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***Understanding and Managing Challenges to the  
Romanian Companies during Transition***

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**Comments Welcome**

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# **UNDERSTANDING AND MANAGING CHALLENGES TO THE ROMANIAN COMPANIES DURING TRANSITION**

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## Abstract

The paper starts by analyzing the major problems that occur during the transition period in Romania, both at the macroeconomic and at the microeconomic level. We draw on information obtained from our consulting work, from direct contact with managers participating in educational and training programs, and from published data.

In the course of analysis we advance and discuss two theses regarding the challenges facing Romanian companies during transition: (1) in the post-1989 Romania, the managerial deficiencies are more severe than the resource shortages, and (2) the restructuring of Romanian companies should be achieved by a process of human resource centered organizational change.

The two theses lead us to propose a particular approach to deal with these challenges: focusing on people, as the most valuable resource of the organization, and properly handling the relationship between the strategy and the cultural dimension of the organization.

## **1. RADICAL CHANGE IN ROMANIA**

Transition is a word currently used very often by very many categories of people. Although they who use the word do not always agree on its detailed contents, implications and requirements, and unless the conversation regards a specific field of activity, any common Romanian who talks or hears about transition would immediately think about the turn of events of December 1989 and about the entire ensuing period, which for many has had no landmarks and has no end in view.

Since transition means moving, changing from one state to another, it is useful to know where Romania comes from and where it is heading to. Answers to these questions would help us understand the challenges and the hurdles facing the Romanian economy, as a whole, and its individual players, the companies, in managing this difficult stage of their developments. As the

point from where Romania comes is only years behind us it is rather straightforward to delineate the starting point of the transition and we will briefly do it below. The target of the transition process, however, is foggier with respect to details. The target can probably be formulated only in more general terms, consistent with people's prior experiences and with their wishes for freedom and prosperity: a market economy and a democratic political and social system.

Obviously, we must be aware that the whole world economy is in another kind of transition, toward a fully global and borderless era. The global transition raises new, complex competitive provocations and imperatives in front of the players, who will have to find strategic and organizational responses novel to traditional practice. Therefore, if Romanian companies want to become players as partners in the big game, our transition must include objectives of the world transition. And because we are late starters, speed is essential.

The picture of the pre-1990 Romania will be outlined by looking at the three aspects of life: political, economic and social. Romania had had for over 40 years a single political party (communist). The communist party had been proclaimed by the Constitution as the driving political force of the society, and its head was also the head of state. With an excessively centralized government running an equally centralized economy, in which the private sector was practically absent, market economy mechanisms were by and large ignored or stifled by decisions that were primarily politically motivated.

As a member of the now defunct Council for Mutual Economic Assistance (COMECON), dominated by the USSR, Romania conducted most of its foreign trade with the COMECON partners; that kind of dominant foreign economic relations were in no way a better stimulus for proper business decision making than the domestic environment. Structural macroeconomic deviations accumulated over time and the economy grew to be uncompetitive in real terms. The political system rooted in the unique monolithic communist party had a perfect match in the economic system based on the state monopoly.

The social system was also in tune. The regime spent tremendous resources in influencing people's attitudes and beliefs, but what counted eventually were people's behaviors, true or ostensible, of loyalty and submission to the communist precepts, and no effort was spared to secure such conducts: careful selection and favoritism for appointments to various jobs, close monitoring of people by the local party's organizations and units, curtailment to a minimum and control over personal communications with abroad, coercion. In the name of the communist egalitarianism private property was strictly limited, thus depriving people of the means for independent action; along the same line, salaries and wages were carefully controlled, with a tight limit on the ratio between the maximum and the minimum. In spite of the egalitarian slogans, the party lost no

opportunity to emphasize the supremacy of the working class in the Romanian society; next in line was the peasantry. The intellectuals were supposed to support the workers and peasants in their endeavors. In this way a hidden social conflict was viciously fueled. At the same time the communist party elite constituted a distinct social segment, enjoying privileges in the form of goods and services provided by a special economic sector run in parallel to and separately from the overall Romanian economy. There was no unemployment (at least officially), and everyone was “enjoying” a generalized “security in misery” and “equality in poverty”.

The tumultuous events of December 1989 brought about a radical change in all of the above. Dozens of political parties appeared, all proclaiming anti-Communist ideologies; the standard system of representative democracy was adopted: the separation of power in the state, with the standard actors of a democratic system being present: political parties, parliament and labor unions. The newly formed government suddenly “took its hands off” the economy replacing the extreme centralism with an extreme liberalism. As the former political and economic tip of the structure disappeared, the social system collapsed. The country was thrown into a period of turmoil, with violent street demonstrations and with chaos in the majority of the companies.

Over time all intervening governments and parliaments committed themselves to the reform process, to the establishing of the appropriate institutions and legal framework required for the building of a democratic Romanian society, having at its foundation a market economy in which the private property would be dominant. The assessments expressed by economists, sociologists and politicians about the progress of the reform are quite diverse, but there are prevailing opinions that the pace of the reform has been slow, that the macroeconomic stabilization is at best fragile, and the decentralization of power and the microeconomic foundations of the macroeconomic policies are poorly constructed [1].

## **2. THE SHOCKS OF THE TRANSITION**

### **2.1 A macroeconomic picture**

The fact that the transition involves social and economic costs is a reality felt in all countries going through such an experience. The more radical the transition the higher the costs. In this section we will present a concise macroeconomic outline of the situation in Romania after December 1989.

Romania is an average size country by European standards, with a population of over 22.5 millions, that has been slightly decreasing since 1990 and aging at the same time. It is a national state with a majority of almost 90% of its population ethnic Romanians.

It is customary to look at the movement of the GDP and at the inflation rate to get an idea about the major trends in an economy (table 1). Inflation has followed a pattern pretty much common to the Central and Eastern European countries: a first explosive phase following price liberalization and the saturation of monetary circulation channels, a second phase as a result of the reduction in subsidies and a diminishing inflationary pressure, and the third phase reflecting the first effects of anti-inflationary fiscal and monetary policies supported by economic growth. We notice that in 1996 the inflationary pressure picked up. One of the causes was the continued blocking of the market price mechanisms, by maintaining price control over fuel, energy, grains, meat, milk and other products. The associated producer and consumer subsidies refueled the inflation [1, p.16].

Table 1. Dynamics of the Gross Domestic Product and of the inflation

	1990	1991	1992	1993	1994	1995	1996
GDP-annual growth %	-5.6	-12.9	-8.8	1.5	3.9	7.1	4.6 *
Inflation rate - yearly average %	5.1	170.2	210.4	256.1	136.7	32.3	57.0 *

\*Estimated - source: Central European Economic Review, July-August

1997

Among the Central and Eastern European countries Romania has the second largest labor potential after Poland. The transition period has significantly affected the employment situation. Table 2 presents unemployment statistics. Although on a downward trend in 1994-1996, unemployment is expected to rise in 1997, because of the continued economic decline and the accelerated program of privatization and restructuring undertaken by the current government. Romania is facing a long-term employment crisis [1].

Table 2. Unemployment rates (%)

	1991	1992	1993	1994	1995	1996
Unemployment	3.0	8.2	10.4	10.9	9.5	6.3

Salaries in Romania are among the lowest in Central and Eastern Europe. According to Business Central Europe of June 1997, in March 1997 the average monthly salary in Romania was \$92, down from \$119 one year ago. To compare, in Slovenia, the country with the highest salaries in the area, the average monthly salary was \$870. But if we are to look further back, we would note that the average salary was \$36/mo. in 1992, and \$64/mo. in 1993 [7]; salaries are small but on the rise as a long term trend.

