

## 1.12. GENERALIZATION OF APPROACHES AND MODELS FOR ENTERPRISE CHANGE MANAGEMENT

Lately, quite a number of Ukrainian, post-Soviet, American and European representatives of the scientific community have been paying much attention to the nature of organizational change management. Strategic change, as a specific type of organizational change, receives less attention. Instead, developing a strategic change management methodology requires clarification of the specific tools needed to build a strategic change management system in the enterprise. If organizational change management is to be integrated with the overall management of the enterprise, strategic change management should occupy a separate niche and align with the strategic management of the enterprise. In fact, this sphere is a logical combination of classical enterprise management, organizational change management, and strategic management as a superstructure over the two previous areas.

In order to formulate the most important aspects of strategic change management, it is advisable to analyze existing models and approaches developed by researchers.

The most famous researchers whose works are identified with change management are L. Greiner<sup>1</sup> and K. Lewin<sup>2</sup>. The first suggested the stages of enterprise development, depending on its maturity and size, where growth is carried out through various stages: creativity, management or directed growth, delegation, coordination and cooperation. The transition from one stage to another involves different types of crises: a crisis of leadership, autonomy, control, bureaucratic bans, and an upgrade crisis. The peculiarity of its model is to justify the sequence of periods: the growth of both evolution and systemic transformations as revolutions. Accordingly, the period of revolution must propose new methods of management that form the basis of evolutionary development in the coming period. The importance of this scholarly work is hard to exaggerate; let us just mention that it was first published in the *Harvard Business Review* in 1972 and reprinted in this journal in 1998. The dichotomy "revolution - evolution" in the theory of change management is a cornerstone, since depending on the type of change, the implementation strategies and methods are determined. The overwhelming majority of researchers agree with this classification of change and build a management system accordingly. Revolutionary change is understood as a radical transformation, which is often very quickly implemented in the organization and leads to a shift of emphasis in management from one paradigm to another. Evolutionary changes, on the other hand, imply gradual development through the acquisition of new qualitative properties. The issue of development as a whole is an important part of the concept of change management in the enterprise, because it is precisely in order to ensure continuous or sustainable development that change must take place. On the other hand, in the absence of changes in the activity of the enterprise, it loses its ability to adapt to environmental conditions and therefore loses its viability. This allows us to argue that change is an integral feature of today's business environment, with the increase in the turbulence of this makes the need for continuous change. If we compare revolutionary changes with similar phenomena in social systems, it becomes clear that the degree of novelty of the updated management methods is rather relative. On the other hand, the impact of crises on the emergence of an urgent need for a radical rethinking of activities is indisputable. The same can be said about the identity of evolutionary changes in the process of improving living organisms in biological systems, which is considered in the context of the theory of evolution. The gradual adaptation of the system to the external environment through the formation of appropriate qualities and properties, although reflecting the evolution process, but in the current environment of business is quite debatable. Supporters of evolutionary theory (R. Nelson and S. Winter<sup>3</sup>) view the process of evolution as the emergence of new routine procedures to replace the old ones to provide adaptation, which can lead

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<sup>1</sup>Greiner, L. (1972). Evolution and Revolution as Organizations Grow. *Harvard Business Review*. Vol. 50. July–August, № 4, pp. 37–46.

<sup>2</sup>Lewin, K. (1947). *Frontiers in group dynamics*. *Human Relations*, no. 1, pp. 5–41.

<sup>3</sup>Nelson R. R. and Winter S. G. (1982). *An evolutionary theory of economic change*. London: The belknap press of Harvard University Press, Cambridge, Massachusetts.

to the trap of competence, which is the emergence of organizational through the key competencies of the organization. Thus, it is worth agreeing to consider revolutionary and evolutionary changes as two opposite types, which occur at different stages of the life cycle of the enterprise and allow to achieve the set goals. Regarding the essence of strategic change, revolutionary changes are more in line with their content, given that they are the origin of crises, the overcoming of which is the immediate task of implementing strategic change.

