

# Organizational Change Effectiveness: A Few Significant Indicators for Romanian Companies

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**Abstract:** *This paper examines organizational change, focusing on the outputs of the implementation process. Through a questionnaire-based survey, we sought after factors that characterize the outputs of organizational changes within Romanian companies. We have shown that among various outputs, a few of them characterize the successful achievement of the change's goals.*

**Key words:** organizational change, change effectiveness, output indicators, routines, skills improvement;

**JEL Classification:** L29

## 1.Introduction

The never-ending changing of environment highlighted by the economic crisis revealed the importance of organizational ability to pursue change. While change has become a steady reality of organizational life

(Burnes, 2004), organizations have their own evaluation criteria for each transformational endeavor. Typically, the success of organizational changes is assessed considering parameters such as improvement in activities or cost reduction.

A few dimensions of organizational change have been of interest for researchers and practitioners: organizational context and change initiation, implementation strategies / processes or stakeholders' involvement.

However, while specific pre-planned steps for each change project are necessary, the implementation is prone to the perception of individual benefits and the satisfaction the change actors can get<sup>1</sup>. Therefore, an organizational change delivers results that are not only useful for organizational performance, but are also appreciated by individuals.

This paper aims to highlight a few organizational indicators that portrait the implementation of changes within Romanian companies. A set of hypotheses were tested during the research, using primary data obtained through a questionnaire-based survey.

The first part of the paper briefly presents some theoretical elements of organizational change. The second part of the paper provides details on the research methodology used. The results are analyzed and interpreted in the last part, followed by final conclusions.

## 2.Theoretical background

A few terms commonly appear in discussions related to organizational change: stakeholders, objectives, budget, or people. A brief definition of the concept of change has been provided by Gaffney (2010) who defines the organizational change as "the move from an ongoing situation to a future desired

situation that is intended to increase efficiency and competitiveness"<sup>2</sup>.

Change has been studied by many scholars and various aspects were revealed. First, aiming for innovative ways of enhancing competitiveness (Whitfield & Landeros, 2006), the change has two main drivers for initiation: the need to overcome a threat or to pursue an opportunity. Each change is triggered by different level of these drivers.

Scholars pointed out the importance of planning for achieving successful changes. Lippitt (1958) was amongst the first scholars who consider that interventions intended to modify the functioning of an organization should be premeditated. Lewin's Three-Stage Model of Change recommends that change should take place in three stages: unfreezing, change and freezing. Moreover, Lewin, Elrod and Tippett (2002) consider planning of change implementation as the most important key success factor. They indicate that specific pre-planned steps are necessary for each change initiative and specific stage.

Scholars like Kotter (1996), Kanter et al. (1992) and Luecke (2003) reflected on the 'emergent approach' of change. In their view, change is a process of learning, developed by organisations in their quest to responds to the internal and external environment. Moreover, Todnem (2005) consider that "change readiness and facilitating for change" of the organizational players is the most proper approach of change.

According to numerous studies, change success depends on the organizational leaders, even though there is a significant

<sup>1</sup> Robert Fabac (2010), Complexity In Organizations And Environment - Adaptive Changes And Adaptive Decision-Making, Interdisciplinary Description Of Complex Systems 8(1), 34-48.

<sup>2</sup> Gaffney, S. (2010), Dynamics of Organisational Change - the Belfast model, Gestalt Journal of Australia and New Zealand, 2010, Vol 7 No 1 Pages 75-88, GANZ

difference in the expected roles of leaders and required traits of leaders<sup>3</sup>. As designers of future, leaders have to be aware of the environmental opportunities and threats and to create proper plans for implementation. A change leader is a strategic designer but also a skilled implementer, familiar with project management, supervising and control techniques, able to overcome resistance and to encourage organizational members to adopt new practices (Van de Ven, 1986). Whatever he does, the change leader is finally accountable for results.

