

The Peculiarities of Organization Change Management in Integrated Economic Systems

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Abstract

The integrated economic system studied in the frame of the system evolution approach is in constant development and this quality allows to adapt quickly to changeable environment. This development becomes the basis of changes that appear in the integrated economic system. The research is concerned the identification of various management situations inside the integrated economic systems and change management measures that should be used depending on these classified situations.

Keywords: integrated economic systems, organization changes, routine management situation, problem management situation

1. Introduction

1.1 Background

Being the result of various entrepreneurial structures integration the integrated economic system can be defined as integral organization system involving such spheres of enterprise activity as new goods creation, production, sales, goods distribution among the consumers, marketing. That is why the study of the integrated economic system itself and the changes that happen in it can be performed in the frame of various firm theories (Brown, 2007; Konev, 2005; Saughere, 2008).

The following research trends concerning the theoretical study of functioning and development of the integrated economic system as a firm can be taken into account: neoclassical firm theory, evolutionary firm theory, entrepreneurial firm theory, institutional firm theory, knowledge-based firm theory (Nadkarni & Narayanan, 2007).

The neoclassical firm theory represents the integrated economic system as the system implementing the transformation of the resources into products. It also implements the attraction of the resources into production. In this case the main function of the integrated economic system is the effective transformation of resources into products. The organization mechanisms of making decision process and decision implementation are not taken into account at all in this approach. Such approach leads to the contradiction between the management practice and its theory. That is why such consideration of the integrated economic systems is nonconstructive in contemporary conditions (Lindgren, 2012).

According to the evolutionary theory the behavior of the whole integrated economic system is determined by the relationship between its subsystems, inner peculiarities, norms and rules of decision-making process which can evolve respectively to the changes of the environment. Organization changes implementation can be performed by decision analysis taking into account not only some individual preferences but also the previous experience of the integrated economic system (Chernetsov, 2004).

The integrated economic system in the entrepreneurial firm theory is the sphere of entrepreneurial activity application and the sphere of resources attraction. Unlike the neoclassical theory this one supposes not the unity of production factors but the design of organization changes through the specific combination of factors. And the organization change management here is implemented on the basis of the enterprise model, taking into account the uncertainty of the results, activity and information; limited rationality of economy entities; complex and multilevel structure. This point of view about the integrated economic system seems to be more realistic and the basis of it is its representation as complex organization with various inner subjects demanding decision-making

process coordination.

1.2 Status of the Problem

Modern economy can be characterized by strengthening role of major production entities with complex organization structure in national and world economy development. The analysis of corporate systems acting at the world market and being the leaders of the industry shows both the stable growth and the existence of some system and organizational conflicts in such corporate structure in crisis situations. The necessity of organization changes implementation in the integrated economic systems is caused by the existence of problematic managerial situation or managerial problem which is the contradiction between the management aim and the situation inside and outside the definite integrated economic system (Gitelmann, 1999; Oreg, 2003; Popova & Petrochenkov, 2012).

2. Methodological Framework

2.1 The Key Position

Nowadays most of the production corporations are organized as complex production and management structures appeared as the result of assets, opportunities and resources integration process. Such systems are called the integrated economic systems which have some peculiarities and distinction in development policy and which are closely united both formally and informally with other business entities and structures of regional, state, world or industry branch level. The integration mechanism is the main instrument of synergy effect creation in the process of such systems development and organization changes implementation.

2.2 Basic Approaches and Supposition

- system representation of managerial situation in the integrated economic systems. The managerial situation is represented as the four-element structure and the aggregate of their interaction. The elements are: management object, management subject, the surrounding environment of management object and the external environment of management object and subject.

-pair interaction between the elements is described through the following actions:

- managing influence of the management subject on the management object;
- subordinate influence of the management object on the management subject;
- the management subject influence on the surrounding environment of management object;
- the influence of the surrounding environment of management object on management subject;
- the influence of management subject on external environment;
- the influence of external environment on management subject;
- the influence of management object on its surrounding environment;
- the influence of management object on external environment.