In addition to this dichotomy, L. Greiner's concept also touches upon another important aspect of considering an organization in relation to managing change as its life cycle. The O. I. Matyushenko<sup>1</sup> provides a generalization of a number of models of life cycles developed by famous scientists, under the life cycle of enterprises offers to understand "the set of stages that create a complete circle of development over a certain period of evolution of the enterprise, each of which is characterized by a specific system and strategies, peculiarities of resource potential formation and achieved results of operation". The key in most models is the presence of an appropriate driving factor in the development at each stage of the life cycle: biological phases, organizational structure, personal characteristics of the founder or stages of enterprise development. One of the most well-known models of the life cycle of an enterprise was designed by I. Adizes<sup>2</sup>, not only looks at the individual successive stages, but also determines what traps an enterprise may encounter in the early stages of development that will lead to early death. Accordingly, in the context of the theory of the life cycle of the enterprise, strategic changes should be aimed at preventing the organization from falling into the appropriate traps that can provoke crises. In spite of L. Greiner's postulate that crises cause revolutionary changes and ensure the transition of the enterprise to a new level of functioning, we believe that the "traps" according to I. Adizes, like the crises according to L. Greiner, are bifurcation points that reflect the critical state of the system in the conditions uncertainty, instability and fluctuation, after which the enterprise either moves to a more orderly level or to chaos. It is worth noting that not every crisis is a point of bifurcation, as it depends on its depth and controllability. On the other hand, the unpredictability of the attractors of the point of bifurcation significantly complicates the management's ability to manage the enterprise at an appropriate interval, which can lead to its decline and / or loss. It is the proper implementation of strategic change management that will not, on the one hand, slow down the process of change as immanent for a modern enterprise, and on the other hand, will not allow this process in the case of its acquisition of the nature of a "nuclear reaction" instead of a positive effect to drive the enterprise.

The concepts and models under consideration are complex, considering both contextual and process aspects of changes in the enterprise. Many change management models have a context dimension, that is, the definition of the enterprise subsystems to which change is to be directed. In Weisbord's<sup>3</sup> Organizational Diagnosis model, which includes purpose as meaning to the existence of the organization and its significance, structures as mechanisms of division of labor between the team and units, interaction as a culture of the organization, remuneration, auxiliary mechanisms as methods of coordination of activities of employees and leadership, which is located in center of these cells and unites them all together with the external environment. Such a model can be successfully used to diagnose the enterprise, depending on the need to implement changes in a single cell or their totality, taking into account the stable relationship between them - this implies that if changes are introduced in one of the cells, there will necessarily be corresponding fluctuations in the others that require either the development of a pre-selected change implementation plan for the interconnected cells, or the appropriate timely response to these fluctuations.

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<sup>1</sup>Matyushenko, O. I. (2010). Zhyt'tyevy`j cy`kl pidpr'yemstva: sutnist`, modeli, ocinka. [The life cycle of the enterprise: essence, models, estimation]. Problemy` ekonomiky` – Problems of Economy. no. 4. pp. 82-91.

<sup>2</sup>Adizes I. (2004). Managing corporate lifecycles: how to get and stay at the top. Santa Barbara: Adizes Institute Publication.

<sup>3</sup>Weisbord, M. R. (1976). Organizational Diagnosis: Six places to look for trouble with or without a theory. Group and Organization studies. 1(4), pp. 430-447.

The connection between the elements of the organization was proved and substantiated in the work of R. H. Waterman, T. J. Peters, J. R. Phillips<sup>1</sup>, which was called the theory "7S". They offered the following components: Strategy, as a personification of plans and lines of action that determine the allocation of resources, fixes commitments to take certain actions over time to achieve the desired goals; Structure as an internal decomposition of an organization that reflects the hierarchy of units, subordination, authority, and responsibilities; systems as a combination of procedures and routines that take place in an organization; staff as a personification of employees of the organization with the appropriate qualification level, experience and education; style describes the way you manage an organization, including organizational culture; skills. The key in this model is shared values, which are centered between the above elements, at the intersection of their interconnections, thereby providing interaction and coordination. It is important to understand that the first three components reflect the hard elements in the organization and the other four represent the soft ones. In fact, for the successful implementation of strategic change, the interdependence between these elements must be taken into account, since changing the hard elements is more time-consuming and costly, and the soft elements require gradual and careful implementation to achieve perception.

The interaction of soft and hard elements also takes place in the "Iceberg of Change Management" model developed by *W. Krüger*<sup>2</sup>. In this model, only 10% of management is focused on a surface that reflects the quality, time and cost of change within problem management. 90% are invisible because they are below the surface and are about recognition, attitudes and behavior, which accordingly requires the development of management of expectations and beliefs, influences and policies.

One of the models of strategic change is developed by J. Balogun, V. Hope Hailey<sup>3</sup>. The essence of this model is developed by the authors of the change kaleidoscope, which consists of several rings, where the external reflects the organizational context, the internal includes design options by changing the way to determine the proper base for implementation of change), point of reference (place of initiation of change: top-down or bottom-up), style (authoritarian or participatory), goals (goal of introducing change within people's attitudes, values and outcomes), levels (wide range of levers and interventions that need to be deployed over four systems: technical, political, cultural and interpersonal), and roles (determining responsible for change) through the tools that lie between these rings: time (crisis or long-term development), content (which requires a degree of change: reorganization or transformation, or will change to all or part of an entity) retention (what organizational assets, characteristics or practices should be retained during the changes to maintain competitive advantage), diversity (level of uniformity of values, norms, staff, subcultures in the organization), opportunity (level of individual, managerial and organizational readiness (ability) to introduce change and experience), potential (what resources the organization may spend on planned changes in the form of financial investments, people or time), readiness for change (the willingness of workers and the organization to change, represented by motivation and understanding of their need), the authorities (or the leaders of the organization and change leaders with sufficient authority to implement the changes, or are under the influence of other stakeholders). The proposed model is distinguished by the variety of tools and complexity of approaches to implementing directly strategic changes, to which the authors attribute a matrix classification by two criteria: the end result, which involves transformation or reorganization, and the nature of change (big bang or incremental). Accordingly, four types of strategic change are formed: evolution, adaptation, revolution, and reconstruction. The essence of the model is to justify and select the right toolkit within the proposed kaleidoscope model for the implementation of each type of change. The approach considered is of particular value in terms of identifying the tools of change within the relevant context.

