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**Article**

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## **Managerial Resistance to Change: Romania's Quest for a Market Economy\***

*Doina Catana, Alexandru Catana, Jim L. Finlay\*\**

*This exploratory investigation relates traditional theories on resistance to change to privatization of the Romanian economy. The authors identified several "inhibitors" which have served to stall Romania's attempts to achieve a free-market economy. While a lack of practical training in western-style management practices may be a limiting factor, Romanian managers are generally open to change. However, they are still deeply rooted in the thought processes instilled during Romania's command economy and a belief that the size and economic importance of their firms will serve as buffers against the "agents of change". To the extent that change is viewed as a threat to their personal interests, resistance can be expected. The question, "what is in it for me?", must be satisfactorily addressed if Romanian managers are expected to become active partners in implementing necessary changes.*

*In dieser Untersuchung wird dargestellt, welche Relation zwischen Privatisierungsprozessen in der Rumänischen Wirtschaft und klassischen Theorien über den Widerstand gegenüber Veränderungen besteht. Die Autoren haben einige "Hemmschuhe" entdeckt, welche Rumäniens Bemühungen um eine freie Marktwirtschaft behindern. Während ein Mangel an praktischer Erfahrung mit westlicher Unternehmensführung ein solcher hemmender Faktor ist, liegt doch bei rumänischen Managern eine prinzipielle Bereitschaft zu Veränderungen vor. Trotzdem sind sie noch fest verwurzelt im Gedankengut, welches zu Zeiten der Rumänischen Planwirtschaft herrschte. Insofern Veränderung als Bedrohung persönlicher Interessen betrachtet wird, muß mit Widerstand gerechnet werden. Die Frage "Was springt für mich dabei heraus?" muß berücksichtigt werden, will man die rumänischen Manager als aktive Partner bei der Umgestaltung ihres Wirtschaftssystems gewinnen.*

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## **Introduction**

In Romania, the rate of transition toward a market economy is dependent on managerial behaviour. In particular, the attitude of managers toward change and their vision related to the changes which their firms face. While resistance to change is a common response, it is not uniform. Research shows that it varies from one industrial sector to another and from one organisation to the next. Even when change occurs as a positive programmed response of an organisation to either internal or external environmental pressures, resistance can still surface. In these cases, it is often viewed as a negative response by either individuals or groups based upon special interests.

Regardless of the rhythm of reform in Romania, the market economy's shock has induced decisional stress and managerial anxiety. Some managers, particularly those employed in state-owned enterprises, feel uncomfortable when using the expression "managerial resistance to change". In response, the current study of 200 top-level managers has been designed to point out some of the aspects of this reaction.

In this study, the expression "resistance to change" has no political connotation but simply describes a negative response to the pressure for organisational and structural change. Lower or higher resistance to something new is a normal behavioural response. The economic, social, political and moral crisis currently faced by Romania is correlated with such a behaviour. It would be a nonsense to deny the existence of some resistance to such a major, unique change in Romania's national and regional history.

Secondly, this is not an isolated phenomenon but one observed in all market-driven economies. While the reasons for its existence vary, they are at least partially due to an accelerated rate of change in both the internal and external environments. Currently, managerial resistance to change constitute a central theme of management science and a highly relevant topic for empirical studies concerning managerial behaviour.

In order to more fully understand the most important variables which could increase resistance to change, the authors conducted an extensive review of the literature. This review revealed a number of empirical studies concerning employee resistance to change and a few which suggest that this phenomenon may be endemic in the organisation itself.

## **Literature Review**

Changes must occur if an organisation is to evolve and these changes will have an impact on employees at all levels of the organisation. While some of the effects of change will bring positive benefits and others will bear negative consequences, both will have an impact on the lives of employees and managers

alike. This personal dimension ensures that organisation change cannot be accompanied without encountering some degree of resistance.

### **Sources of Resistance:**

In their theory of structural inertia, Hannan and Freeman (1977, 1984) depicted an organisational environment in which change was difficult to achieve and dangerous to attempt. They argued that successful organisations are reliable and accountable and these characteristics are enhanced by institutionalised goals and routine behaviour. These very characteristics, which are so essential to corporate success, also serve to generate resistance to change.

