

# GLOBALIZATION AND CHANGE MANAGEMENT

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**Abstract.** *Bringing forward the concepts of globalization and cultural management is no longer surprising nowadays. The organizations' concern for performance led frequently to adopting some strategic options that go beyond the national space of origin and rely, to a greater extent, on the globalization phenomenon of production, market and capital. The success, under these circumstances, is conditioned, to an impressive extent, by the cultural context and by the managerial competence of capitalizing the aspects that result from this diversity of values, customs, beliefs and local traditions. We will analyze in the present article the process of internationalization that involves more and more companies, the difficulties generated by the cultural differences existent in the host countries and the importance of their integration in the strategic choices of the successful economic organizations.*

**Key words:** cultural management, globalization, human resources, management of change, managerial competencies.

## 1. Introduction

Change is a coordinate of the present moment. The organization and its management cannot be left out of this reality. On the contrary, they have to adapt and sometimes become responsible for the initiative. A deeper analysis reveals that changes are not to be considered good or bad. However, one can state that the way in which they are implemented and governed is crucial to the clients and the members of the organization.

Organizations are confronted with two sources of pressure favorable to change: *internal* sources and *external* ones, respectively.

Among *internal* sources, one can take into account the following aspects: low productivity, conflicts, strikes, sabotage, absenteeism, fluctuation. Those are factors that managers might consider indicators of necessary change. Most often, internal sources which become problematic are actually an answer to organizational change that is meant to face the external environment. Therefore, aiming at becoming competitive, organizations might adopt decisions (of merging) which consequently lead to conflicts between the cultures of the merged organizations. Conflicts stimulate new changes, which had not been anticipated at the moment of merging.

In nowadays organizations a significant part of change is governed by top-management and involves consistent strategy transformations. The entire organization is often affected and employees' family values are brought into discussion.

## 2. Areas and Stages of Change

In theory, organizations can change any operational aspect they choose. However, taken into account the fact that change is a broad concept, it becomes useful to identify a few specific areas in which transformations may be encountered. The factors that need to be changed depend on a well informed analysis regarding internal and external forces which indicate the necessity of change. Among these factors, one may encounter the following:

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- *Objectives and strategies.* Organizations frequently change objectives and the strategies they use in order to accomplish them. The extension, the insertion of new products and the search of new markets represent changes of this sort.

- *Technology.* Technologic changes may vary from minor (employees' access to a new computer equipment) to major (replacing a rigid assembly line with a flexible production system).

- *Designing the job.* Organizations may redesign individual jobs, so that they offer autonomy, identity and significance to a greater or to a lesser extent.

- *Structure.* Organizations may switch from a functional form to one focused on the product, or the other way around. Similarly, the degree of formalization or centralization, the elevation of organizational structure, or the areas of control may be changed.

- *Processes.* Basic processes that underlie the activity may be changed. The stages of a project, for instance, may be designed as simultaneous or sequential.

- *People.* Changes brought about in this area aim at two directions: the structure of personnel, by means of revising the employment procedure, or the range of skills and attitudes, by means of different training methods.

However, the listing of all these areas in which change may be brought about forces us to make the following useful clarifications:

- Change in a certain area may involve changes in other fields. The inability of identifying the nature of change may generate serious trouble.

- Changes regarding objectives, strategies, technology, structure, processes and job design always require that the organizations focus their attention on the way people are affected and transformed in this context. Before implementing change, necessary skills and positive attitudes should be fostered as much as possible.

Regardless of the area in which it takes place, the process of change involves three fundamental stages:

- *Thawing.* This occurs when the current state of affairs is perceived as unsatisfactory. It is mostly stimulated by crisis situations (a dramatic sales drop, an unexpected strike).

- *Changing.* It takes place when a plan or a special program is implemented in order to create a better climate for the organization and its members.

- *Refreezing.* This is the situation that occurs after change and the aim of which is that the new behaviors, attitudes, structures undergo a process of refreezing, that is that they become permanent. At this stage, the efficiency of change may be evaluated and a potential plan of future extension may be generated.

### 3. Globalization and Cultural Management

The necessity of an intercultural management became imperative under the pressure of globalization, more precisely, under the pressure of the following factors:

- a) the capital movement;
- b) the growth registered in the developing countries;
- c) intensification of trade exchanges and,
- d) the setting up of global organizations.