Organizations have different criteria to evaluate changes. Even though the implementation process is important, the final results of change are essential for achieving the change's goal. Each change is characterised by a few key factors agreed by organization that essentially describe the finalization and indicate the level of success achievement.

There are a few managerial models and techniques that support the identification of the key organizational change indicators.

McKinsey 7S is a model used to describe an organization. In the authors' view any organization can be split into seven interlinked-elements (staff, strategy, shared values, skills, style, structure and systems). Therefore, any change that affects one component will generate modifications in other components. Usually, organizations establish indicators to evaluate modifications in each of these dimensions.

Another model used in change management is Leavitt's Diamond. It reveals the critical success indicators of an organization

who pursues change by presenting four key organizational components: structure, managerial tasks, people and technology. Leavitt considers these components as critical success factors of change due to the fact that they interact and must be reconciled. Therefore, given that, upon completion of the change, all components are balanced, just a few success indicators are enough to present the results of change implementation.

Nevertheless, at scholastic level, there is no comprehensive picture of key elements to characterize the success of an organizational change. Their existence would be beneficial for practitioners and scholars who would find it sufficient to assess only a few factors instead of monitoring tens or hundreds of singularities.

The lack of universal indicators of change outputs significant for organizational interest will be surpassed by investigating a fundamental research question: what are the most important elements that can best characterize the output of an organizational change. By finding the answer at this question, organizations might find easier to engage in future performance increase transformations.

This study aims at highlighting a few comprehensive success factors that characterize the outputs of organizational changes within Romanian companies.

There are a few questions regarding the relevance of some outputs for the success of change:

1. What is the relationship between the change that successfully achieved its goal and the achievement of the set-up objectives?
2. What is the relationship between a successful change and the budgetary framing?
3. What is the relationship between a

<sup>3</sup> Robert Fabac (2010), Complexity In Organizations And Environment - Adaptive Changes And Adaptive Decision-Making, *Interdisciplinary Description Of Complex Systems* 8(1), 34-48.

successful change and the implementation interval?

4. What is the relationship between the finalization of the change who successfully achieved its goal and the transformation of the previously-existing routines?

5. What is the relationship between a successful change and the set of skills and competencies resulted?

To get answers to these questions we used a methodological approach based on a

sociological survey (Rotaru and Ilut, 2006).

### 3. Research Methodology

The purpose of this paper is to highlight a few key organizational changes success factors within Romanian companies. Among them key roles are played by meeting objectives as scheduled, budget usage, or acquiring superior skills and competencies.

Figure 1 shows the associations being tested.



We assume, in our study, the direct relationship of a successful change to meeting its' initial objectives, as well as to its' effect to transform organizational routines and enhance people's skills.

The objectives of the study are to identify:

O1. the relationship between the success of a change<sup>4</sup> and the achievement of the initially settled objectives;

O2. the relationship between the successful achievement of change goals and

interval and budgetary framing;

O3. the relationship between the successful achievement of change goals and transformation of the previous routines;

O4. the relationship between the successful achievement of change goals and improved skills and competencies resulted from change;

Based on the objectives formulated, the author formulated the following set of assumptions for the Romanian firms, as follows:

1. There is a significant relationship between the successful achievement of a change

<sup>4</sup> who achieved its goal

goal and the achievement of initially-settled objectives.

2. There is a significant relationship between the successful achievement of a change goal and the implementation on schedule.

3. There is a significant relationship between the successful achievement of a change goal and the finalization of the change implementation within the budget.

4. There is a significant relationship between the successful achievement of a change goal and the transformation of the previous routines.

5. There is a significant relationship between the successful achievement of a change goal and the enhancement of skills and competences within organization.

In order to test out the assumptions, an on-line survey was sent to members of Romanian companies that experimented organizational changes within the last 3 years. Table 1 presents a brief typology of the organizations to which respondents belong.