In a recent interview, Douglas Wolford, the general manager of GE Internet Consulting and Services likened this phenomenon to the human immune system.

“A corporation, as a collection of individuals, is a living organism. As such, it has its own immune system – and any time the immune system identifies something foreign, it will isolate it. From there, it will weaken or outright kill the “invader”. When change is introduced into an organisation it can trigger that immune response, even if the change is good.”

Petrini and Hultman (1995) point to personal feelings as a primary factor which causes resistance to surface. They identified six factors which cause employees to reject change:

1. Personal needs are currently being met
2. Changes are perceived as making it harder to meet personal needs
3. Risk is perceived as outweighing benefits
4. Change is perceived as being unnecessary
5. Change is perceived as being mishandled
6. Change is perceived as “doomed to failure”

The findings of Petrini and Hultman are similar to those in an article by Gerald Graham (1997). While Graham argues against the “inevitability of resistance”, he does agree that changes will be accompanied by resistance when it causes economic loss, inconvenience, threat, or social disruption. This psychological dimension is also pointed out by Allen Fishman (1997).

In their article on the organisational culture in Romania, Wall, Catana, and Catana (1997) attribute psychological resistance to certain characteristics of the Romanian psyche. It is their position that Romanians, as a group, seek stability, fear uncertainty and avoid risk. Romanian managers tend to procrastinate and react to situations rather than taking a proactive approach to their environment. Long run planning is limited to a risk-free process of creating “daydream scenarios” which are unlikely to materialise.

Lally and Truell (1997) indicate that fear of the unknown lies at the heart of resistance and the concern which many employees face is job security. The perception of top management often is "what is good for my employer is good for me". Lally and Truell point out that employees often cannot grasp this concept, particularly when change requires them to abandon old habits, learn new skills, or accept alterations in the power structure. In fact, Schaefer (1998) argues that changes in an organisation's policies and procedures upset the power structure and increase the opportunity to influence activity.

While we generally associate this type of resistance with employees, managerial personnel can also pose barriers to change. Managerial resistance has been attributed to a variety of factors. Miller and Friesen (1984) and Tushman and Romanelli (1985) suggested that satisfaction with the "status quo" increased complacency and increased the resistance to change. Articles by Milliken and Lant (1991) and Miller (1994) both contend that this complacency is further increased by past managerial success.

Abbasi and Hollmann (1993) identified two factors as primary sources of managerial resistance. These were frustration in dealing with the new breed of worker and the impact of technology on the workplace. Spreitzer and Quinn (1996) found that resistance to change by middle managers was positively related to affect, self-esteem, social support. They also suggested that a lack of correlation between prior or current promotions and any of the dimensions of change sends a message to managers regarding the value of organisational change.

A number of researchers attribute resistance to a lack of understanding of the market. Sinkula (1994) argues that a market orientation provides strong norms for sharing information and also with reaching consensus on its meaning. In two studies, Slater (1995) and with Naver (1995) demonstrated a strong relationship between the behaviours exhibited by market-oriented firms and learning-driven performance outcomes. Taken as a group, firms which are consumer oriented are inherently more receptive to change.

### **The Impact of Resistance on Implementation:**

Research by a variety of authors has pointed to the potential of failure for projects involving a major degree of organisational change. Studies by Dervitsiotis (1998) and De Cock (1998), point to the high costs associated with the traditionally high failure rates of organisational reengineering projects.

Reynolds (1994) quotes a study by Gateway Information Services, a New York based consulting firm, which revealed a 70 percent failure rate for corporate reengineering and cultural change programs. This is mirrored in a study by Maurer (1997) which placed the percentage of success for reengineering at 33 percent and quality improvement at 50 percent. In an interview with Michael

Hammer, Moad (1993) reported complete success in only 30 percent of business process reengineering projects. Raymond and Begeron (1998), in an optimistic view of the situation, point out that 70 percent achieved some of their goals. While such a positive viewpoint is encouraging, the results still raise serious concerns as to the likelihood of success.

