
ORGANIZATIONAL CHANGE STRATEGIES FOR DEVELOPING SUSTAINABLE BUSINESS

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Abstract

Organizational change along the sustainability agenda outlines a managerial and policy dilemma that needs strategic goals with advanced implementation and international responsibilities. The present study investigates the integration of organizational change strategies in the economic cycle of an organization so as to develop sustainability in the long run that is a ground-breaking strategic factor, since the challenge of sustainability will restructure the corporations' competitiveness. This paper is aimed at outlining and refining the importance of integrated business models including organizational-health assessments, benchmarks and value-captured models that can help analysing and applying the best optimization of the required businesses. The objective of the study is to examine the importance of sustainability of innovative strategies in order to support the hypothesis that organizational change has a major role on their long term competitive advantage. The methodology is following an empirical research outsourcing qualitative and quantitative methods that are foremost realization for distinctive sustainability. The case study shows that all gathered data imply integrated business models and determine the demand for organizational change strategies. The results demonstrate that the top competing factors ensure successful organizational change, since transformational strategies are interrelated with the organizations' objectives.

Keywords

organizational change, transformational strategy, sustainable business, competitive advantage, business models

JEL Classification

M16

Introduction

Managing organizational change has a gap between innovation management and sustainable business progress, thus innovation strategy has become the vital opportunity of the world

largest economies to transform and re-shape their business models, since information flow, financial policies, social norms, new targets and Information Technology (IT) challenges are constantly changing and developing.

There is a great deal of literature regarding large-scale organizational change, as Kiesner & Baumgartner (2019) present, the majority of changes continue to fail (around 70%), simply because they do not maintain a forceful organizational strategy system to be sustainable on the market. On the other hand, Bucy et al. (2016) state that in successful organizational change not only senior leaders but also frontline employees are engaged intensively. Corporations need to build commitments to a set of aspirations, as organizational change is a holistic, top-priority undertaking that requires agility from each member of the executive team to complete the full prospective of a business (Lindsay et al., 2018). While every innovation strategy requires change, not every organizational change strategy follows innovation. Accordingly, not every time the implementation of organizational changes is seen as opportunities, hence top-management teams handle them frequently under the topic of risk management.

Therefore, as Borden et al. (2018) present, the role of the Chief Transformation Officer (CTO) along with the Chief Strategy Officer (CSO) within the Program Management Office (PMO) is to develop business models, to build new assessments that are essential for the initiative to be sustained, to create full potential and drive the change across the business in order to grow the organization sustainable and the transformation to become booming. According to Takacs (2018), the CTO and CSO should report the executive team's progress to the Chief Executive Officer (CEO) and together they have to form the transformational mind-set, the convention of realizing value, place that value to the bottom line and apply the strategic decisions.

Consequently, the study of McKinsey & Company (2017) is extended by the author, which claim that provided organizations can build a bridge out of expertise towards new perspectives, they will always be sustainable in the long run, because change management offers the corporation a motivating element. In order to revenue sustainable progression, the CEOs together with the CTOs must track the bottom-line impact of advantages to establish a performance infrastructure business model to steer the company and to employ the right decision for successful growth. The theoretical framework is based on the previous studies with the aim of revealing the underlying strategies applied in authentic business models, providing answer to the theoretical hypothesis, and presenting existing findings with data analysis. The purpose of this research is to determine the procedure of strategic management by creating adaptable organizations, as well as ascertain the focus of the innovation management and its objectives to the right market. In order to prefigure the best organizational change strategies, the empirical research has been focusing mainly on the recent time-frame 2015 – 2020. The conclusion section summarizes practical applications of the research results and tangles possible future research questions.

Theoretical framework

Change strategies within an organization are complex, thus several interpretations can be found in the literature. According to McKinsey & Company (2017), the hallmarks of a true transformation strategy are disruption, friction, and change that are undergoing an essential improvement of the corporation's business model. A well-defined organizational change strategy empowers the company to plan a successful business with an emphasis on the roles and responsibilities of the front line, as well as a strategic method to talent management in order to match its competitive factors. Corporations must focus on continuous improvement, create clear accountability based on Key Performance Indicators (KPIs), attain strong leadership, and sustain an effective program-management structure by thinking about sustainability from the very beginning of the whole process.