3. Results

3.1 Managerial Situations Depending on Correlation of the Elements

Depending on the interaction special features the managerial situation can be routine or problem one. The content of the interaction between the elements in routine managerial situation is represented in Table 1. The crossing of lines and columns characterizes the interaction of the corresponding element. The table shows that in case of routine situation neither surrounding environment nor external environment influences greatly the management subject and object.

When managerial situation changes into the problem one or the management problem the interaction table changes into that shown in Table 2. Unpredictable influence of the surrounding and external environment appears in this case. Problem managerial situation can be completely real and demanding some immediate decision or hypothetical one which means the situation having some time for decision-making. Also problem managerial situation can be definite with enough information about all its elements or indefinite which cannot be fully described.

Table 1. Elements interaction in routine managerial situation

	Management subject	Management object	The surrounding environment of management object	The external environment of management object and subject
Management subject		Subordinate influence	Neutral influence	Neutral influence
Management object	Managing influence		Neutral influence	Neutral influence
The surrounding environment of management object	Neutral influence	Neutral influence		Neutral influence
The external environment of management object and subject	Neutral influence	Neutral influence	Neutral influence	

Table 2. Elements interaction in problem managerial situation or management problem

	Management subject	Management object	The surrounding environment of management object	The external environment of management object and subject
Management subject		Subordinate influence	Unpredictable influence	Unpredictable influence
Management object	Managing influence		Unpredictable influence	Unpredictable influence
The surrounding environment of management object	Compensating influence	Compensating influence		Unpredictable influence
The external environment of management object and subject	Compensating influence	Compensating influence	Unpredictable influence	

3.2 Management Situations Depending on Their Content

Classes of managerial situations were sorted out according to their content, the basis of such classification was the character of actions and interactions between the subsystems. While sorting out managerial situations into classes such quality as coherence was taken into account. It means that each class should unite homogeneous and similar by their meaning objects. The description of each class should be informative and the name of each class of managerial situation should show what kind of situations are included in it. The class description also should

be prognostic, thus, it should give the opportunity for predicting its future use.

Suggested classification is based on previous description of managerial situation as a system.

The authors suggest using three classes of managerial situations: the first one is administrative and organizational class is described by administrative or organizational influence; the second one is organizational and behavioral class is characterized by behavioral influence and the third class is structural and systematic one is described by interaction between the parts and the whole integrated economic system.

The study of the first class was begun from the routine level. The basis of this class formation lies in the idea that management subject influence on the object is performed according to the management functions. Both subject and object are represented as some standard elements and the management subjects is fully informed about the object. The foundation of their interaction is purposeful activity resulting into the process of product creation. The subject has all kinds of information about the the surrounding environment of management object and the external environment. The activity of the integrated economic system is performed according to five universal management functions with the given aim and on the basis of regulating procedures and undivided authority. The integrated economic system functions according to the maximum labor division and being fully kept informed about the external environment it may assuredly be highly efficient. Taking everything that has been discussed into account the content of elements interaction in administrative and organizational class of managerial situation (routine level) is shown in Table 3.

Table 3. Elements interaction in administrative and organizational class of managerial situation (routine level)

	Management subject	Management object	The surrounding environment of management object	The external environment of management object and subject
Management subject		Subordinate on the basis of approved regulations	Neutral influence on the basis of regulatory documents	Neutral and constantly followed influence
Management object	Managing influence on the basis of approved regulations		Neutral influence on the basis of regulatory documents	Neutral and constantly followed influence
The surrounding environment of management object	Neutral influence on the basis of regulatory documents	Neutral influence on the basis of regulatory documents		Neutral and constantly followed influence
The external environment of management object and subject	Neutral influence on the basis of regulatory documents	Neutral influence on the basis of regulatory documents	Neutral influence on the basis of regulatory documents	

But real situation at first may not agree with the desired aims defined by regulatory procedures, at second the information about the external environment may be incomplete, at third the surrounding environment of management object may demonstrate opportunistic behavior preventing the management object from performing its functions. Thus, the universal set of rules and principles cannot guarantee the stable result any more.