### **Implications for Eastern European Privatisation:**

The process of privatisation draws opposition from public employees in all economies. Eggers and O'Leary (1994) reported that this political process elicits resistance due to the perception that it entails massive layoffs. They cite a 1989 study of 34 city and county privatisation's conducted by the National Commission on Employment Policy which revealed a dislocation factor of only 7 percent. This is in line with similar information which they obtained from Massachusetts. During the early 1990's, the Governor of Massachusetts instituted a privatisation process which resulted in declines in public employment of 8.8 percent. While the cost-savings which result from these actions is highly attractive to tax payers, public employee unions see these losses as a threat to their survival and an erosion of their power.

With organised resistance to privatisation being such an important issue in the United States, one would expect that it would be even more deeply rooted in the controlled economies of Eastern Europe. As these nations abandoned their command economies and surged forward in their attempts to develop market-based systems, dislocations of the most extreme magnitude occurred. Scott (1993) reported declines in GNP from 1990 to 1991 which ranged from 11 percent in Hungary to 43 percent in Albania. The fall into total trade was even larger ranging from 15 percent in Hungary to 69 percent in Bulgaria. As with any planned change to which the majority of the participants are not full partners, resistance is to be expected. In Hungary, where the declines were 11 percent and 15 percent respectively, privatisation has proceed at "warp speed". Not surprisingly, the rate of movement in Romania, where GNP dipped by 19 percent and total trade by 55 percent, has been frustratingly slow.

Healy (1994) partially attributes the variance in rates of privatisation to popular resistance to change. He points to a widespread suspicion of Western management throughout Eastern Europe. This is particularly true in those post-communist societies, such as Romania, in which unionisation was extremely strong or where the old communist elite still exercised control. Nagy (1994) indicated that the communist elite still control leading posts in the new systems. The institutions which they represent are both rigid and highly resilient and within this structure, these individuals create resistance to increased competition, diminished state intervention, and increased efficiency.

Workers and managers alike have been susceptible to efforts to encourage their resistance. Scott (1993) points out that under state control the interests of management and workers were the only ones voiced within the political system. Without some sort of safety net to catch these individuals, resistance to privatisation is inevitable. These same thoughts are echoed in an article by Brada (1996) in which he attributes this reluctance to employees and managers at state-owned firms who fear the loss of power and income. Furthermore, they fear that private owners will reduce workforces and will not provide the social benefits previously found with state owned companies. This latter conclusion which was also been voiced by Rondinelli and Yurkiewicz (1996) in their study on Polish privatisation efforts.

### **Objectives of the Study**

Extensive research on resistance to change has been conducted over the last two decades. Since 1990, this has been broadened to include the issue of privatisation both in the United States and in those nations which are striving to develop market economies. The current study is one of the few to examine the existence of this phenomenon among Romanian business executives.

The objectives of this exploratory investigation were to identify the primary factors that cause resistance to occur and to isolate methods which make change more acceptable. To accomplish this task, the respondents were asked to identify: (1) the major "inhibitors" of managerial resistance within their firms; (2) the nature of managerial resistance to change; (3) causes of managerial resistance; (4) status – related motivators in opposing to change; (5) forms of resistance; (6) organisational areas less resistant to change; (7) how can resistance to change be demented; and (8) how can managers be more directly involved in the process of change.

### **Research methodology**

The current study, which was conducted in 1997, was based on mail survey of 200 top managers representing state-owned enterprises within the central-western portion of Romania known as Transylvania. Two types of firms were represented. Societati comerciale which are producers of goods and services and "regii autonome" or public utilities. These firms had an average employment of 1800 and annual sales of \$4,000,000 (U.S.).

The questionnaire was pre-tested on a micro sample of 10 managers. Particular attention was paid to the respondent's understanding of the questions and their interpretations of the variables. No problems were encountered with the underlying constructs and no major points of confusion were noted which would impact the validity or reliability of their responses. From 142 returned questionnaires (71% response rate), 14 were excluded, producing a data base

consisting of 128 valid responses. The profile of the typical respondent was male (92%), age 24 – 49 (62%), with at least one college degree (97%). These gender, age, and education levels are typical of the managerial force within government industries.

