translation: Contradistinction: Russian consulting map)
- Lewin, K. 1951. *Field theory in social sciences*. New York: Harper & Row.
- Marshak, R. 1993. "Lewin meets Confucius: a review of the OD model of change", *J. of Applied Behavioral Science*, Vol. 29, No.4, pp. 393 – 415.
- Mintzberg, H., Lampel J., Ahlstrand B. 1998. *Strategy Safari: A Guided Tour Through The Wilds of Strategic Mangament*. The Free Press.
- Monge, P. 1990. "Theoretical and analytical issues in studying organizational processes", *Organization science*, Vol.1, No.4, pp.406 – 430.
- Palmer, I., R. Dunford. 2002. "Who says change can be managed? Positions, perspectives and problematic", *Strategic Change*, Vol.11, No.5, pp.243 – 251.
- Pettigrew, A. 1990. "Longitudinal field research on change: theory and practice", *Organization science*, Vol.1, No.3, pp.267 – 292.
- Romanelli, E., Tushman M. 1994. "Organisational transformation as punctuated equilibrium: an empirical test", *Academy of Management J.*, Vol.37, No.5, pp.1141 – 1166.
- Stace, D., D. Dunphy. 1991. "Beyond traditional paternalistic and developmental approaches to organizational change and human resource strategies", *International J. of Human Resource Management*, Vol.2, No.3, pp.263–283.
- Tushman, M., W. Newman, E. Romanelli. 1986. "Convergence and Upheaval: Managing the Unsteady Pace of Organisational Evolution", *California Management Review*, Vol.29, No.1, pp.29–44.
- Van de Ven, A., M. Poole. 1995. "Explaining development and change in organizations", *Academy of Management Review*, Vol.20, No.3, pp.510–540.
- Weick, K., Quinn R. 1999. "Organisational change and development", *Annual Review of Psychology*, Vol.50, No.1. pp.361–386.