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<sup>1</sup>Waterman, R. H., Peters, T. J., & Phillips, J. R. (1980). Structure is not organization. *Business Horizons*. no. 23(3). pp. 14-26.

<sup>2</sup>Krüger W. (2000). *Excellence in Change: Wege zur strategischen Erneuerung*. Wiesbaden. 186 p.

<sup>3</sup>Balogun, J. and Hope Hailey, V., Gustafsson S. (2016). *Exploring Strategic Change*. Fourth edition published. Edinburgh Gate: Prentice Hall. 258 p.

An approach to distinguishing the spheres of change in the form of factors is given in the model of W. Burke, G. Litwin<sup>1</sup>. Its peculiarity is the isolation of mutual influence of the environment and individual and organizational efficiency, mission and strategy, leadership and organizational culture. The last four elements are attributed by the authors to transformational factors. Most of the factors attributed to the author are transactional, which includes structure, systems that integrate policies and procedures, management practices, working climate, motivation, individual needs and values, requirements for the task and personal abilities, individual and organizational efficiency. Leadership is seen by authors as a central area that combines organizational culture, systems, management practices, mission and strategy with structure. Within the framework of this approach, the spheres are considered as factors, their number is much wider than in the previous models, which allows to consider in more detail aspects of the enterprise activity when implementing strategic changes.

Another model of change that is noteworthy is the "biological corporation" developed by F. J. Gouillart and J. N. Kelly<sup>2</sup>. This model is based on genetic architecture in 4 directions: reframing within current goals, restructuring as a stage of ensuring the level of efficiency that corresponds to its competitiveness, revitalization as establishing a relationship with the environment, restoring as transforming the human side of the process and the spirit of the enterprise. Accordingly, reframing is about developing perspectives, performance metrics, and achieving mobilization. The restructuring involves building an economic model, streamlining the physical infrastructure, and redesigning the architecture of the works (in fact, re-engineering). Revitalization involves concentrating on the needs of the market, producing new types of business, and changing information technology. Recovery involves the development of a reward system, the organization of individual training and the development of the organization. The above 12 elements are referred to by the authors as "chromosomes" that interact with one another.

The models developed contain elements of different approaches to understanding the essence of change management. One of the most common approaches is context, which considers what needs to be directly changed in an enterprise: systems, subsystems, or elements. This allows you to form a subject area for strategic change and answers the question: "what needs to be changed". Most of the models discussed above include elements of a context approach, depending on the actuality of the authors' attention to the subsystem set and their interaction.

The second group of theories is presented with a contextual approach, which considers the factors that cause change. Within this theory, we distinguish externalist, mechanistic, behavioral and environment approaches, where external sources of change are considered, which fully corresponds to the essence of strategic changes in the enterprise, a special feature of them, which distinguishes them from the organizational changes as a whole, and / or interaction with the environment. Immanent changes are considered solely from the point of view of internal sources, within the framework of integral theory the sources interact. Accordingly, within this approach you can find the answer to the question: "why change occurs".

The next, one of the most common approaches is process. The most important part of this approach is to determine the sequence of organizational change. The above model of L. Greiner reflects the process of enterprise evolution through the implementation of evolutionary and revolutionary changes. The life cycle of I. Adizes is also based on a process approach. One of the most famous processes is K. Lewin's sequence: "thawing - changing - freezing." This approach answers the question: "how changes are made".

Situational and systemic approaches are consistent with the traditional vision of management within the framework of general management theories. The first acts as a superstructure to the contextual one, which also takes into account the interconnection with the external environment, but emphasizes the internal structure of the enterprise as the interaction of individual elements and subsystems, which causes emergence of properties and obtaining synergistic effects from

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<sup>1</sup>Burke, W. and Litwin G. (1992). A causal model of organizational performance and change. *Journal of Management.*, Vol. 18. no. 3. pp. 523–545.