We quote from [1, p.102] to conclude that Romania's macroeconomic situation reflects an "employment crisis, decreases in purchasing power, salaries and social services, growing inequalities and risk of poverty, deteriorating conditions for investment in human capital" which are "the main effects of the economic, social and moral crisis through which Romanian society is going. They are in part an inherent result of the transition period. They also provide proof of inefficient government".

## 2.2 A microeconomic picture

We will move now to look at the microeconomic transition. The information we will use in the ensuing discussion resulted from the interaction we had with managers coming from over 70 organizations, either during consulting work or in educational and training programs; we also quote published data. The organizations we had contact with spanned a large variety of fields: manufacturing, transportation, utilities, research & engineering, other services; the organizational levels represented by the managers covered all hierarchy from CEO to first line supervisor. Most of the organizations we observed were industrial companies, originally state owned and then partially or fully privatized, of medium and large size. They are producers of capital goods, transportation equipment, metallurgical products, petro-chemicals, construction materials, textiles and clothes.

We found it useful to pay special attention to the problems facing industrial companies in transition because, in spite of the decrease in its output, the industrial sector is still the main contributor to the GDP with 36% in 1996 [1, p.16]. The industry's performance, therefore, affects in a significant way the welfare of the country. Our approach will not exclude references to other kinds of organizations, wherever those references will support the argumentation.

We will proceed with a breakdown of the effects of the microeconomic transition by business functions.

## **Marketing and sales**

Sales levels (in real terms) have dropped substantially since 1990 because of multiple reasons: with the disintegration of the USSR there came the dissolution of the COMECON followed by a dramatic shrinkage of Romanian exports to former COMECON members; the collapse of the domestic market for capital goods, as investments were halted and resources redirected towards consumption (a populist policy of the first provisional government in 1990, that was very hard to revert later on); the change in the structure of the demand for goods and services; the “invasion” of the domestic market by imports of consumer goods spurred by the liberalization of the foreign trade; the continuous decline in the purchasing power of the population.

Marketing was practically absent, as a business function, before 1990. The supply and demand of industrial products were rigorously controlled by the state, and so were the prices of all products and services. The supply of consumer products was at the limit of shortage, particularly in the 1980's; therefore, “marketing mix” mistakes were of no real consequence because everything that was produced and reasonably fit demand got sold. The sales function was limited to contracting, monitoring the execution of contracts, and shipment.

Against this backdrop Romanian companies found themselves suddenly facing a very unfavorable combination of factors: shrunk markets, disorganized distribution systems, a product structure that could not respond properly to the new needs of the market, quality and cost problems, and a general lack of expertise and skills in the field of marketing.

However, while the above characterization is true for the industrial sector as a whole, there are some significant differences among companies, depending on their field of activity. Textile, clothes, furniture, wall and floor tiles manufacturers, that were skilled and quick enough to maintain, reorient and expand their export markets, are doing better than other manufacturing companies. There are also differences among economic sectors, some service industries having grown dramatically due to deregulation, privatization and the appearance of new business opportunities; to mention just some front-runners: telecommunications, mass media, road transportation, publishing and printing, banking, insurance, brokerage services, professional services (lawyer's, notary public, medical practice, management consulting).

We strongly believe that successful companies owe their good performance largely to managerial competence. The existence of market opportunities is a requirement but not a guarantee for success in business. Managerial competence is an essential ingredient because it is the competent manager who detects and pursues the most promising opportunities; taking advantage of

good opportunities generates the resources that make and keep the company successful. This point will be developed into one of the theses of this paper.

## **Production**

With few exceptions, the observed companies are producing much under capacity. Capacity utilization factors in the 20%-40% range are not unusual, even if just in some of the product lines of a company.

In the case of many companies we found that the planned capacity was from the very beginning unrealistic and, therefore, it had never been fully utilized in the history of the company. This was the result of political decisions (the race between communism and capitalism in which communism had to prove superior), of the megalomaniac vision of Romania's last dictator, and of the planning mistakes made either at the governmental level or in the COMECON. Beyond this, the same causes that produced the fall in sales brought about the gross capacity underutilization.

Equipment is rather old in most of the companies, since capital investments were drastically curtailed between 1980-1989 and, after 1990, the situation did not improve (e.g., in one company we studied the oldest equipment was in the foundry and in the forge and it was over 30 years old). The consequence is that many Romanian companies have outdated technology that produces lower quality, costly, uncompetitive products. The need for technology updating is obvious.

Another problem affecting the efficiency of Romanian companies is the manufacturing structure, which is usually highly integrated. This leads to long lead times, reduced flexibility in meeting market demand, and an unfavorable cost structure.

## **Human Resource Function**

Employment in industrial companies has shown, with few exceptions, a steady downward trend which is one determinant of the rising unemployment in Romania. In some dramatic cases companies had to lay off half or even more of their employees.

A general phenomenon related to the downsizing of industrial companies is the decrease in labor productivity along with the reduction in employment. We will mention a few of the causes. First, in many cases the pressure of labor unions prevented the management from laying off as many employees as warranted by the reduction in sales. Second, many managers believe that the company itself has some responsibility to provide economic security and social welfare for its employees, even at the expense of the profitability, practice which distorts the reality of the unemployment figures by creating hidden unemployment. Third, in some companies, a higher proportion of blue-collar workers were laid off than white-collar workers.



We would also mention that the human resource function was and it still is dominated by day-to-day personnel administration and focused mainly on the maintenance of files and records, and personnel control. Higher level activities that make a modern human resource management system are yet to be developed.

### **Finance and Company Planning**

The financial function, with its basic problems: how much should the company invest, in what specific assets and how should the cash required for investment be raised, all of these in order to make the firm's shareholders as well off as possible, was nonexistent before 1990. The state financed the companies and made all investment decisions. Companies could make requests for investments in specific assets, but decisions were made centrally.

Company planning used to be inward oriented. The balanced development of various economic sectors and, consequently, setting the levels of the output of companies were regarded as the responsibility of the central planning authorities. Rather than being the result of the self-regulating market mechanisms, macro and micro level planning was, in the final analysis, a politically controlled administrative act. Company planning concentrated at the tactical and operational levels and was supposed to just lay out the action plans required for the achievement of the centrally set objectives.

The two situations presented above show that Romanian companies were bereft of some decision making capabilities essential for their strategic orientation: long-term planning and investment decisions. Many companies have been marked by this condition during the transition period.

Because of chronic poor performance companies became decapitalized; their resources have melted into the losses produced by increasing costs and decreasing profitability brought about by low labor productivity and low capacity utilization. With rising illiquidity, companies became less and less able to pay their suppliers, their taxes and their social security obligations. Within the permissive legal framework in effect after 1989 companies started defaulting on their payments (with no serious legal consequences), and soon an economy wide phenomenon developed: the "chain financial blockage" in which everybody owes everybody else and nobody pays because nobody has the money.

### **Administration**

By a Decree of 1973 all Romanian companies were imposed functional organizational structures. Managers hardly knew that there were also other ways to structure an organization. That

“tradition” has continued virtually in all companies we had contact with. In some of them we found attempts to depart from the standard model by the creation of distinct manufacturing units (plants) set up by product lines. However, those units were lacking the individual market thrust that would turn them into real corporate divisions or strategic business units. The importance of the organizational structure, by which (1) the company is divided up into units of manageable size and clear market purpose and (2) by which responsibility and accountability for each unit are assigned to managers who operate within a clear system of controls and rewards, is still to be realized and to become part of the managerial culture.