*Table 1. Distribution of respondents by type of company*

Type of company	No of answers
Private company owned (mostly by) Romanian investors	95
Private company owned (mostly by) foreign investors	45
Public institution	53
Cross-border (multinational) enterprise	51
NGO / Social partner	14
<b>Grand Total</b>	<b>258</b>

In the selection of firms, our research tried to capture the diversity of fields of activity and, consequently, of changes. Thus, we investigated changes finalized in private companies with various degrees of ownership, as well as in public institutions, NGOs or social partners. Also, we investigated various types of finalized organizational changes such as applying new ERP models (28 answers), installation of new manufacturing equipment & implementing a new software (43 answers), optimization of business processes (82), relocation of activities (23), acquisition or opening new business (3) or

restructuring / reorganization (79).

The questionnaire was developed by Orlando Voica and pre-tested on a number of fifteen respondents.

The participants were informed initially through an e-mail message about the study goals. Data collection took place between February 15 and December 31, 2013. The respondents were mainly change management consultants, managers or directors of companies that were involved in organizational changes finalized within the last 3 years previous to our survey.

Table 2. Definition of variables

Variable	Validity*	Min				Max
		1	2	3	4	5
Change has achieved its goal	All	Not at all / very small extent	To a small extent	To a great extent	Completely	More than it was planned (over achievement)
Change implementation results match the initial planned objectives	All	Not at all / very small extent	To a small extent	Largely	Completely	More than it was planned (over achievement)
Change has transformed the initial routines	N/A accepted	Not at all / very small extent	To a small extent	To a great extent	To a very great extent	
Employees developed superior skills and competences	N/A accepted	Not at all / very small extent	To a small extent	To a great extent	To a very great extent	
Change implementation completion moment	All	With a consistent delay	With small delay	As scheduled	Quicker than scheduled	
Budget spending efficiency	N/A accepted	More than 5% greater than planned	Overcome the plan by less than 5%	as planned	less than planned	

Note: \* - Unavoidable answer

Item /	1	2	3	4	5	Mean	N/A
Change has achieved its goal	5	34	127	80	12	3.23	
	1.94%	13.18%	49.22%	31.01%	4.65%		
Change implementation results match the initial planned objectives	6	41	135	63	13	3.14	
	2.33%	15.89%	52.33%	24.42%	5.04%		
Change has transformed the initial routines	13	44	99	97		3.11	5
	5.14%	17.39%	39.13%	38.34%			
Employees developed superior skills and competences	21	59	102	72		2.89	4
	8.27%	23.23%	40.16%	28.35%			
Change implementation completion moment	51	77	117	13		2.36	
	19.77%	29.84%	45.35%	5.04%			
Budget spending efficiency	29	67	73	43		2.61	46
	13.68%	31.60%	34.43%	20.28%			

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Table 4. Distribution of responses to variables

		Change implementation results match the initial planned objectives					Total
		Not at all / very small extent	To a small extent	To a great extent	Com-pletely	More than it was planned (over-achieved)	
Change has achieved its goal	Not at all / very small extent	4	1	0	0	0	5
		1.55%	0.39%	0.00%	0.00%	0.00%	1.94%
	To a small extent	2	28	4	0	0	34
		0.78%	10.85%	1.55%	0.00%	0.00%	13.18%
	To a great extent	0	10	104	11	2	127
		0.00%	3.88%	40.31%	4.26%	0.78%	49.22%
	Completely	0	2	26	48	4	80
		0.00%	0.78%	10.08%	18.60%	1.55%	31.01%
	More than it was planned (over achievement)	0	0	1	4	7	12
		0.00%	0.00%	0.39%	1.55%	2.71%	4.65%
Total		6	41	135	63	13	258
		2.33%	15.89%	52.33%	24.42%	5.04%	100.%

Due to the sample size and the fact that variables used are ordinal, we used the bivariate correlation coefficient Kendall's tau-b for hypothesis testing. The coefficient is 0.712,

which leads to the conclusion that the hypothesis is verified (see Kendall correlation analysis, table 5).