In case of unpredictable changes in the environment and the surroundings of the management object it has to make independent decisions about its influence on the external environment (or surrounding). And as a result it starts to contradict management principles existing in the system.

We may conclude that this class of managerial problems appears on the basis of the contradiction between the universal ways of the integrated economic system functioning (labor division, undivided authority) and the question of authority delegation. Organization management has to change its influence on the environment, the surroundings, to adapt to changeable micro- and macro-environment in such situation. Here the necessity to

design changes strategy appears. The content of influence between the elements in administrative and organizational class of problem managerial situation is described in Table 4.

Now it's time to study organizational and behavioral class of managerial situations. The basis of them is the motivation mechanism which aim is to support human relationships inside the integrated economic system. The dependence between management style and its influence on productivity indexes and labor satisfaction is taken into account.

Table 4. Elements interaction in administrative and organizational class of problem managerial situation

	Management subject	Management object	The surrounding environment of management object	The external environment of management object and subject
Management subject		Subordinate influence but with changes (broadening) in authority to adapt to unpredictable influence of the environment and the surrounding of the management object	Unpredictable influence	Unpredictable influence
Management object	Managing influence on the basis of changed regulations		Unpredictable influence	Unpredictable influence
The surrounding environment of management object	Creation of compensating influence on the basis of changed norms	Creation of compensating influence on the basis of changed norms		Unpredictable influence
The external environment of management object and subject	Creation of compensating influence on the basis of changed norms	Creation of compensating influence on the basis of changed norms	Unpredictable influence	

Regarding what was written before the content of elements interaction in organizational and behavioral class of managerial situations (routine level) is demonstrated in Table 5.

Table 5. Elements interaction in organizational and behavioral class of managerial situation (routine level)

	Management subject	Management object	The surrounding environment of management object	The external environment of management object and subject
Management subject		Subordinate influence on the basis of motivation mechanisms	Neutral influence on the basis of regulatory documents reflecting motivation level of staff activity	Neutral and constantly followed motivating influence
Management object	Managing influence on the basis of motivation mechanisms		Neutral influence on the basis of regulatory documents reflecting motivation level of staff activity	Neutral and constantly followed motivating influence
The surrounding environment of management object	Neutral influence on the basis of regulatory documents reflecting motivation level of managers activity	Neutral influence on the basis of regulatory documents reflecting motivation level of staff activity		Neutral and constantly followed motivating influence
The external environment of management object and subject	Neutral influence on the basis of regulatory documents reflecting motivation level of managers activity	Neutral influence on the basis of regulatory documents reflecting motivation level of staff activity	Neutral influence on the basis of regulatory documents reflecting motivation level of staff activity	

While the integrated economic system functioning motivation factors may change being the cause of the contradiction between the existing organizational and behavioral system and the targeted one. This group of problems is connected with such components as attention to the personnel, loyalty, established communication.

Table 6. Elements interaction in organizational and behavioral class of problem managerial situation

	Management subject	Management object	The surrounding environment of management object	The external environment of management object and subject
Management subject		Subordinate influence but with changes (broadening) in motivation mechanisms to adapt to unpredictable influence of the environment and the surrounding of the management object	Unpredictable influence	Unpredictable influence
Management object	Managing influence but with changes		Creation of compensating	Unpredictable influence

object	(broadening) in motivation mechanisms to adapt to unpredictable influence of the environment and the surrounding of the management object		influence on the basis of changed norms
The surrounding environment of management object	Creation of compensating influence on the basis of changed norms, reflecting motivation level of managers activity	Creation of compensating influence on the basis of changed norms, reflecting motivation level of staff activity	Unpredictable influence
The external environment of management object and subject	Creation of compensating influence on the basis of changed norms, reflecting motivation level of managers activity	Creation of compensating influence on the basis of changed norms, reflecting motivation level of staff activity	Unpredictable influence

Such kind of situation as a rule can be characterized by the changes in the surrounding of the management object, in its social sphere. That is why this class of problems is mainly connected with behavioral peculiarities of the staff and is characterized by the high level of uncertainty.