### 3. ROMANIAN MANAGERS: INHERITANCE AND CHALLENGES

In presenting the general situation of Romanian industrial companies in transition we have hinted that their unsatisfactory results were caused not only by the effects of unfavorable external factors originating in the threats from the environment, but also by unfulfilled managerial responsibilities. In the last years, based on our experience, we have been making a statement that was not readily accepted either by academia or by managers: **the crisis which faced Romania in 1990 and continued later on was, in the first place, a managerial crisis; the shortage of resources (particularly financial) was secondary in severity to the managerial deficiencies.** We will explain why the managerial crisis occurred and it will be apparent that it was to a large extent unavoidable. Our statement above is not meant to cast the responsibilities for Romania's problems during the transition on the shoulders of company managers, rather it is an attempt to draw the attention to one of the most pressing issues to be dealt with if our reform is to be successful. Recognizing the problem is the first step in solving it. The managerial crisis can and should become a managerial challenge.

As we have seen in the preceding section, Romanian industrial companies are going through difficult times and some of the causes are that they are decapitalized, their equipment is aging and there is a general unavailability of up-to-date technologies. But it is also true that industry holds huge inventories of work-in-process and slow moving or unsalable products, it is true that we have been importing energy worth over \$2.6 billion per year of which much is wasted, a very large part of the industrial capacity stays idle and overloads production costs, labor productivity is low, financial discipline is shaky to the extent that it has induced the above mentioned phenomenon of “chain financial blockage”. At the same time Romania is rich in natural resources (Japan could not even compare with us from this point of view), and outside Romania there are enormous capitals looking for investment opportunities, and markets waiting to be developed and served. It takes

managerial expertise, operating in a stimulating macroeconomic environment, to solve our shortage of resources by mobilizing existing idle assets, by attracting foreign capital into advantageous deals and by taking advantage of foreign markets. These are the basic reasons why we believe that the managerial shortcomings take precedence over the resource crisis. It looks like this opinion is also shared by international organizations whose mission is to help the advancement of the newly formed democracies after 1989. In this sense we would mention the impressive number of PHARE programs supported by the European Union, and by individual countries like the USA and Canada, aimed at developing the managerial skills required by the emerging market economy in Romania.

Management is a profession, one which is particularly influenced by the political, economic and social system via the induced cultural values and beliefs superimposed over the background of the national culture. The managerial competence concerns the manager's perceptual and conceptual capability and can be analyzed and evaluated in terms of three factors: (a) the manager's intelligence and managerial aptitudes, (b) expertise in his specialist discipline, (c) his managerial skills. A manager's skills refer to the ensemble of attitudes and behaviors that he adopts when performing his job; they are of three kinds: technical, conceptual, and interpersonal. If we add to the three factors of competence a fourth one: (d) motivation for participation and contribution to the achievement of the organization's objectives we have a framework within which to think about managerial performance.

Of course, the equation of performance requires competence, participation and appropriate conditions. We are aware that part of the "appropriate conditions" for performance are external to the organization and this is exactly what we meant earlier by mentioning the "stimulating macroeconomic environment". However, the external factors are not the object of our analysis. We are rather interested in the factors internal to the organization and will show that the company's performance is conditioned in the first place by its employees and by its managers.

In the almost eight years since the turn of events of December 1989 it is clear that there could have been no change of generations of managers in Romania. The large majority of the managers of today were, before 1990, either managers (at various hierarchical levels) or employees in nonmanagerial positions.

Bearing this in mind, let us look at the four factors mentioned above as affecting managerial performance, and ask ourselves about the influences that produced such managerial practices that are considered deficient in a market economy.

Factor (a) referring to intelligence and managerial aptitudes (like creativity, intuition, entrepreneurial spirit, openness toward interpersonal relations) does not warrant further consideration as we have no data to give us reasons to believe that Romanians are deficient in this

respect. The other three factors (b), (c), (d) involve complex determinants, of which learning is an important one, either in its systematic form (education, training) or as experiential learning.

It is here where we see the problem, particularly with respect to the managerial skills and to participating and contributing: the pre-1990 period has deteriorated the managers' system of values and beliefs through mass indoctrination in the communist ideology and by means of forced behaviors that altered attitudes through cognitive dissonance. The political, economic and social system created a kind of learning that induced major deviations in the thinking and perceptions of people, thus leading to the development of a managerial culture unfit for a performant market economy. The managerial culture then shaped the entire organizational culture. The Romanian organizations crossed the December 1989 threshold with a cultural inheritance that must change but is very slow to change.

**In our opinion the restructuring of the Romanian organizations should be a human resource centered organizational change.** It should start at the top managerial echelons and then cascade throughout the organization. The extraordinary challenge facing Romanian managers during the transition is to change themselves first so that they can change their companies to bring them in fit with the emerging market economy.

Our findings and several published studies [2 - 5] point to a number of managerial shortcomings that hinder the transition and require intervention in the organization. We will mention just the few deficiencies which affect essentially both the inner working of the organization and its fit with the environment.

**The human resource function and the organizational culture are neglected.** The tradition of the human resource as a low key function still makes many executives consider human resource management practices as too "soft" to be taken seriously. The severe conditions of the transition are not conducive to an improvement with respect to this issue. In an economic downturn the personnel department is among those organizational units that receive even less attention and resources than before, particularly when the firm's problem is to lay off people rather than keeping them on the job. With high unemployment, labor appears to be in ample supply, which encourages managers to regard the development of skills as the responsibility of the employee rather of the employer's. The disregard for human resource issues and for the need to build a strong and healthy organizational culture is bound to harm the company's interests particularly during an economic depression: across-the-board personnel reductions may lead to losing the most skilled and effective employees, and indifference to those who must be let go will make people feel abandoned and will create a culture of nihilism among those who are kept, which reduces long-term productivity. Absenteeism, labor disputes, poor work practices, unimaginative and poorly trained management,

coupled with low utilization of production capacities and with process inefficiencies, are factors which reduce labor productivity and, consequently, lead to low salaries and dissatisfied and demotivated employees; here the vicious circle closes. It is our opinion, which coincides with the results of many studies (e.g., [6]) and with the publicly expressed views of well known CEO's (e.g., Bill Gates: "My company's capital assets descend every night in the elevator"), that the most important assets of a company are its people and, therefore, if the vicious circle is to be broken, a company should engage in developing the best human resource practices as the most critical factor in gaining a competitive advantage. Management cannot just invest in new capital equipment, they should be investing in people.

**Market and customer orientation** is a practice surfacing slowly, although most of the managers admit that it is essential. Preliminary results of a recent study performed on a sample of 150 companies nationwide by one of the first author's doctoral students show that 23.3% claim to have a marketing strategy, while 66.7% admit to not having a systematic approach to marketing.

From our own experience with managers from state owned companies participating in training courses we found that when asked: "Who pays your salary?" their vast majority answered: "The company", "My boss" or "My employer". Very many showed surprise at and some even argued against our suggested answer (adapted after Henry Ford) : "The customer pays your salary. No customer, no salary!". We have to mention that we faced similar reactions from managers coming from private companies, like: "I get paid because I work for my company" also from managers coming from private companies. We believe these things to be significant because, although managers know from their own experience that the availability of a market for their company's products is a must, the market still remains an impersonal, fuzzy and distant concept. A qualitative change in the system of beliefs is yet to be made, the one by which managers will get to think of the market as a set of customers. Market orientation means that each and every customer requires and deserves special treatment from managers and from everybody else in the company.

From the confrontation with the market forces many managers derived limited conclusions about the sources of success. They tend to focus too much on price competition, while underestimating the importance of competing on value to the customer, with due attention to quality and customer service. We also note that concepts such as "business ethics" and "the social responsibility of the organization" are still unfamiliar to most managers [4].

The reduced role of planning and the very limited exposure to financial management problems have adversely affected over time the conceptual managerial skills. As a result, managers demonstrate **poor leadership and poor strategic orientation** reflected by their lack of vision for the organization and by the difficulties they experience when formulating strategies [3],[4]. We

have often heard from general managers arguments such as: “I do not even know how I will pay the salaries next Wednesday, so do not ask me to plan for the next six months or beyond”. Such statements show confusion about the role of planning as a guiding instrument, and about the fact that a plan is not a self-fulfilling prophecy rather it requires implementation through consistent action. Good planning would have answered the question about how salaries will be paid next Wednesday. We realize, however, that the deficiency just mentioned is a hard challenge to take on because of the highly uncertain environment during the transition period.