## Findings

The following tables summarise the responses from the respondents. The questions were closed end with varying response alternatives. The numbers reported reflect the percentage of managers ranking a particular response alternative as the most important.

### Structural Inhibitors to Change:

The data summarised in Table 1 were designed to measure the respondent's perceptions of the major driver of resistance to change. The answers suggest a direct positive relationship between each of these inhibitors and resistance to change. By combining the first two items, it is clear that the economic importance and size of the firm are viewed as the primary variables of the resistance to change (which, in fact, are inhibitors of change). A total of 63.4 percent of the respondents rated one of the two factors as a primary inhibitor of change. This suggests that the more important a company is to the national economy and the larger its size, the less likely its managers would be to view change as necessary.

A continued obstacle to creating a free-market economy in Romania has been that the privatisation of giant state-owned companies has been delayed much longer than in other Central and Eastern European countries. These data suggest that size alone may have been a determining factor in producing these delays. This finding supports those of Miller and Friesen (1984) and Tushman and Romanelli (1985).

*Table 1: Structural Inhibitors to Managerial Resistance*

Inhibiting Factors	Percentage of Responses
Relative economic importance of firm	35.2
Firm size	28.2
Opposition by lower levels of management	26.3
Union's power in company	9.1
Others	1.2



Of additional importance is the view of 26.3 percent of the respondents concerning the importance of middle and lower level management resistance to change. A finding that resistance by managers at these levels makes change more difficult to accomplish is supported by both Milliken and Lant (1991) as well as Miller (1994). This is particularly interesting since the respondents were all members of top management.

### **The Nature of Managerial Resistance to Change**

The data in Table 2 summarise the respondents' opinions on the nature of managerial change. The following research definition were established for these variables and were validated in the pre-test.

Education: seen as a measure of the manager's preparation for the position, this refers to the instruction or training through which individuals learn basic managerial skills

Professional: seen a measure of professional skills, it refers to the methods managers use to perform their tasks

Psychological: viewed as a measure of the manager's psyche, it refers to the mental and behavioural characteristics exhibited by mangers

The data appear to show no definitive position among the respondents with respect to the nature of managerial resistance to change. A total of 36.2 percent considered the resistance to the market economy's methods and techniques as being primarily professional in nature, with 32.4 percent selecting psychological and 28.9 percent educational.

*Table 2: The Nature of Managerial Resistance to Change*

<b>Nature</b>	<b>Response Percentage</b>
Professional	36.2
Psychological	32.4
Educational	28.9
Others	2.5

Taken as a group however, the data suggest that these issues could be representative of managerial competence. The inability of managers to feel competent to handle the ramifications of change would be a major barrier to adopting a vision for their firms to compete in a market driven economy. It is currently unclear if Romanian managers, particularly those whose careers have been associated with state-owned enterprises, fully understand the full meaning of management. As a profession, management is a combination of art, science, and expertise. In a market economy, the old ways of managing firms are no

longer workable and a full understanding of marketing, finance, and human resource management is essential for success.

While top-quality managers are a scarce resource in many nations, this is particularly true in Romania. Traditionally, this has been due to a lack of opportunity for training during the pre-revolutionary period. With the increased availability of training, it now seems to be more of an excuse relating to time pressures in acquiring the needed knowledge and the lack of financial resources for managerial training. Even with these constraints, the scarcity of competent managers must not be used as an excuse for maintaining the country's prior practices of appointing or maintaining managers according to their political status rather than their qualifications.

### **Causes of Managerial Resistance to Change:**

In order to obtain their personal perceptions of the organisational factors which impede change, the respondents were presented with the list of alternatives summarised in Table 3.