Table 7. Elements interaction in structural and systematic class of managerial situation (routine level)

	Management subject	Management object	The surrounding environment of management object	The external environment of management object and subject
Management subject		Managing influence on the basis of system position	Neutral influence according to specific qualities of the surrounding environment	Neutral and constantly followed influence according to specific qualities of the external environment
Management object	Managing influence on the basis of system position		Neutral influence according to specific qualities of the surrounding environment	Neutral and constantly followed influence according to specific qualities of the external environment
The surrounding environment of management object	Neutral influence on the basis of regulatory documents reflecting management subject position in the system	Neutral influence on the basis of regulatory documents reflecting management subject position in the system		Neutral and constantly followed motivating influence
The external environment of management object and subject	Neutral influence on the basis of regulatory documents reflecting management subject position in the system	Neutral influence on the basis of regulatory documents reflecting management subject position in the system	Neutral influence on the basis of regulatory documents reflecting motivation level of staff activity	

The content of such interaction in organizational and behavioral class of problem managerial situation can be observed in Table 6.

The third class of managerial situations describes structural and system relationship in the integrated economic systems. The approach to the study of management subject and object as to system constituents allows to single them out, analyze and find out their position in the system.

The content of elements interaction in structural and systematic class of managerial situations (routine level) is analyzed in Table 7.

Table 8. Elements interaction in structural and systematic class of problem managerial situation

	Management subject	Management object	The surrounding environment of management object	The external environment of management object and subject
Management subject		Subordinate influence reflecting changes in management subject position in the system	Unpredictable influence	Unpredictable influence
Management object	Managing influence reflecting changes in management subject position in the system		Creation of compensating influence on the basis of specific qualities of the surrounding environment	Unpredictable influence
The surrounding environment of management object	Creation of compensating influence on the basis of specific qualities of the surrounding environment	Creation of compensating influence on the basis of specific qualities of the surrounding environment		Unpredictable influence
The external environment of management object and subject	Creation of compensating influence on the basis of specific qualities of the surrounding environment	Creation of compensating influence on the basis of specific qualities of the surrounding environment	Unpredictable influence	

The transition of structural and system managerial situations (routine level) into the class of problematic one is connected with contradictions between the parts (business-units) of the integrated economic system and its integrity. This class of problem situations appears when the unpredictable changes of the external environment and management object surroundings exist simultaneously with the implementation of restructuring policy of the integrated economic system itself or its components.

The content of elements interaction in structural and systematic class of problem managerial situation is represented in Table 8.

Thus, this research has studied the content of managerial problem classes causing the necessity of organizational changes implementation.

4. Discussions

The theoretical information system was elaborated. This system is the basis of decision-making support while implementing organization changes in the integrated economic system. It also links the content of organization changes in the integrated economic systems to the classes of managerial problems causing the changes and to the theoretical and methodological data of management.

Each class of problems causing organizational changes was analyzed from the point of view of the main

procedures of changes implementation. Also the reasonability of practical use of the instruments of theoretical management schools indicated in the research work was grounded and this allows to raise the validity of managerial decision-making.

5. Conclusion

The use of the integrated strategy in organization change management allows to solve global tasks of effective economic system development and design adequate changes strategy taking into account development trend. The integrated economic system studied as the object of organization changes allows to single out three classes of managerial problems causing the necessity of organizational changes implementation and to expose the structure and the content of info-system for decision-making process support in change management.

Suggested managerial approach to change management in the integrated economic system discovers new development trends in the theory and methodology of complex economic systems management.

Theoretical conclusions, methodical approaches and practical suggestions are directed at the broadening of methodological base of change management theory by the introduction of the generalized class of the integrated economic system. The instruments can improve methods of integrated economic systems design under the existing conditions of aims and resources limits for effective activity of the enterprises in national economy.

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