#### 4. TAKING ON THE CHALLENGE OF ORGANIZATIONAL CHANGE: FROM BUSINESS STRATEGY TO PEOPLE

The unprecedented socio-political and economic transformations that take place in Romania require not just different underlying societal structures but, in the first place, profound changes people’s attitudes. In the business world people and their organizations have to rethink how work is done, and how people interrelate in this process, how human, financial and technical resources are used in order to create value for the customer.

The “standard” management framework of thinking assigns the field of strategy the task of aligning the organization to the changing environment by reviewing its vision, mission, objectives and by developing the appropriate business strategy. In the implementation stage it calls for the development of such functional strategies as to support the business strategy. Accordingly, the strategy regarding the people of an organization, the human resource management (HRM) strategy, would follow directly from the business strategy. Dunphy and Stace in [6, p.130] take a different view: “it is difficult to predict an organization’s HRM strategy from knowledge of its generic type of business strategy”, so they look for a more powerful source of influence on the HRM strategy. In a research project done on Australian companies in transition they found that source of influence to be the organization’s change strategy. We share the opinion of the two Australian researchers and we believe that top management has to go beyond the development of the business strategy to the assessment of the scope (or scale) of change, to the assessment of the leadership style needed for the repositioning of the organization, and only afterwards to deal with the HRM strategy formulation stage. The model is presented in fig. 1 and has central to it the organizational change strategy defined by the scope/scale and style.

Societal  
level

CHANGING BUSINESS AND SOCIAL  
ENVIRONMENT

## BUSINESS STRATEGY

Organizational  
level

## ORGANIZATIONAL CHANGE STRATEGY

## HUMAN RESOURCE MANAGEMENT STRATEGY

Sentient  
level

PEOPLE

Fig. 1. From business strategy to people

It results from the model that once the strategy thinking and formulation process has been completed, the next step is to address the question of what kind of change strategy the organization needs, after which an effective HRM strategy is sought. What are this model's implications for Romanian companies ?

In what follows we will refer exclusively to the strategies of organizational change and to the strategies of HRM.

### 4.1 Change strategies

Various authors advance different models of change. We distinguish essentially two ways to change as far as the **scale of change** is concerned: either gradually (we can also call it incrementally) , or in a radical or transformative fashion. Both categories of change can have variations on a continuum and according to the position on the continuum they can be called in different ways. A radical change means that the entire organization must be transformed or at least

such a major transformation has to take place at the level of the organization's basic units (divisions, departments). It is our belief that Romanian companies need a **radical change** because the lack of fit with the environment is considerable; the environment has changed in a discontinuous, disruptive way.

The **style of change** dimension of the change strategy provides for a participative approach (collaborative and consultative) and a non-participative approach (directive and coercive) [6, p.90].

If we combine now the scale and the style dimensions and we only limit ourselves to the radical/transformational change as suggested above, by the same Australian authors we would identify: the "charismatic transformation" (radical + participative) and "dictatorial transformation" (radical + non-participative).

Charismatic transformation becomes a viable approach when there is an acceptance on the part of key organizational stakeholders of the need for large scale transformation, when rewards are available to ensure sufficient support from within the organization, and when there are no widely divergent views on how to bring the organization back to fit. Since in most Romanian firms not all three conditions are met, and because there is little time for gaining support from within the organization for extensive participation, a more directive approach is generally required, at least at the beginning of the process of organizational repositioning. Since this sounds like "dictatorial", and to some extent is, the role and skill of top management in leading change are vital.

We would make here a note about the current restructuring of the mining sector in Romania in which tens of thousands of people will be laid off practically in no time. No matter what, the mines will be closed both because they are inefficient and because the government is under pressure from the International Monetary Fund to do so. The style is clearly directive, to turn coercive in case of opposition from labor unions, and the change is radical; the two features combine to make a dictatorial transformation by the above scheme. However, to make things more bearable, the government has set up a fund from which a severance pay of up to 20 months' salary will be provided to all those dismissed. This is done in an attempt to help people with a new start-up (probably many will migrate to agriculture) and to gain acceptance for the restructuring program from the employees, so as to push the change process away from a "dictatorial" strategy and closer to a "charismatic" one. It looks like it is working pretty well, as extremely many miners (by media accounts about 70,000 until the first decade of September 1997) volunteered to be enlisted for severance pay and, at least for the moment, there is no social unrest.

## **4.2 Human resource management strategy**



Turning now to the HRM strategies the question is what kind of HRM would help implement a radical/transformational change, which in a Romanian company would be rather directive/coercive than consultative/collaborative ?

Referring to Australian companies in transition, [6, p.126] advances three choices:

- The **structural HRM strategy**, which is oriented to finding structural solutions to organizational problems and is usually associated with a directive management style of change. It aims at redesigning the business units, the work teams and jobs, focuses on tangible rewards, intends to clarify the key roles and develop technical skills, and emphasizes a strong business unit culture. This strategy uses the structural lines of the company.

- The **developmental HRM strategy** in which the emphasis is on developing the workforce and the organization through personnel and management development; it is associated with a primarily consultative change management style. It is based on extensive developmental programs, focuses on intrinsic reward, puts strong emphasis on corporate culture. This strategy requires joint efforts from both the central (corporate) HR unit and the line units (business units).

- The **turnaround HRM strategy** which is characterized by radically reviewing the HR systems, structures and methodologies. The HR function is centralized in the hands of the executives, who undertake major structural changes, downsizing and new recruitment. This strategy is associated with a non-participative style of change management.

All these three HRM strategies should be considered by the top Romanian managers. But probably in Romanian companies the beginning of the change process should rely on a turnaround HRM strategy. We believe this to be the right approach because in most companies a radical change affecting the entire organization is needed. Since the inherited personnel function used to play only an administrative role (as described earlier in this paper), and because in that capacity it cannot support the change effort, the executives should first dismantle the old personnel function's systems and structures and put in place an effective HR function. The new HR function should help executives break with the old culture and build a new system of values and beliefs.

Any change should start with changing the human side of the enterprise, but the final choice of the appropriate HRM strategy lies with the top management of the firm and it depends on the product or service the company offers, the markets it serves, the level of the technology involved, the existing organizational culture, the financial situation of the company and on how ready the company is for change.

An old saying warns: "Change is a door that can only be opened from inside". If we are to "survive" the transition and be successful afterwards Romanian companies have to open that

door fast if they did not do it yet. Once the lid is taken off Pandora's box, company's managers face three important challenges:

-Leading the change process, which requires managers to develop a vision about the company and to change themselves before changing the organization.

-Managing the people in the organization for better performance and competitive advantage by changing the organizational culture.

-Developing a new kind of managerial communication to be used as an instrument in changing the overall communication climate, which would become a new organizational cultural value to support the transformation of the challenges into opportunities.

We will deal with these 3 issues in the following 3 sections.

## **5. THE CHALLENGE OF LEADING THE TRANSITION**

Leading the transition means the very human process of **initiating and managing organizational change** and it requires transformational leaders able to: create a new vision for the future of their organization, and demonstrate personal commitment to the vision; communicate that vision powerfully to the organization's members, to the stakeholders and to the public; implement the vision throughout the organization by starting with constructing an effective top team, and continuing initiating, and managing the change, and building a new culture.

Therefore, the Romanian manager is challenged at this point in time to monitor and manage the interface with the environment, which means scanning the environment and developing a vision, and to manage the process of change within the organization itself, which means setting priorities, planning the change, reallocating resources and redirecting activities.