The role of each factor mentioned above can be developed as it follows:

a) *The capital movement:* one of the most important phenomena in the world's economic landscape in the past twenty years is the intensification of the capital movement. Tempted by the possibility of obtaining very attractive incomes, the investors are ready to modify their strategies according to the opportunities or to the risks that they identify.

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The movement of financing the economies does not remain without influence on the macroeconomic balance and on the companies' activity, on the exigencies of the shareholders or on the strategic orientation of the firms and on their functioning.

It is obvious that the financial dimension of the globalization has a significant impact because the capital flow feeds the economies of the less developed countries, providing them with abundant resources, but creating an important risk induced by the volatility of these movements.

*b) The economic growth:* confronted on their own markets with a relative saturation of the demand, the companies in the developed countries search for new markets in the developing areas. There are activity fields (chemistry, pharmacy or communications) in which the growth of certain fixed costs (especially the investment level and the cost of research – development) requires an expansion of the market and represents in fact an urge to globalization.

*c) Intensification of trade exchanges:* The development of the trade exchanges is another visible and measurable aspect of globalization. This is largely due to the lack of regulations, to the progressive decrease of the protectionist barriers (even in the activity fields previously protected, such as the energy or the transports) and to creation in many geographical regions of free trade areas. The movement was encouraged not only by the relative decrease of the transport costs (however this information should be examined carefully, taking into account the recent awareness of the energetic problems), but also by the progress of the information and communication technologies that support a distance management in real time.

*d) The setting up of global organizations:* The global organization is characterized by its transnational dimension (it organizes its activities according to the advantages of various geographical areas where it functions) and by the concern for proposing a commercial offer as homogenous and standardized as possible, so that it benefits from the advantages of the mass economy in production and communication fields.

On the one hand, the globalization phenomenon finds its justification in the necessity of implementing pluricontinental strategies that have more benefits than the strategies focused on only one continent: the market expansion, the economies of scale, the reducing of the fixed costs, the decrease of the conjuncture risk (a smaller increase in a certain area can be compensated by the dynamism of other areas). On the other hand it is justified by the will of participating to a competition battle on the territory of other producers.

The expansion of the companies' strategic horizon to a world scale exerts a double urge to taking into account the intercultural aspects. Therefore:

- the conception of the products cannot be done anymore without taking into consideration the consumption habits and the local behavioral norms;
- the implementation in other countries, involving either a modality of external expansion or the acquisition of a local company, forces a globalizing company to understand the culture of the host country. No matter what are the juridical forms, the management style, the process of decision making, all the dimensions of the management and organization are influenced by the totality of values, rites and norms that the company has to understand and analyze, if not to integrate.

It is worth remembering the fact that the problem is even more important when the economic culture of the host country seems to be more different from that of the internationalized company. Any internationalization project has to be carefully managed so that the specific cultural elements should be taken into account for each step. The implementation of a company in the emerging countries or in the transition countries can be associated with the modernization process of the production system and with the systems of professional relationships as well. There is no error risk if we state that the modalities of implementation

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differ from one geographical area to another. The social context is not identical and the institutions, when they exist, do not play the same role.

Various methods of improving the cultural management are based upon G. Hofstede's works that offer an important clarification and that propose four indicators that help describing the cultural profile of different countries:

- IND: indicates the relation that exists in the national culture between the individual and the collective responsibility.
- MAS: points out the relation between the masculine values (including the material dimension, the self assertion, the need for power) and the feminine values (relatedness, work quality, use of emotions and intuition).
- PDI: this indicator shows the way the hierarchical distance is perceived and accepted.
- UAI: this indicator measures the risk-oriented attitude and the acceptance of the incertitude.

Taking into account these indicators, several studies were carried out that allowed the characterization of national cultures and served as basis for establishing the strategic behaviors of the companies. It is obvious that the cultural differences can create difficulties, important obstacles for the functioning of the international organizations. This happens especially when we face:

- *the ignorance or indifference* of the managers as regards the cultural data that do not have a place in the organizational management;
- *stereotypes* in interpreting the information and events taking place or,
- *ethnocentrism* that generalizes the qualities of a cultural model and that requires that everyone should obey it.

The influence of the indifference, of the stereotypes and of the ethnocentrism is more harmful especially when these behaviors belong to representatives of the countries that are the most developed from an economic point of view. The real or presumed arrogance of the foreign investors can be interpreted on the local level as a humiliation. This could explain the increased number of practical guides for cultural management that indicate behavioral norms specific for situations when the cultural differences are significant.