Furthermore, sustainability of a corporation derives from the holistic change of organizational health, namely the mind-set of the employees and the organizational culture or behavioural

change. Change management can be used effectively to deal with organizational change strategies and radically improve business models after having analysed capital productivity, cost efficiency, operational effectiveness, customers satisfaction, sales excellence and top-line growth.

As Takacs (2018) states, the vitality of innovation management creates change management, therefore leaders of a company should focus on a user-centred strategy business model to outperform their competitors in a systematic way to achieve demonstrative commitment, determination, cultural shifts, research, partnership, inventiveness and enhancement, as can be seen in Figure no. 1:

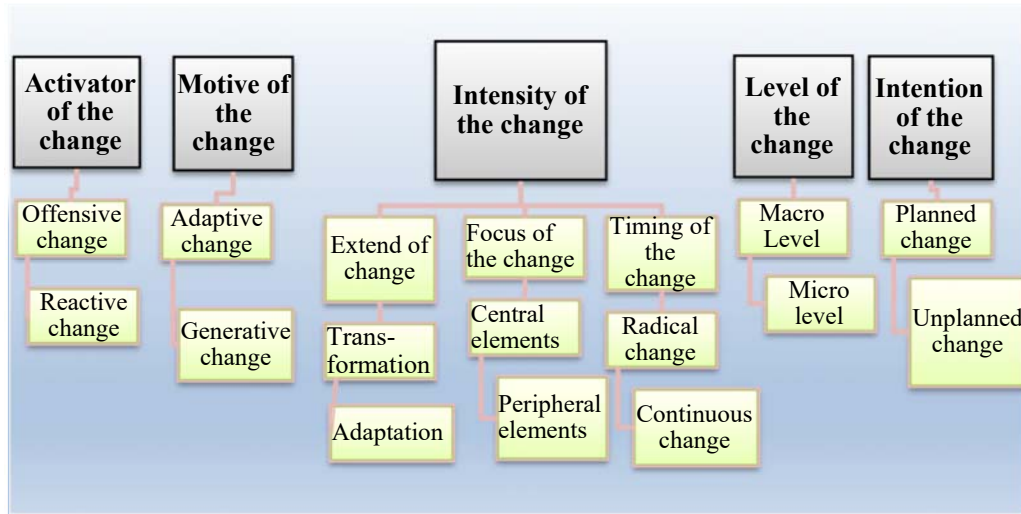


Fig. no. 1 Classification of Change Management

Source: author based on Weber, G., 2017. *Sustainability and Energy Management: Innovative and Responsible Business Practices for Sustainable Energy Strategies of Enterprises in Relation with CSR*, Springer Gabler, Wiesbaden

Change management also ensures organizations innovative and agile thinking, applies effective procedures and offers the best optimal results of the organizational change process. Identifying the strength and weaknesses of the organization, CTOs must recognize their potentials, so as to be evaluated in the production, research & development, finance and Human Resources (HR) departments and to analyse the strategic and operational targets in line with the objectives of the corporation. Conclusively, the proper implementations need to be applied by the top-down management, nevertheless their performance improvements can be practiced by the executive team that must meet the standards of social and methodological competencies.

Empirical Considerations on Incorporated Business Models

Organizational change based on Business Models (BM) is the most powerful driver with the function of bridging the gap between strategy and sustainability. According to Doll and Eisert (2015), BMs maintain market leadership and assure corporations' competitive advantage in case organizations continuously and systematically improve their BMs.