### **5.1 The need for direction**

As we mentioned, the Romanian manager should be able to offer a sense of direction by articulating and communicating the vision. He should challenge some of the existing organizational values and practices, and build credibility. Should know how to work with people and how to communicate his own beliefs. What makes this endeavor very difficult to accomplish is the inherited pre-1990 managerial culture. The Romanian manager was never asked to think about the future of his organization; the Communist party and the central authorities took charge of that and of the non-routine situations. It is significant to mention a finding reported in [2] by a consulting organization commissioned to test applicants for the positions of general manager of state owned

firms. The scenario presented to the applicants was: "Assume that your company has an export contract which has been canceled by your foreign partner shortly before shipment. What should you do?". Of the 9,817 persons tested a fraction of 52.4% looked for the answer outside their companies, like: "We will contact the Ministry of Industry or the Ministry of Trade to tell us what to do", or "We will talk to the Prefect", or "We will phone such and such governmental agency"; those were indeed the right approaches in the command economy when managers did not have to be leaders rather administrators.

In the new market economy Romanian managers should be able to address and answer important questions:

- "why does the organization exist, what are its business and purpose" (the **Mission**);
- "which is the distinctive competence or the competitive advantage that the organization has, how does it intend to fulfill its purpose" (the **Strategy** for achieving the mission);
- "which are the elements of the **Organizational Culture** required to achieve the mission and to support the implementation of the strategy"?

These elements can be arranged in a simple equation which reflects the idea that the ultimate goal of a visionary leader is the organization's performance which is built into the leader's **vision**:

$$\text{Vision} = \text{Mission} + \text{Strategy} + \text{Culture}$$

Mission and strategy by themselves do not have the power to enhance performance unless they are converted into policies, actions, and job-related behavioral guidelines. And for those behaviors and actions to produce performance organizational values and practices have to serve as underpinnings and catalysts.

By clarifying a vision and communicating it to everyone managers could gain powerful results because vision promotes change, serves as a roadmap for the organization as it changes. It provides the basis for a strategic plan, and it enables people to see how their efforts contribute to the big picture. It motivates individuals by instilling them the feeling that the organization needs them and relies on them, that they are accountable for the change, that the organization's future depends on them.

## 5.2 "Students" and "teachers" at the same time

Any radical change can be achieved only if it is **initiated and strongly supported** by the top management of the organization and carried out with the help of other agents of change.

However, Romanian top managers asked whether they believed their organization needed a radical change, only 40.2% agreed that their company needed it, while 39.4% strongly opposed the idea [2].

Before being able to change others, managers have to change themselves which implies that they have to **“learn” and “teach” at the same time**. And this is, perhaps, the most difficult part of the transition of an organization.

A study [8] about Romanian managers' attitudes towards change showed that in their opinion:

- The sources of their own resistance to change are the: need to preserve position, relationships, and income (50% of the answers), decisional stress (34,3%), authority crisis (11.2%).

- They cannot implement change because of the: old mentality about work (27,6% of the responses), instinctive opposition of everyone to any sort of change (20.9%), work climate (11.9%), organizational structure (9.7%), and labor union's claims and pressure (9%).

- The easiest things to change are the: organizational structure (44% of the answers), technology (36.6%), people (19.4%). Indeed, although until 1997 many structures have been changed (both at the macro and micro level), and technology has made advances, we are still paying a very high economic and social price for a slowly progressing transition mostly because of people's mentalities. The same study found the most conservative companies are the state owned companies (particularly the monopolies). There is hope, however, that the privatization will bring new work motivation in people and thus will be an important contributor to the change in mentality.

Romanian managers have to **learn from scratch how to conduct a process of change** because their previous experience is not of too much help to them. As an illustration, a study on "Managerial performance" we conducted in 1995 for a state owned medium size manufacturer of heavy equipment showed that the group of 24 managers we tested had lowest performance in their: innovating role (proactive attitude towards change, level of creativity, risk taking), ability to motivate (involving people by delegation, understanding the complex of psycho-social needs, communicating a vision), interpersonal communication skills, capacity to manage stress. We believe that these are important skills Romanian managers have to acquire fast if they desire to be able to lead the transition of their organizations.

## **6. MANAGING THE ORGANIZATIONAL CULTURE TO INFLUENCE BEHAVIOR**

We have already mentioned that the leader of the transition, the managers in general, and all people involved in the HR function should think in terms of the organizational culture and about the way this can support the change strategy. The organizational culture should be consistent with the company's environment and strategy and has to embody what the organization needs in order to be effective, to be prosperous. The new kind of culture in Romanian companies should stress, through its values and practices, on the capacity to detect, interpret, and translate signals from the environment into new behavior responses that would bring superior flexibility directed toward meeting customers' needs.

The organizational climate, defined as the link between the individual and the organization, as the members' generalized beliefs and attitudes about the organization, has to stimulate involvement and participation, commitment and accountability, to create a sense of responsibility and ownership of the transition.

From the discussion so far it is clear that most of these are still to be acquired by our organizational cultures, both in terms of values and practices, and this is another challenge to meet.

## **6.1 "The Romanian was born to be a poet": from the national culture to the organizational culture**

The organizational cultures reflect in many ways, through some of their values and practices, the national culture. We will present in this section some of the main influences of the Romanian national culture on the companies' cultures.

A national culture can be viewed as a collective mental programming [10, p.4], a structured specific way of thinking, feeling, and behaving, materialized in a set of human, economic and social values that are very important to people. These values are deeply rooted in individuals and constitute an emotional background for the organizational culture.

Our national culture has its roots in the basic conditions of the Romanian life: in the natural environment and climate, in the historical past and in the interactions with other cultures and religions, in the ways Romanians have been earning their living. Our national culture is a mechanism constructed by Romanians over two millennia to help them cope with the environment, to support them in maintaining identity and cohesion in the interaction with the physical, economic and political "occupants" of the Romanian territory.

Romania is a country placed at a crossroads between East and West and, therefore, in the way of many interests. The tribes living in the territory came to be known as *Geti* (fifth century BC) and later on as *Daci*. Their main vocation was agriculture and animal breeding, hence their stability.

They had to endure the coming and going of many migratory waves and, because of the richness of the territory in natural resources like salt, gold and forests, were the target of conquest campaigns by a number of powers that dominated historical periods, like the Roman Empire and the Ottoman Empire. At 106 AD, after two major wars, the Romans defeated the *Daci*, occupied their territory and turned it into a roman province called *Dacia*. The occupation lasted until 271 AD when the Roman troops and administration had to retreat. However, the population, which started being romanized because the roman civilization had been superior to the *Daci*'s civilization, stayed and the continuing process of romanization (Rome's influence remained strong in the region even after the retreat) lead to the creation of the Romanian people and language. Romanian is basically a Latin language with remnants from the language spoken by the *Daci* and with influences from the migratory populations that came and settled on the Romanian territory (like the Slavs).

Our national culture is in part a result of the Latin heritage but at the same time reflects the influences of the changing historical times: migrating populations sweeping over our territory, centuries of foreign occupation, the Communist period. Romanians had to cope with their history by developing a proper philosophy: they either accepted events the way they were, dreaming for the better, or they laughed at the hardships, thus making things more bearable.

"The Romanian was born to be a poet" says a national dictum. This means that the Romanian is rather a dreamer than a fighter (as illustrated, for example, by a well known poem "*Miorita - The Little Young Sheep*" that tells about a wonder sheep who learns that other shepherds intend to kill her shepherd to take away his sheep; she discloses the plan to her shepherd who does not fight back rather resigns himself before the fate and makes plans for his own burial in one of his preferred scenic places). Romanians also developed a strange kind of humor: the ancient *Daci* danced at funerals as they believed that people, after death, join their God *Zamolxis*; we also note that at *Sapinta*, a village in the northern part of the country, there is a cemetery that became in time a well known tourist attraction, called the Merry Cemetery, because all tombstones have funny, happy engravings.