The existence of cultural differences implies:

- *an analysis* that can favor their identification and,
- *an evaluation* that points out the elements of differentiation.

The integration of the cultural differences does not mean absorbing or eliminating them, but taking them into account, as an integrant part of the management, of the organizational and managerial choices, of the strategic choices. Sometimes, the organization is very interested in preserving most of the local characteristics that can be seen as a genuine advantage, sometimes it will focus on solving the potential conflicts that can occur between the local cultural features (derived from the national, regional and organizational culture) and the features it wants to promote for sustaining its economic and commercial performance. We often assist to a pragmatic approach that reveals a strong will of tendency towards "*domestic*" *functioning norms*. In order to achieve this, it is necessary to act on several levels:

- First of all, as regards the "invisible" elements of management, i.e. the informational and control systems.

The financial integration represents the first step of the process because it allows an immediate and distance supervision of the essential management parameters. The work of financial integration and its corollary, which means the harmonization of the systems of

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information and control, are obviously not neutral, because the modifications involved contribute to the structuring of the internal behaviors.

The local actors are thus indirectly urged to adapt their behavior in conformity with the norms desired by the company.

- Then, the integration regards the general organization as well as the organization of the operational and functional departments. All the big companies have organizational “models” that they tend to reproduce because they represent an essential basis of their performance and facilitate decisively the activities’ progress.

The homogenization of the organizational forms, either of the general structure or of the structure of different departments, takes place logically and it is a necessity imposed by the harmonization of the systems of information and control.

The rhythm and the intensity of the organizational changes depend on the dimension of the cultural differences.

There is no doubt that the main error of the intercultural management consists of thinking that certain organizational forms are compatible or incompatible from the cultural point of view in certain local contexts. Yet, if we notice the spreading of the main organizational forms (*taylorism, fordism, toyotism*), we can draw the conclusion that the cultural obstacles raise problems only when passing from one model to the other.

- Finally, the integration regards the human management under its different dimensions: as a way of exercising the authority, social policies (jobs, salary, training, career management), professional relationship, internal communication, etc. As regards the key aspects of the management, it is worth mentioning again the same remark we have already formulated: organizations can tend towards coherent patterns to harmonize the differences and maintain the local specificities that can contribute to achieving the performances.

The whole art of “intercultural” management will consist:

- on the one hand, of proving the voluntarism by specifying clearly the objectives and the organizational patterns foreseen and,

- on the other hand, of proving the pragmatism by leading the organization in the same direction and identifying at the same time the potential obstacles and the possibilities offered by the local specificity.

If he refuses to consider himself the only “truth bearer” as regards the organization and the performance, the intercultural manager reviews in fact Fayol’s opinions who said: “*when the others’ initiative is added to the boss’s initiative and even replaces it if necessary, it becomes a huge force useful to the organization*”.

The intercultural issue that we discussed in this article is usually seen from the point of view of the difficulties that can arise in the moment of implementing a company in another geographical area. The benefits that the firms can obtain by taking such decisions are rarely mentioned.

Anyway, the intercultural management topic returns more frequently in the theoretical debate and in the practitioners’ concern. Therefore, it is necessary to point out that the spreading of certain models, the tendency to standardize them in a context in which the individual behaviors are likely to get closer, contribute to a great extent to attenuate the cultural differences from one geographical area to another.

The intercultural management topic reminds us the limits of the too “technical” management approaches. A manager who is open, careful with the collaborators he selects/promotes, sensitive to the specificities of the organization where he works, gifted with common sense and with a capacity of analyzing the situations intelligently, will always make less

mistakes than a manager who has a strictly theoretical, instrumental approach, even if he has read carefully the recommendations of the intercultural guides.

### 4. Conclusion

We can state, as concluding the reflection induced by the present article, that the intercultural management is rather an *attitude* than a totality of techniques and tools and that the business success in many activity fields is strongly influenced by the ability of valorizing all the intercultural experiences known by now. Many of the Romanian economic organizations passed through ample change processes and obviously there are a lot of obstacles and failures that are frequently caused by these cultural differences and by the managerial incapacity of overcoming them. However, it is an indisputable reality the fact that Romanian managers are learning from their experience and from the others' experience to take over and to transmit key values for the present success and for the future evolution, this representing an extremely favorable premise in the real process of European integration.

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