The five principles of BMs:

- 1) *Business Models as an Instantiation of Strategy* – represent the strategy, forming it illustrative, substantial, understandable, and eventually implementable after the conventions having been verified;

- 2) *Business Models as a Management Framework or Decision Models* – the traditional elements of analysis can be replaced, offering a management framework to share the business logic and collaboration in order to develop the best optimization;
- 3) *Business Models as a Structural Approach* – the segmentation of BMs stipulates a complete view joining external and internal aspects;
- 4) *Business Models as a Common Ground* – the transformation of simplicity, tangibility and proximity make BMs extremely powerful that also improves collaboration;
- 5) *Business Models as an Organizational Link* – connect different organizational levels, *i.e.* the higher-level business model will be decomposed into the lower-level models or the lower-level model can be improved into the higher-level model.

The five principles of BMs can be implemented in different case studies from the development of business ideas to the examination of unsuccessful businesses or simply optimizing the successful BMs. In addition, they can be used as a toolset of methods and can be combined in multiple ways in order to satisfy the requirements of each business context. Consequently, BMs are always transformational and not static in nature, they can be developed and implemented according to four phases with the aim of an ongoing optimization:

- [1] *Analyse & Improve* – analyse customer needs, competitors, key activities, partnering options and improve value proposition to increase unique aspects
- [2] *Challenge & Change* – different BM options can be combined and/or multiple, potential BMs could be developed, *i.e.* interaction between suppliers and customers should be also taken into consideration at this phase
- [3] *Test and verify* – assumptions derived out of the BMs regarding customers' needs should be tested and validated at the very beginning with the help of Minimal Viable Product (MVP) concept through the Build-Measure-Learn cycle
- [4] *Evaluate & Decide* – BMs must be evaluated qualitatively and quantitatively through a double prism: impact vs. ease of implementation, and revenue potential vs. costs and risks (*e.g.* a BM roadmap by creating value)

Overall, business models can be systematically developed, optimized and validated in order to establish a powerful driver of competitive advantage that assures economic viability. Accordingly, the empirical research was analysed by the author to disclose the innovative factors lying behind the organizational change strategies and their influence on business practices towards developing sustainable business policy.

Research objectives and Methodology

This study offers valuable insights on how threats and opportunities consolidate senior leaders' decisions, following an empirical research outsourcing quantitative methods based on 60,000 survey responses that are foremost realization for distinctive sustainability when they are complying the demands of internal and external market conditions, *i.e. How could organizations adapt to change to remain in the competition and outperform their competitors?* Successful companies after revising their present standpoint, do incremental upgrading yearly in order to stay ahead of the competition, by continually responding to change and taking practical risks to support the analysis of innovative factors. The job of the CTOs is absolutely essential in the whole process of organizational change by creating value for the organization, including top and bottom line, capital expenditures and working capital. Accordingly, rapid execution of immediate opportunities can be accomplished by cross-functional decisions in the following stages answering to the following questions: *What to change in order to solve the challenge of sustainability?* and *How and why to change existing mind-sets?*

Table no. 1 Organizational Change

What to change?	<ol style="list-style-type: none"> 1. Independent diligence – establish the trajectory and full potential of the business using an investor style 2. Bottom-up planning – develop transformation plan – initiatives and financial projections 3. Implementation – launch a full-scale effort to drive value to the bottom line
How to change?	<p style="text-align: center;">RAPID EXECUTION</p> <ol style="list-style-type: none"> 4. Change management – take tactical action to change the mind-sets and behaviours necessary to sustain the transformation 5. Performance infrastructure – put in place the people, process, and tools to ensure superior execution and value delivery to the bottom line
Why to change?	<ol style="list-style-type: none"> 6. Performance-management process – change and create strong incentives for all the team regardless of their position 7. Holistic change – organizational health and culture

Source: author based on Bucy, M. et al., 2016. The 'how' of transformation. McKinsey & Company, pp.1-7

One of the most important phase within the organizational change is performance infrastructure, which supports communication and coordination on the executive-level alignment warranting superior execution and value delivery. It is very important to observe that a slow organizational change is an ineffective transformational process. In addition, following a 'personalised' business model is central for a corporation, as a focal strategic priority ensures companies transforming theoretical strategy into practical accomplishment. Another important fact is that besides the *what* and *how* questions the *why* was also investigated in the process of performance management, since not only the organizations must be redesigned but also the employees. The first step is to create a positive vision of the future; the second step is a reinforcing mechanism, *i.e.* set and monitor targets; the third step is to teach and learn skills and the fourth step is role modelling.