With this background the challenge is to analyze and recognize the historical inheritance and in a deliberate way to reconcile the cultural traits with the demands of the market economy. An interesting study has been done by A.Vana in his doctoral thesis [9] about the characteristics of the Romanian culture, following Hofstede's model of the national culture [10, p.23-173].

The dimensions of the Romanian national culture as found by [9], on a scale of 100 points, are:

1. Distance to power (referring to social inequality and to the relation to authority): [DP] =

74.

2. Individualism/collectivism (defining the individual-group relationship; the low values of the index show collectivism): [I/C] = 32.

3. Masculinity/femininity (a large index indicates values and practices traditionally ascribed to men and women less involved socially): [M/F] = 30.

4. Uncertainty avoidance (defining the emotional reaction to uncertainty; a high level of the index shows low tolerance for ambiguity): [UC] = 90.

5. Long-term orientation (defining the scale of temporal orientation from long-term to short-term orientations, with all its implications; a high value index means long-term orientation): [LTO] = 38.

Thus, the Romanian national culture is characterized by a very large distance to power, by collectivism, by femininity characteristics, by a very high need to control uncertainty and a very short-term orientation. Correspondingly, some of the characteristics easily recognized in the Romanian society, and relevant in the context of the organizational culture, are:

1. As it results from the very high index of distance to power:

Romanians find it normal for people not to be equal; power is the basis of our society and people with little power depend on the ones with more power. Power can dominate the truth: who has the power owns the truth; people who have power benefit from advantages. Organizations tend to be centralized (autocratic governments); subordinates wait to be told what to do. The most frequent sources of power are: the control over resources, charisma, relations (family and friends). Cooperation among people without power is difficult because of the lack of trust that might be stronger than the common interest. Moreover, top managers tend to monopolize most decision making. There is a latent conflict between people with power and those without power.

2. As it results from the low individualism index, Romanians are characterized by collectivism:

The harmony in a group is important and conflicts are avoided or concealed instead of being resolved. Interpersonal relationships are more important than the task to be performed. The collective interests are more important than the individual ones; the individual tends to align his opinions to the opinions of one group or another. The educational degree of the individual conditions his social status; promotions are based on seniority. Political power is exerted by groups of interests and decisions are made under the influence of relations. Very many debates, regardless of the field, tend to be politicized.

3. The relatively low index of masculinity indicates that the Romanian culture is characterized by "feminine values":

For Romanians the friendly relations are important. Feelings are as important as facts. Managers tend to be intuitive. Women are usually employed, thus contributing to the family income; housekeeping responsibilities are shared with the men. [2, p.76] shows that the proportion of women in a number of 9,817 senior managers who were tested was 12.8%, which is a high percentage by comparison with many western countries. There are also many women who have their own business (but, interesting enough, there are very few women involved in politics and holding governmental positions!).

4. The very high index of uncertainty avoiding reflects a number of things:

Uncertainty is perceived as a stress and danger, it is accompanied by a high level of anxiety and has to be avoided. Romanians do not like to take risks. Ideas and behaviors which are not commonly accepted tend to be suppressed. Differences are regarded by individuals as dangerous; hence, there is strong resistance to what is different, resistance that can generate defensive or aggressive attitudes. In order to reduce uncertainty, there is a felt need for many rules, even if they are not all obeyed. Bureaucracy is high.

5. As it results from the very low long-term orientation index, Romanians are short-term oriented:

There is respect for traditions, social obligations and status, regardless of price. People will always try to save face. People look for and value fast results.

By positioning the indexes determined for the Romanian culture on various plots and by comparing with the indexes of the cultures researched by Hofstede we found that:

- on a [DP] vs. [I/C] plot Romania is placed close to Yugoslavia and Mexico;
- on a [M/F] vs. [DP] plot Romania is positioned close to Yugoslavia, Portugal and Chile;
- on a [I/C] vs. [M/F] plot Romania is located close to Yugoslavia, Portugal, and Chile;
- on a [UA] vs. [M/F] plot Romania comes close to Yugoslavia and Chile;
- on a [I/C] vs. [UA] plot Romania is placed close to Yugoslavia and Turkey;
- on a [UA] vs. [DP] plot we are situated close to Yugoslavia and France.

It is interesting to notice the close resemblance to the Yugoslavic culture at all relevant combinations of indexes.

The results reported recently by [9] for the Romanian culture opened many possibilities of understanding, interpreting phenomena, and are an important source of information. Hofstede's data base combined with the findings in [9] can help managers comprehend and cope with some of the problems of the transition, namely those that are deeply rooted in the national culture. Other problems of a company's transition originate in its organizational culture, with its values and practices learnt by socializing at the level of the profession and in the organization.



The Romanian culture, dominated by traditionalism, values the status quo, the stability; people are suspicious about change and may perceive it as disturbing and subversive even if the need for change is self evident. Therefore, we believe that change can be implemented only with the help of better and continuous information, with a strong educational effort, and by facilitating and using contacts with more dynamic cultures (at this point in time the impact of the American influence is very strong in Romania; it comes through different channels either at the general level - music, movies, fashion etc.- or at the level of the organizations through training programs as aid from USAID, PHARE etc.). Change can be easier imposed when there are strong pressures from outside the organization (for example, the deterioration of the standard of living).

If we are to compare Western managers with Romanian managers we would note that the former have more formal business education but, maybe even more importantly, they are "born" more "aggressive" about their role and position, more competitive. Western managers show more accountability while the Romanian ones wait to be told what to do.

## **6.2 Organizational cultures can be and are very different**

We have described some of the characteristics of the Romanian national culture, of its values and practices, that each employee brings with him into the organization. At the same time, however, each organizational culture has its specifics molded by the organization's environment, its history of events, by the technology used, by the professions employed, by the products and services offered, by the industry to which it belongs. The organizational culture will have its own values and practices and can be characterized by another set of dimensions as described in.[10, p.183].

Organizational cultures can be very different and, we believe that for the successful implementation of change in Romanian companies, their characteristics are very critical issues to consider when evaluating the strategic options, the readiness for change, the strategies of change and the HRM strategies, the pace of change, the management of change process. Very few general rules can be recommended; each organization has its own features the same way each individual has his own personality and has to do things his own way.

We can illustrate this point with two extreme cases we have studied recently: "routine" and "non-routine" technology organizational cultures.

a. The case of a "routine technology" organizational culture: a metallurgical company with long tradition, where technology is standardized and well understood

By comparing the features of the organizational climate the way they are perceived by employees with the ones they would like to have in their organization, we found that:

- The general orientation of people is towards avoiding the threats from the environment; the opportunities in the new environment are either not perceived, or people are reluctant to take them into consideration.

- Change is not welcome and the old situation of stability (pre-1990) is sometimes longed for.

- The defensive practices are perceived as being the only ones that could bring some stability and safety and, therefore, they are generalized at all managerial levels.

- There is a critical lack of communication at all levels and in all directions, which creates confusion relative to the future, to the general direction of the company's evolution, creates many conflicts, and stress.

In spite of the conservative climate, our study also identified the beginning of a drive towards change coming from inside the individuals in the company. We found:

- An unanimous inner urge towards self-actualization and self-esteem.

- The need for more work satisfaction and for a better, more motivating work climate.

- The need to be listened to and valued for what individuals are and for what they can contribute; the need to be treated as partners in decision making.