*Table 3: Causes of Managerial Resistance to Change*

<b>Causes of Resistance</b>	<b>Percentage of Responses</b>
<b>Attitude toward managerial responsibilities</b>	28.3
<b>Interpersonal skills</b>	20.4
<b>Adherence to formalised rules</b>	17.5
<b>Internal managerial conflicts</b>	11.2
<b>Organisational structure</b>	9.4
<b>Unions power</b>	9.2
<b>Others</b>	4.0

The data again seem to reveal a lack of commonality in the responses. The largest group of respondents, 28.3 percent, identified managerial mentality as the most likely cause of resistance followed by personal characteristics (20.4%) and bureaucracy (17.5%). These responses are consistent with the findings of Lally and Truell (1997) and seem to have a common thread since they are all intensely personal responses. The more objective reasons such as team atmosphere, organisational structure, and union claims were cited far less frequently. It is likely that these managers are still deeply rooted in these previous thought processes and are still strongly anchored in the patterns of a state-controlled economy.

## **Status-Related Factors Which Motive Managers to Resist Change:**

The data in Table 4 reveal a strong degree of agreement among the respondents on the motivators of managerial resistance to change. Over half ranked maintaining jobs, income, and relationships as a primary motivator of resistance to change. In addition, nearly ninety percent indicted that these motivators, combined with the decisional stress related to change would result in attempts to undermine the change process.

*Table 4: Status-related Factors Which Increase Managerial Resistance*

<b>Motivators of Resistance</b>	<b>Percentage of Responses</b>
<b>Maintaining the status-quo</b>	50.3
<b>Decisional stress associated with change</b>	36.3
<b>Lack of authority</b>	10.8
<b>Others</b>	2.6

Maintaining one's position and the associated income and relationships is a strong motivating factor in any economy. In Romania, where relationships with political and administrative authorities have been the source of personal welfare and social position, it carries a far greater significance than in a free-enterprise system. As reported by Brada (1996), this may be the major subjective factor, which has led to opposition of the new managerial mentalities and practices, which are taking hold.

The importance of decisional stress is indicative of a managerial environment in which individuals at all levels were accustomed to waiting until someone told them what, when, how, and for whom to do things. Centralised planning overwhelmed personal initiative, encouraged risk and responsibility avoidance, and increased the so bureaucratic pitfalls associated with decision making. One did not question the directives received so at each level, compliance with directives was assured. By changing this approach, managers see a threat to their personal lives and this concentration on personal interests exacerbates the authority crisis. Furthermore, they perceive that change is a threat to their image and fear the admission that they are not infallible.

## Forms of Managerial Resistance to Change:

*Table 5: Forms of Managerial Resistance*

Forms for Resistance	Percentage of Responses
<b>Inertia</b>	36.2
<b>Fear of change</b>	24.6
<b>Non-involvement</b>	20.4
<b>Indifference / hostility toward change</b>	10.8
<b>Others</b>	8.0

The data in Table 5 reveal a more definitive perception among the respondents. The largest percentage of those reporting, (36.2%), identified inertia as being the most important form of resistance. This was followed by creating fear of change (24.6%) and lack of personal involvement (20.4%). The three main forms of resistance reflect a mindset in which the willingness to change is anathema.

Some managers mask their resistance behind a façade that while they are willing to change, it is simply too costly, unrealistic and too risky for the future of their firm. Still others delay the change with excuses such as “don’t have the needed experience”, or “we should find our own way to achieve this”. This form of resistance is more difficult to overcome since it is hidden behind a false acceptance of change. This is consistent with the contentions of Wall, Catana, and Catana (1997) and suggests that the prevalence of these attitudes at governmental and managerial levels have contributed to delaying the process of privatisation.

## Receptiveness to Change Within the Organisation:

The authors also attempted to identify those areas of the organisation which are perceived to be friendlier to change and where resistance would be less intense. The data, which are summarised in Table 6, clearly reveal that the previous findings about personal fear, need for personal incentives, and resistance to loss of control make the personnel area least receptive to change (19.5%). This is consistent with the findings of Petrini and Hultman (1995) and Graham (1997) and further underscores the importance of the “human factor” in the equation of change.

When the data as a whole is considered, the fact that changes in organisational structure (44.6%) and technology (35.6%) are perceived by the managers the easiest areas to instil change is not surprising. Given the findings on human resistance, acceptance on changes with less of a “personal dimension” is not surprising.