Therefore, an example business model would be the Management Entwicklung and Research (MER) model, which is one of the most well-known models recognized among the academic and professionals relying on integral management, *i.e.* a multidimensional consolidation of organizational governance. Business policy revises the strategic goals of an organization including its vision, mission and purposes that can be incorporated directly in the management processes with the decisions of CEOs and CTOs.

The research methodology also follows qualitative methods, which involves interviews based on the Corporate Sustainability Barometer from Leuphana University Lüneburg on the largest German companies focusing on the top management and roles of organizational change, motivation and drivers behind BMs implementation and sustainability approaches.

The research shows that seven successful key factors were followed to implement and sustain organizational change, nevertheless the top implementers are more than three times likelier to implement and sustain change in their organizations provided they plan for long-term sustainability from day one. Additionally, they can stay further ahead their competitors in

effective program management with their core capabilities, since skills management has a vital impact on the organizational change, as can be seen in Figure no. 2 below:

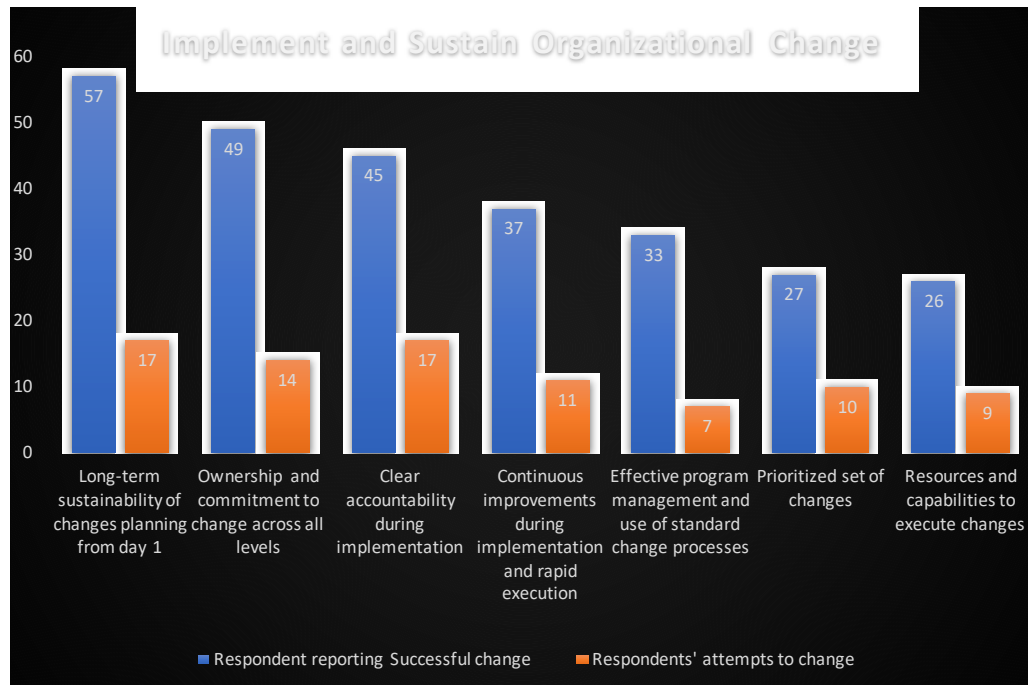


Fig. no. 2 Implement and Sustain Organizational Change

Source: author based on McKinsey & Company 2018. *How the Implementation of organizational change is evolving*, pp.1-8

Overall, confirming consequential change and consenting employees to improve and refine new solutions continually, the success is more than four times likelier of the corporations.