Table 5: Correlations Kendall between variables

			Change has achieved its goal	Change implementation results match the initial planned objectives
Kendall's tau_b	Change has achieved its goal	Correlation Coefficient	1.000	.712**
		Sig. (2-tailed)	.	.000
		N	258	258
	Change implementation results match the initial planned objectives	Correlation Coefficient	.712**	1.000
		Sig. (2-tailed)	.000	.
		N	258	258



As result, we can conclude that there is a positive correlation between the level of achievement of the change goal and the achievement of the initially planned objectives.

The second hypothesis tested the relationship between the successful achievement of a change goal and the finalization of the change implementation as scheduled:

changes that are successful in achieving their goals are finalized within the interval scheduled.

Frequency distribution analysis on the two variables shows that changes that are successful in achieving their goals are finalized within the interval scheduled. (see table 6).

Table 6. Distribution of responses to variables

		Period of implementation				Total
		with a con- sistent delay	with small delay	as sched- uled	quicker than scheduled	
Change has achieved its goal	Not at all / very small extent	4	0	0	1	5
		1.55%	0.00%	0.00%	0.39%	1.94%
	To a small extent	16	6	12	0	34
		6.20%	2.33%	4.65%	0.00%	13.18%
	To a great extent	24	51	48	4	127
		9.30%	19.77%	18.60%	1.55%	49.22%
	Completely	7	18	48	7	80
		2.71%	6.98%	18.60%	2.71%	31.01%
More than it was planned (over achievement)	0	2	9	1	12	
	0.00%	0.78%	3.49%	0.39%	4.65%	
Total		51	77	117	13	258
		19.77%	29.84%	45.35%	5.04%	100.%

The bivariate correlation coefficient Kendall's tau-b we used for hypothesis testing of the ordinal variables is 0.318, which

leads to the conclusion that the hypothesis is verified (see Kendall correlation analysis, table 7).

Table 7: Correlations Kendall between variables

			Change has achieved its goal	Period of implementation
Kendall's tau_b	Change has achieved its goal	Correlation Coefficient	1.000	.318**
		Sig. (2-tailed)	.	.000
		N	258	258
	Period of implementation	Correlation Coefficient	.318**	1.000
		Sig. (2-tailed)	.000	.
		N	258	258

\*\*. Correlation is significant at the 0.01 level (2-tailed).

The third hypothesis tested the relationship between the successful achievement of a change goal and the finalization of the change implementation within the budgetary limits.

There were 212 answers valid answers (82.17 %) and 46 non-answers.

Frequency distribution analysis on the valid answers shows that there is a direct relationship between successfully achievement of a change goal and the finalization of the change implementation within the budgetary limits. (see table 8).

Table 8. Distribution of responses to variables

		Budget spending efficiency (Budget spent was...)						Total
		greater than planned by more than 5%	overcome by less than 5% the plan	as planned	less than planned	S/Total	N.A	
Change has achieved its goal	Not at all / very small extent	0	0	1	1	2	3	5
		0.00%	0.00%	0.47%	0.47%	0.94%		
	To a small extent	1	6	6	8	21	13	34
		0.47%	2.83%	2.83%	3.77%	9.91%		
	To a great extent	18	38	30	19	105	22	127
		8.49%	17.92%	14.15%	8.96%	49.53%		
	Completely	10	19	33	10	72	8	80
		4.72%	8.96%	15.57%	4.72%	33.96%		
More than it was planned (overachievement)	0	4	3	5	12	0	12	
	0.00%	1.89%	1.42%	2.36%	5.66%			
Total		29	67	73	43	212	46	258
		13.68%	31.60%	34.43%	20.28%	100.0%		

We used the bivariate correlation coefficient Kendall's tau-b to test the hypothesis. The coefficient has a negative value of - 0.144 that is significant at the 0.01 level, which leads to the conclusion that the hypothesis is verified (see Kendall correlation analysis, table 9).