We interpreted this situation as the "beginning of an end": it is a latent state of inner conflict that will conduct very soon to the perceived and manifest need for change.

b. The case of a "**nonroutine technology**" **organizational culture**: a research institute

We are currently in the process of conducting a study on the organizational culture of a research institute, in the context of defining and evaluating the institute's strategic options. We used C.Handy's framework of organizational cultures [11] that states that each organization has its own way of doing things and works on different assumptions about the basis of power and influence, about what motivates people, about how they think and learn, about how things can be changed. These assumptions result in quite different styles of management, structures, procedures and reward systems and define four types of organizational cultures: power, role, task and person's culture.

Exploring the sets of values, beliefs, and norms perceived by the people in the institute as characterizing the organization, and comparing the findings with the "ideal" sets, i.e. the way they should be by the employees' preferences, we found:

- The employees were split almost equally in their opinions about the kind of culture in the institute: some perceived it as a power culture others as a role culture. This means that, by their perceptions, the practices in the institute conform either to "What the boss says" or to "What the

book says". When asked about the ideal/desired set of values, people indicated the typical characteristics of a task culture. They would like to see as the major concern the "What is the best way to solve the problem ?" issue.

- All agreed that a change is necessary in the organization (in its structure, and in its systems, particularly in the performance management system). When asked what they would do in case of serious financial troubles (e.g., the government would not finance research projects any longer), 65 % answered that they would look for other financing sources, while 24% would accept even to change their field of work to other specialist disciplines.

- It was generally perceived that there is a barrier to change at the level of the institute's top management. The top executives are blamed for not having a sense of direction, to the extent that nobody knows "what we are doing" and "where we are going".

- It was considered to be imperative to put to a better use the capacity and the potential of the human resources and to create a better work climate, in particular to build a more open and intense communication throughout the institute and also with the local and central governmental authorities, with other institutes and businesses.

It is clear that here there is a misfit between the individual system of values of the employees and the organizational values and practices inherited from the old times. This misfit generated a manifest conflict, and a pervasive need for change: most employees consider themselves willing and ready for change. What they need (they say) is a leader, a direction and a credible plan of change.

A power culture could provide the values needed to support the process of bringing the institute in fit with the environment, on the condition that the top management (the "Zeus" of the organization) is competent in leading the change. Since here this is not the case, the task culture was perceived as the way to align the organization with the environment and to guide it to a more stable, prosperous situation.

We believe that in this particular organization (a research institute in which the innovative activities are the basis of its operations, where the employees are particularly highly educated and have intense and direct contacts with institutions in countries with cultures that supported the development of successful market economies) the change process should start with the "hard S's" in the 7S model, i.e., the strategy, structure and systems [12]. If the "hard S's" are brought in fit with the environment, to change the rest will be easier than in the case of the previously mentioned metallurgical company because the research institute is a good step forward in terms of availability and readiness to change.

In closing this section we would like to stress again on the fact that before business strategies and change strategies are developed, the organizational cultures have to be very carefully diagnosed because in designing the plans, techniques and tactics for implementing change the specifics of the organizational culture have to be taken into account.

### **6.3 Towards a new human resource function**

As we have already suggested, the HRM has to be developed and used as an interface between the people in the organization and the business strategy. The new HR function should be able to create and maintain an organizational setting in which employees can be productive and managers can manage effectively; the new HR function should play an important role in generating commitment to the organizational goals and will act as a monitoring mechanism in managing change and increasing performance. All of these define a role much broader in scope than the list of personnel activities and services performed in Romanian companies traditionally.

We believe that an effective HR function could provide answers to many of the transition's problems when it comes to working with people and implementing change.

A recent (1996) survey of personnel/human resource practices we conducted in 16 Romanian manufacturing companies produced some preliminary results worth mentioning:

- All large companies have an HR function and a corporate personnel/human resource department; in some cases certain personnel activities are delegated to line managers. But, it is only recently that this function started to encompass more activities than during the pre-1990 era (when their responsibilities concentrated mainly on employee administration and control) namely: labor planning, job design and structuring, compensation planning, worker training, employee problem solving (problems like grievances).

- Generally, personnel departments do not have "advanced" responsibilities like: employee assessment and performance management, labor relations, conflict management; they are not involved in the process of managing the organizational change.

- The personnel departments play no important role in the company's decision-making; they only respond to requests from managers or employees.

- Management Information Systems for HR are extremely few (besides computerized personnel files containing the most basic data).

- The top challenges faced by the HR function, as viewed by the responding HR managers, are: training and development of company's employees, including the managers (the manager of

the HR function itself should not be forgotten !); improving the organizational climate, in particular the communication climate; designing new performance evaluation systems.

- The HR managers who took part in the survey considered that they themselves have to acquire new job skills: the management of change, teamwork, the management of stress at work, broad knowledge of the company's business and of the principles of market economy.

Our own experience shows, and published research data confirm it, that the attitude of Romanian top management is yet not too encouraging of the HR function, which in most cases is still seen as "the fifth wheel of the carriage", to quote a local metaphor. According to [4, p.13]:

- Only 30% of the executives regard the human resource as a major issue in the company; the others consider that the really important problems are the shortage of money and of new technologies.

- Top managers ranked personnel matters, on the average, 11 in descending order of priority in a group of 15 critical problems confronting them.

- In a list of 10 items identifying the fields in which the top managers thought they needed additional knowledge and skills, the area of HR management again ranked, on the average, a low 8.

One explanation for this attitude is the engineering and economics background of most executives and their rather limited exposure to management training. Because of their background they see themselves mainly as administrators of the material and financial resources of the company, and secondly as "superintendents" who oversee and direct people.

Another challenge for the top management is to **develop a new HR function** that could help the implementation of change in several ways, some of which we mention here:

- The personnel planning done by the HR function should have in view the employment and development of such skills and capabilities as required by the new processes to be performed in the organization.

- The process of recruitment and selection should be used to select those applicants who could become agents of change for the new organizational culture. The new recruits as well as the employees selected for training and promotion should have personality profiles such as needed to favor the new values of the organizational culture to help it align better to the new environment.

- The socialization and accommodation of the newly recruited employees should be used to instill them desired organizational values and practices.

- Changing the practices of performance management, and the rewards and incentives system would communicate that new values are imbedded in the organizational culture (the reward system reflects the company's "philosophy" relative to the mutual relation between performance and reward and, therefore, it sends very powerful signals into the organization and outside).

In brief: the capacity of Romanian organizations to change depends very much on how the HR function treats the “soft” side of the company (superordinate goals, staff, skills and style, [12]), from top executives to rank and file, from developing skills to cultivating attitudes.

So far we have been demonstrating that Romanian companies need leaders of change and that the HR function could also help them succeed in the implementation of change. In both problems we can use, unfortunately, limited help from the experience of other countries or from the models they developed out of their own “transitions”. If there is one area of management which each nation has to build by itself, then that is the management of human resources. A **Romanian management of human resources** should emerge as a central aspect of organizational management. To this end more research on organizational cultures is needed, more work in the field of HRM in the Romanian context is required.

Because most of the techniques of the HRM are value-laden, as they concern values and practices deeply rooted in the national and managerial culture (regarding issues like individual and group interests, interpersonal and intergroup relations, motivation and control of the human behavior), they might have to be redesigned if they are “imported”. For example, organizational development methods based on confrontation cannot be used there where harmony and conflict avoidance are strongly valued; reward systems stimulating individual performance rather than collective solidarity might fail in collectivist societies; matrix organizations might not work effectively in cultures where people prefer to receive orders from one single authority, as in traditionally autocratic cultures). Even techniques that are apparently value-neutral (concerning the technological, economic and financial side of organizations), when implemented can generate situations that may be value-laden.

And, as we have already mentioned earlier, each organization has its own, specific “personality” that has to be discovered and well understood before any business and change strategy is designed or evaluated. That “personality” lies primarily in its people and culture. It is our belief that in Romania diagnosing, managing and carefully monitoring the human resources and the culture of a company are at least as critical to its survival as are money and technology.