Research Results

Kiron et al. (2017) conducted an eight-year study, based on 60,000 survey responses and 150 interviews with executives and senior leaders on the integration of corporation sustainability into business strategy. Some of the negative impacts of sustainable business strategies were because of lack of expertise and short-term perspectives, since only 48% of the CEOs engaged with sustainability and around 30% of the boards had supervising roles in sustainability, though 86% of the respondents admitted that the board should have a strong role in integrating sustainability into the corporation.

According to the respondents, three important practices are also contributing to the successful management of the organizational change:

1. Communication – the desired outcome should be communicated prior to its inauguration
2. Prioritization – prospective ideas have to be clearly prioritized before its implementation
3. Expertise – employees with most relevant expertise should develop the business case and not necessarily the PMO

The McKinsey Global survey (2017) presented that 84% of the respondents admitted that their CEOs and senior leaders are deeply engaged, about 94% in the process of change management. The involvement of the frontline employees was 73% and their line managers

82% that could lead to a successful transformation. According to the survey, the corporations' success also relies on improving organizations' performance and bestowing corporations with sustained, long-term implementation. Thus, the role of PMO was involved in 76%, while the contribution of the leaders of the transformation initiatives were 89%.

The organizational change based on the performance management process showed that the change is 5.8 times more likely to be successful if the CEOs communicate a high-level change story, as well as 6.3 times more probable when senior leaders share associated messages about the change effort with their colleagues. In addition, the PMO has the utmost impact on successful organizational change when they identify possible blocks to change and share knowledge, on the other hand the senior leaders take full ownership of their individual initiatives that are delivered into the forecast, putting value to the bottom line.

29% of organizational change is successful when senior leaders replace uncommitted employees, compared with 6% when leaders keep employees in their last position. In the previous case, an important factor that leads to success is to improve cultural shifts within the organization, by bringing in new talents or reposition staffs internally.

The survey results also revealed that respondents have on average rated organizational units as promoting for sustainability implementation, or at least as being neutral to it, thus the following steps were followed to support successful organizational change:

1. Show progress to the front line – communicate creatively to stimulate progress with regular surveys, measure cultural pulse, determine milestones and potential changes to be made
2. Involve HR as a strategic partner – HR leaders are less critical to the outcome of organizational change, thus their function should be strategically positioned at the centre of change and not just having a role in change. This way the HR can put into practice its expertise to recruitment and talent development by adding value to the new strategic workforce-planning tactics
3. Involve employees through new channels – the use of social media and live-feedback complements the information flow from top to bottom lines providing regular updates on the process of change management
4. Performance management – monitoring KPIs during organizational change the success is four times likelier
5. Training employees to use digital solutions – having determined clear processes to business units and mastering the implemented solutions, the success is more than three times more probable

To sum up, successful organizational change strategies also involve better frontline strategies in the change management outfitted for sustained performance. To advance productivity CEOs have to inspect new ways of working, according to state-of-the-art technology, that need new skills alongside the middle and top leaders of the corporation to face the science of change and implementation.

Conclusions

The focus of this study was to highlight the influence of organizational change strategies on sustainability along with business models. There is no general applicable formula that each corporation can use alike, however there are useful optimized business models that can be taken into consideration from successful companies when devising personalized business models and implementing as well as sustaining organizational change.

The recent emphasis on sustainable business models needed to be complemented by in-depth analyses of organizational change strategies that provided insights to the theoretical domains through the academic model, thus the case study meant to be a contrastive analysis connected to the methodology of research. The theoretical framework was based on recent studies

comprising the last four years with the purpose of revealing the role of the executive teams in creating the most boosted business models. The mind-set of the CEO and of the whole corporation is ultimately what distinguishes organizations in a high-change market leadership versus those competitors who fail at the end of the performance management process. In conclusion, organizational change strategies are invaluable skills that can be developed within the corporations. The present research shows new approaches, deep scientific expertise and particular aspects of business models when planning innovative strategies highlighting the importance of change management that leads to the growth of competitive and sustainable strategic management, leaving room for future academic and practical expansion.

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