The fourth hypothesis tested the relationship between the successful achievement

of a change goal and the transformation of the previously existing routines: changes that are successful in achieving their goal transform the previously existing routines.

By analyzing the frequency distribution of the 253 valid answers (98.06 %) we can conclude that changes that are successful in achieving their goals transform the previously existing routines. (see table 10).

Table 9: Correlations Kendall between variables

			Change has achieved its goal	Budget spending efficiency
Kendall's tau_b	Change has achieved its goal	Correlation Coefficient	1.000	-.144**
		Sig. (2-tailed)	.	.006
		N	258	258
	Budget spending efficiency	Correlation Coefficient	-.144**	1.000
		Sig. (2-tailed)	.006	.
		N	258	258

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 10. Distribution of responses to variables

		Budget spending efficiency (Budget spent was...)						Total
		greater than planned by more than 5%	overcome by less than 5% the plan	as planned	less than planned	S/Total	N.A	
Change has achieved its goal	Not at all / very small extent	0	0	1	1	2	3	5
		0.00%	0.00%	0.47%	0.47%	0.94%		
	To a small extent	1	6	6	8	21	13	34
		0.47%	2.83%	2.83%	3.77%	9.91%		
	To a great extent	18	38	30	19	105	22	127
		8.49%	17.92%	14.15%	8.96%	49.53%		
	Completely	10	19	33	10	72	8	80
		4.72%	8.96%	15.57%	4.72%	33.96%		
	More than it was planned (over achievement)	0	4	3	5	12	0	12
		0.00%	1.89%	1.42%	2.36%	5.66%		
Total		29	67	73	43	212	46	258
		13.68%	31.60%	34.43%	20.28%	100.0%		

The bivariate correlation coefficient Kendall's tau-b used for hypothesis testing is 0.312, which leads to the conclusion that the

hypothesis is verified (see Kendall correlation analysis, table 11).

Table 11: Correlations Kendall between variables

			Change has achieved its goal	Change has transformed the initial routines
Kendall's tau_b	Change has achieved its goal	Correlation Coefficient	1.000	.312**
		Sig. (2-tailed)	.	.000
		N	258	258
	Change has transformed the initial routines	Correlation Coefficient	.312**	1.000
		Sig. (2-tailed)	.000	.
		N	258	258

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The fifth hypothesis tested the relationship between the successful achievement of a change goal and the enhancement of skills and competencies within organization: successful changes generate superior skills and competencies within organization.

There were 254 answers valid answers (98.45 %) for which frequency distribution analysis shows that changes that are

successful in achieving their goals generate superior skills and competencies within organization (see table 12).

We used the bivariate correlation coefficient Kendall's tau-b for hypothesis testing. The coefficient is 0.332, which leads to the conclusion that the hypothesis is verified (see Kendall correlation analysis, table 13).

Table 12. Distribution of responses to variables

		Employees has developed new skills and superior com- petencies						Total
		at a very small degree	at a small degree	at a great degree	at a very great degree	S/Total	N.A	
Change has achieved its goal	Not at all / very small extent	1	3	0	1	5	0	5
		0.39%	1.18%	0.00%	0.39%	1.97%		
	To a small extent	9	16	7	2	34	0	34
		3.54%	6.30%	2.76%	0.79%	13.39%		
	To a great extent	6	28	61	31	126	1	127
		2.36%	11.02%	24.02%	12.20%	49.61%		
	Complete- ly	5	12	30	30	77	3	80
		1.97%	4.72%	11.81%	11.81%	30.31%		
	More than it was planned (over achieve- ment)	0	0	4	8	12	0	12
		0.00%	0.00%	1.57%	3.15%	4.72%		
Total		21	59	102	72	254	4	258
		8.27%	23.23%	40.16%	28.35%	100.0%		

Table 13: Correlations Kendall between variables

			Change has achieved its goal	Employees has developed new skills and superior competencies
Kendall's tau_b	Change has achieved its goal	Correlation Coefficient	1.000	.332**
		Sig. (2-tailed)	.	.000
		N	258	258
	Employees has developed new skills and superior competencies	Correlation Coefficient	.332**	1.000
		Sig. (2-tailed)	.000	.
		N	258	258

\*\*. Correlation is significant at the 0.01 level (2-tailed).