*Table 6: Organisational Areas Receptive to Change*

<b>Area most receptive to change</b>	<b>Percentage of responses</b>
Organisational structure	44.6
Technology	35.9
Human resources	19.5

### **Facilitating the Acceptance of Change**

If change is to occur in an environment of fear and mistrust, the implementers must be cognisant of the means for bringing about acceptance. In Table 7, the data show the approaches which our respondents indicated as being most effective in gaining compliance and avoiding obstruction. The largest group of respondents indicated that the mentality of managers must first be altered for change to be accepted. In addition, 25.3 percent indicted the need for an emphasis on performance. Both of these are educational issues and the fact that nearly one-third of the respondents identified these as major factors (see Table 2) suggest that learning may be the key to this dilemma. Through the adoption of a new mentality toward managerial tasks and by training employees to respect performance, organisations in Romania have a greater chance of success in implementing needed reforms.

*Table 7: Facilitating the Acceptance of Change*

<b>Means for facilitating the acceptance of change</b>	<b>Percentage of Responses</b>
Change mentality toward management	37.5
Create respect the performance	25.3
Strategic diagnosis of the company	18.2
Training a team to induce change	11.1
Designing a plan for the change	7.9

These responses reflect an often-voiced opinion in Romania: “We have changed the system, but failed to change the people.” What these data suggest is years of socialism have created a critical need for education to bring about changes in the thought processes of managers and employees in state-owned firms.

### **Involving Managers in the Process of Change:**

Having gained the perceptions of respondents to the organisational areas that are perceived as most receptive to change, and the means facilitating the change

acceptance, the authors proceeded to gather their impressions of the best methods for achieving managerial involvement. The findings are presented in Table 8.

*Table 8: Methods of Involving Managers in the Change Process*

<b>Methods of involvement</b>	<b>Percentage of Responses</b>
Persuading managers about the necessity of change	33.4
Managerial control of the reward process	27.1
Monetary incentives for managers	20.1
Punishment	12.6
Managers involved in govt. decisions	6.8

The data in reveal that while it is critical that the necessity for change be impressed on those involved (33.4%), personal factors cannot be discounted. The respondents clearly stated their perception that managerial control of the reward system (27.1%) and direct monetary incentives (20.1%) are critical concerns. The latter item was mentioned previously by Rondinelli and Yurkiewicz (1996) and suggests that the traditional response, “what is in it for me?”, must be addressed if managers are expected to become active partners in implementing necessary changes.

## **Conclusions and Implications**

Although this study was exploratory in nature, a number of important preliminary conclusions can be drawn from these data.

1. The relative economic importance and physical size of the firm are viewed as the primary inhibitors to change.
2. Managers are still deeply rooted in their previous thought processes and are still strongly anchored in the patterns of a state-controlled economy.
3. Managers perceive change as a threat to their personal lives and this concentration on personal interests exacerbates the authority crisis.
4. Preservation of personal status appears to be a strong motivating factor. Managers fear that privatisation may lead to the creation of a new management team.
5. The most important forms of managerial resistance to the transition from a controlled economy to a free-market are inertia, creating fear of change and non-involvement.

6. Changes in “non-human” areas such as organisational structure and technology are more likely to gain acceptance than those in the area of human resources.
7. Adoption of a new mentality toward managerial tasks and training employees to respect performance are essential if Romania firms are to implement needed reforms.
8. The question, “what is in it for me?”, must be addressed if managers are expected to become active partners in implementing necessary changes.

### **Need for Further Study:**

An extremely interesting finding which deserves further study is the source of resistance within the managerial hierarchy. Although all of the subjects chosen for this study were members of top management, over one-fourth identified lower-level managers as a key impediment to change. A logical extension of this work would be to obtain responses of managers at various levels of the organisation and compare them for consistency.

Another highly interesting avenue for further exploration would be to compare the attitudes of managers by demographic factors, such as gender, religion, education, and cultural and political backgrounds. This would allow future researchers to isolate those perceptions, which have been created by a historical or cultural perspective and those which are related to personal protection. The need for further study is underlined by the current government's inability to accomplish full privatisation of Romania's “economic giants”. Only with full knowledge of the factors, which created resistance to this goal, can success be expected.

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