<sup>2</sup>Gouillart, F. J., Kelly, J. N. (1996). *Transforming the Organization*. McGraw-Hill.

combining individual performance within a single whole. This approach, as well as the context one, is actually present in each of the models considered, which emphasizes the interconnection between the structural elements of the organization, the type of interconnection and the interaction between them, which determines the specific character of the enterprise as a system in the process of implementing strategic changes. In terms of methodological development, this approach should be recognized as one of the most progressive and promising, as it allows the most comprehensive view of the enterprise and develop directions for managing strategic change on it. Accordingly, within the framework of this approach, it is possible to determine the question: "what tools to manage change".

The situational approach is close to the contextual one, where emphasis is placed on the sources of change, but not in the general sense, but in the context of the situation at the right time, which determines the circumstances of the enterprise and requires the best ways to achieve the goals. The values of internal variables at the appropriate time must be taken into account. This approach involves linking specific management methods and concepts with the relevant characteristics of particular situations to achieve the goals of the enterprise's operation in the most efficient way. Based on the existing methodology of change management in general and strategic in particular, the situational approach allows us to determine the most appropriate methods of implementation of changes at the appropriate time interval, which allows to answer the question: "what priorities within the changes should be put".

A number of studies by the authors allow us to distinguish an adaptive approach that, in accordance with its name, implies management according to the need to adapt to environmental conditions. According to the researchers, the essence of adaptation lies in establishing a correspondence between the strong positions of the enterprise and the requirements of the operating environment, which requires the implementation of the principles of consistency and openness. This approach provides answers to the question "how best to implement change."

Considering the complexity of organizational change implementation processes regarding staff perceptions, it is worth highlighting a group of approaches that looks at perceptions of staff changes at the individual and group levels, among which we isolate behavior, cognitive, psychodynamic, humanistic, competence approaches. Their essence should be considered in relation to managing resistance to change. The introduction of management tools within these approaches can reduce resistance to change and find the answer to the question: "how to get support in the course of change".

Based on the described models and approaches to understanding the essence of change, we will provide our own concept of strategic change management.

The concept of strategic change management in an enterprise includes a number of components, interconnections and interdependencies that allow you to get a unified vision of modern management philosophy. First of all, it is worth paying attention to the substantive scope of strategic change implementation. Within the framework of the concept, this area is seen as the basis for change, which requires the specificity of management metaphors. Strategic changes require the revision of all the components of the subject area, with the identification of sources and subsequent advancement in structure in accordance with the management practices of each metaphor (machine; political system; organism; flow and transformation).

The next element of the concept is the life cycle of the enterprise. Strategic changes must program it. Each enterprise, according to life cycle theory, is matched to the stages of the industry life cycle, which allows us to argue for a close relationship between these concepts. As part of the development strategy, companies can claim to increase their share or search for new segments in the existing market, or to develop other industries. Ensuring that the life cycle of an industry enterprise is consistent is one of the goals of strategic change.

Related to the life cycle within the concept of strategic change management is environmental analysis. As it has been proven, strategic changes always act as a response of the enterprise to the influence of the environment and interaction with it.

Strategic change management involves making management decisions on the basis of available information, analysis, monitoring of the environment by implementing management functions of the managing entity on the managed entity in accordance with principles and laws. Strategic change management is similar to the classic vision of management, with the difference that it is carried out by specific methods, has its own goals and is based on the use of appropriate potential. Thus, in order to successfully manage strategic change, it is necessary to have a methodological basis that will serve to make specific management decisions in a high level of environmental uncertainty.

Implementing any enterprise strategy requires planning and spending resources. The most noticeable mistakes in strategic management are felt by the enterprise due to the irrational use of available resources. In the broad sense, ensuring strategic change is linked not so much to existing resources but to strategic potential. Unlike a resource approach, strategic potential should reflect the ability of an enterprise to acquire the desired status in the future, using its subjective components represented by intellectual and social capital, values and personal and professional qualities of executives, who are able to ensure the combination of available and economic resources. active components.

Another element of the concept is situational analysis combined with risks. The uncertainty of the environment is widely recognized in modern times, which is considered in the context of the analysis of the interaction of the enterprise with the environment. In addition, the enterprise activity can be considered not as a continuous function, but as a sequence of discrete states, each of which depends on the state of the enterprise as a system and the influence of environmental factors, and on the degree of influence of these factors depending on the circumstances at each individual moment.

The last element of the concept, which, unlike the previous ones, has the lowest level of determination, which allows it to be classified as "soft" elements, is to build stakeholder engagement.

Thus, the developed elements of the concept of strategic change management allow us to systematically address the goals of ensuring the competitiveness of the enterprise in the long run, its stability and development. The use of the above tools allows to develop and implement effective management decisions, to form the configuration of internal strategic potential for realization of the enterprise movement along a predefined trajectory, which is the essence of strategic changes.

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