## 5. Conclusions

Organizational change is the process used by organizations to redesign their structure, processes and culture. While the aim of change is to move from the current state toward a future desired state to increase their effectiveness and efficiency, leaders have an outstanding influence on the initiation and implementation processes.

The study has intended to detect the key indicators that commonly characterize an organizational change implementation output. It aimed to identify relationships between the successful achievement of a change goal and its objectives and items such as the period of implementation, budgetary framing, transformation of routines as well as skills and competencies enhancement.

First, our research demonstrates that changes are perceived as being successful in achieving their goals if they achieve their initially settled objectives. This conclusion is consistent with the idea that changes are initiated after a diagnostic process that provides an organization with the systematic knowledge that it needs to design a set of appropriate intervention activities to improve organizational effectiveness (Van Tonder & Dietrichsen, 2008). The organizational diagnosis involves collecting pertinent information about current operations, analyzing the data obtained, and drawing conclusions regarding potential change and their consequent objectives (Cummings & Worley, 2005; Slocum & Hellriegel, 2007).

A second conclusion of our research is that there is a significant relationship between the successful achievement of a change goal and the finalization of the change implementation as scheduled: changes that are successful in achieving their goals are finalized

within the interval scheduled. This conclusion is consistent with the ideas presented in the classic models of strategic planning and strategic management (Miles and Snow, 1978; Porter, 1980).

Another finding of our research is that all costs of successful changes are within the budgetary allocation. Organizations are interested in the successful achievement of a change's goal, and this excludes expenses beyond budgetary limits. Our study proved that there is a significant relationship between successful achievement of a change goal and the finalization of the change implementation within the budget. However, although there are many situations in which organizations realize a trade-off between budget spending and goal achievement, budget spending efficiency is an important indicator of change implementation outputs.

Our research has also confirmed that successful changes transform the previously existing routines. The significant relationship between successful achievement of a change goal and the transformation of the previously existing routines is consistent with the idea that when employees realize the nature and sequence of tasks to be accomplished, they share knowledge and opinions regarding the organization's routines and modify them.

Our last conclusion confirms the fact that superior skills and competencies are developed inside organizations involved in change. Our results show that successfully achieving the change goal requires encouraging individuals to enact new behaviors so that desired changes are achieved. The new behaviors are spawned within the organizational tacit knowledge and are the foundation for the enhancement of skills and

competences within organization. This is consistent with the idea of enactive mastery; that is, the gradual accumulation of increasingly complex skills.

These results are limited in scope. The limits come from the fact that the study does not make a thorough distinction between variables that can influence the change (implementation) processes and outputs. For instance, at the end of a change process an organization can have established further procedures and routines designed for performance improvements which are not used daily due to the employees' reluctance to apply them.

However, a few directions of activity arise from this study. First, organizations should set up mechanisms for assessing a set of global indicators of change effectiveness

for benchmarking and further improving the implementation processes quality.

Also, even though changes are initiated within a specific context, further modifications of it can affect the initially-settled objectives, making them obsolete. Therefore, organizations should develop a frame to continuously evaluate the fitness of results to the goals.

This research, limited by its scope and size of the sample, is a starting point for further studies designed to identify indicators of change effectiveness. For instance, it can be the starting block for a more substantial set of output indicators that include the suitability of the outcomes to the new situations and, therefore, can support further importance and emphasize the organizational dynamic capabilities.

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