## **7. COMMUNICATING FOR CHANGE**

We tried until now to bring arguments in support of our belief that the most important challenge to companies in transition is the “HR transition”, one of its central goals being to change the organizational culture and, as an essential part of it, the managerial culture. We would go now

one step further to investigate the most important issue of this challenge, one which is highly invisible and neglected.

The transition is made by people. People cannot change organizations by individual actions; they have to work together and, therefore, they have to interact with each other, to coordinate their efforts. In fact, one reason why organizations exist is because by working together people can achieve more and can be better off than working independently.

The only way people can interact with each other is through communication. They have to communicate their ideas, feelings, thoughts, instructions, knowledge; they have to communicate all information that interrelates them in their work in order to inform, to convince, to determine action. Communication is important in building productive relationships and in changing attitudes and behaviors; it is important in handling special situations, like coaching and counseling, and in preventing, reducing and solving conflicts; it can be an extremely important instrument in the motivating process, both in terms of finding out what motivates people and in satisfying some of their needs; it is important in problem solving and in decision making; in making people better performing by training and by directing them.

Communication is the "nervous system" of an organization or, as someone put it, it is the "binder" of the organization; it brings cohesion and allows for the synergy of the individual efforts.

It is our belief that in the managerial performance crisis affecting Romanian companies an important issue is the management communication; that an effective and efficient managerial communication, special in style to fit these times of radical changes, could be a competitive advantage in the process of transition. The special role of the managerial communication in leading the change process is discussed in [13, ch. 6].

When communicating during dramatic changes, the manager has to know how to "play" all the emotional strings. Messages, in order to be effective, have to be experienced also at the emotional level not just at the intellectual level. Managers have to "preach", explain and explain again, inform about good and bad, listen to peoples' concerns and problems. The "language of change" has to be used everywhere in the organization.

In trying to find answers to some of the matters encountered by Romanian organizations, matters that could be traced down to problems of communication, we have done since 1995 several studies in the field of managerial communication pursuing a number of topics: the role of communication in the organizational climate, communication climate and performance, managing stress through strategic communication, types of communication skills necessary for an effective Romanian manager, communication as an instrument in implementing change. We will briefly mention here some of the more general results:

- Managers are aware of the significance of communication with their subordinates, and consider it to be: essential (15% of the answers), very important (31%), important (37%).

- There appears to be an evident discrepancy between the manager's and the subordinate's perceptions of the communication climate. In most cases, while managers consider the communication climate as being open and cooperative, subordinates feel that they cannot talk freely to the boss and that the communication climate is defensive.

We would insert here the findings of an independent study [2, p.78] which show that communication was considered to be very important in the management team by 52% of the surveyed managers. Relative to the need of flexibility in communication (as referring to the style of communication in situations like problem solving, negotiation) the same study reports that 40% of the respondents regarded the flexibility as a necessity for teamwork, while 46% believed it was unimportant.

- There is inadequate communication, not only between managers and their subordinates, but also between top executives and middle managers and even within the top management team. We consider this to be an important source of conflicts and leading to lack of direction, to confusion and suspicion (relative to this topic we made an analysis of sources of conflict in Romanian companies during the transition period in [13, ♣7.1.4]).

- In many cases there is no match between word and action, which causes management's credibility to drop, induces a lack of trust, and as a result people do not subscribe to the objectives of the company. "When I say that I take, I take; when I say that I give, I say" was boasting one general manager. In such a climate the objectives of the management and of the subordinates are seen as being disjunct and the interest in the survival/prosperity of the company is seen through different glasses.

- General managers spend an average of 70-90% of their time communicating, most of it in group communication (with in company meetings they spend 47% of their time), and much less in interpersonal communication (inside the company: 6% of their time is spent talking to employees at the employee's workplace, and another 6% during appointments; outside the company: 15% of their time over the phone, and 10% during visits with customers, suppliers, and local authorities).

- The listening component of communication is not used as much as necessary, is the opinion of most subordinates (and even when managers listen they do not do it effectively). This should no longer be a surprise as long as Romanian managers consider that listening is: wasted time (7% of the answers); not necessary (15%); not important (22%). As one of the interviewees put it: "Before '89 we were not allowed to talk. Now everybody talks but nobody listens".



- Not enough attention is paid to the role of the feedback in motivating for performance. Positive feedback (e.g., recognizing and praising performance) is seldom used. Criticism is still the main form of feedback.

- The objectives of the company are considered to be management's business and, therefore, there is no need to communicate and explain them to the employees.

From our studies and other published research we found that there is a strong relationship between the communication climate (participation in decision making, communication openness and information adequacy) and the organizational commitment (individuals' identification with and involvement in the organization, belief in and acceptance of the organization's goals and values, willingness to exert considerable effort on behalf of the organization).

Our conclusions are that the imperatives of management communication in Romanian companies today are:

- Communication behaviors of managers at all levels should generate credibility by consistency, and compassion by listening and feedback.

- There should be willingness on all parts to share information freely and quickly to promote trust and the feeling of inclusion; there should be respect for people's right to know about the things that affect their jobs and lives.

- Managers should communicate and explain the vision ("where are we headed?"), and the objectives of the company/unit ("what is my company/plant doing?").

- Interpersonal communication should be used to understand individual needs in order to be able to motivate ("does anyone care?").

- Managers should communicate clearly job responsibilities ("what is my job?"), and give positive as well as negative performance feedback ("how am I doing?").

- Management communication should contribute to empowerment and accountability ("how can I help?").

Therefore, the managerial communication process must become a deliberately strategized management system. Its language should redirect the attention from scapegoating, fingerpointing and control towards change, customer, teamwork, responsibility, accountability. Communication should be an instrument of work and change, should become part of the organizational infrastructure.

## **8. THE "WHAT", "HOW" AND "WHO" OF MANAGING THE CHALLENGES OF THE TRANSITION**

In the closing of the paper we will summarize a few key issues related to the **management of change process** in Romanian organizations by asking ourselves questions and then put forward answers.

**WHY** and **WHEN** the transformation should happen are easy to answer: because times are different; the change we have been talking about should be started as soon as possible. Change should be a continuing process since the environment of Romanian companies will never be again as static as it used to be before 1990.

**WHAT** to do ? Change has to be initiated and then managed. A vision has to be created, communicated, and then supported all the way. The leadership function is essential in the process, and a proactive attitude is a must. The incompetence as a leader cannot be compensated by competence as an administrator.

**HOW** to do it ? The first step should be a correct diagnostic of the organization. The information resulting from diagnosing the culture will be used in designing and evaluating strategic options and strategic plans because it can provide answers to questions like: How do the characteristics of the organizational culture relate to the strong and weak points of the organization ? Can the existing culture support the strategy that would bring a better fit with the environment ? Is the human resource prepared for the new strategy ? What kind of change plans are called for ? Are there agents of change in the organization ? Which are the groups or persons who would resist change stronger, which are the ones who would support the change ?

In section 4 of this paper we adopted the view that the change process should be based on a proper HR function. To create it structural changes are usually called for and new procedures will have to be designed and implemented: a new hiring policy and promotion system; a renewed performance evaluation and reward system; new communication systems and styles; appropriately designed training programs for all personnel, including all managerial levels; new symbols, new "artifacts" will have to be put in place to show that things are now different.

**WHO** should do it ? The sponsor of the change process has to be the top management of the company, particularly the general manager. The top executives have to initiate and lead the change. They also have to build the new HR function to which they will, then, delegate the HR activities. After change is institutionalized some HR responsibilities can be delegated to line managers, since all managers have to take responsibility of improving, redefining relationships with their people. However, the success of the transition depends fundamentally on the company's top management.

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