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The Role of Management and Owners in Change

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ABSTRACT

Introduction. A company's top management and its owners play a leading role in developing the organization and managing its organizational changes. This is so natural that their role is reflected in all models of organizational development and change management. L. Greiner's model of organizational change asserts that the primary impetus for change should come from top management. However, an understanding of the need for change may be brought to the organization not by the leader, but by someone else: for example, the owner or an ordinary employee. Implementing change requires the support of top management.

Methodology. The methodological basis of the study is the method of dialectical cognition, a system of rules formulated from known patterns in the field of study. This method served as a guide for us throughout the research process. Obviously, we used the tool of the dialectical method of cognition - dialectical logic, which allowed us to technically implement the formulation of the research principles, develop approaches to the object and subject of the research, and theoretically substantiate the truth of the forms through which we achieved the desired goal.

The results are presented in two algorithms developed by the author: the first describes the owner's decision to transfer management to a professional manager, and the second outlines the stages of the consulting process.

The conclusion states that the activities and views of the organization's owners and managers significantly affect not only the processes of organizational change but also the trajectory of the organization's development. As for the educational effect of consulting, it is perhaps the most important. The choice of methods and the degree of client involvement can strengthen or weaken this effect.

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მმართველებისა და მფლობელების როლი ცვლილებებში

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საკვანძო სიტყვები: *ზეწოლა უმაღლეს მენეჯმენტზე, უმაღლესი დონის მენეჯმენტის ჩუამავლობა, ორგანიზაციული მართვის სტრატეგიები, მმართველებისა და მფლობელების როლი.*

შესავალი. კომპანიის უმაღლესი მენეჯმენტი და მისი მფლობელები წამყვან როლს ასრულებენ ორგანიზაციის განვითარებაში და მისი ორგანიზაციული ცვლილებების მართვაში. ეს იმდენად ბუნებრივია, რომ მათი როლი აისახება ორგანიზაციული განვითარებისა და ცვლილებების მართვის ყველა მოდელში. ლ. გრეინერის ორგანიზაციული ცვლილებების მოდელი ამტკიცებს, რომ ცვლილებების ძირითადი იმპულსი უმაღლესი მენეჯმენტიდან უნდა მოდიოდეს. თუმცა, ცვლილების საჭიროების გაგება ორგანიზაციას შეიძლება არა ლიდერმა, არამედ სხვამ მოუტანოს: მაგალითად, მფლობელმა ან რიგითმა თანამშრომელმა. ცვლილებების განხორციელებას უმაღლესი მენეჯმენტის მხარდაჭერა სჭირდება.
მეთოდოლოგია. კვლევის მეთოდოლოგიური საფუძველი. კვლევის მეთოდოლოგიური საფუძველია დიალექტიკური შემეცნების მეთოდი, რომელიც სახელმძღვანელო იყო კვლევის მთელი პროცესის განმავლობაში. ცხადია, ჩვენ გამოვიყენეთ შემეცნების დიალექტიკური მეთოდის ინსტრუმენტი - დიალექტიკური ლოგიკა, რამაც საშუალება მოგვცა ტექნიკურად განგვეხორციელებინა კვლევის პრინციპების ფორმულირება, შეგვემუშავებინა მიდგომები კვლევის ობიექტისა და საგნის მიმართ და თეორიულად დაგვედასტურებინა იმ ფორმების ჭეშმარიტება, რომლითაც მივაღწიეთ სასურველ მიზანს.
შედეგები წარმოდგენილია ავტორის მიერ შემუშავებულ ორ ალგორითმში: პირველი აღწერს მფლობელის გადაწყვეტილებას მენეჯმენტის პროფესიონალი მენეჯერისთვის გადაცემის შესახებ, ხოლო მეორე ასახავს კონსულტაციის პროცესის ეტაპებს.
დასკვნაში ნათქვამია, რომ ორგანიზაციის მფლობელებისა და მენეჯერების საქმიანობა და შეხედულებები მნიშვნელოვნად მოქმედებს არა მხოლოდ ორგანიზაციული ცვლილებების პროცესებზე, არამედ ორგანიზაციის განვითარების ტრაექტორიაზეც. რაც შეეხება კონსულტაციის საგანმანათლებლო ეფექტს, ის, ალბათ, ყველაზე მნიშვნელოვანია. მეთოდების არჩევანს და კლიენტის ჩართულობის ხარისხს შეუძლია გააძლიეროს ან შეასუსტოს ეს ეფექტი.

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Introduction

Many scientific approaches have been developed in management theory and are successfully used in practice. As for the relatively new direction of management - change management - there is also a variety of conceptual models and approaches to organizational change. Change management can be based on project, process, systemic, situational, and other approaches. The implementation of changes is treated as a separate project, and project management methods are applied accordingly.

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The dynamism of the external environment explains the spread of the situational approach to management in business. All of the above-mentioned management approaches (project, process, systemic, situational) are distinguished by methodological harmony and a specific emphasis, which is quite natural when using any of them. However, the one-sidedness of management's use of any of these approaches yields clear results in this particular area of research; it also has drawbacks.

Literature Review

The research process included the processing of scientific papers by both Georgian and foreign scientists and practicing researchers. The number of papers on change management in the Georgian scientific community is unsatisfactory.

According to Mintzberg, the first stage of change is "pressure on top management". The goal here is to convince management of the need to implement changes. According to Mintzberg, senior management and other executives who have the authority to make and implement decisions should clearly understand the need for change and be ready to implement it. (Mintzberg, 2005)

Acey believes that the second stage, "top management reflection", is directly related to the recognition of the need for change by the company's top management. However, it is necessary to move from awareness of the need for change to readiness to implement it. (Hayes, 2018)

Patton and McCalman believe that there are two conditions for the completion of change:

1. the manager's willingness to mobilize all resources to achieve the goal;
2. The willingness of employees to accept new ideas. (Paton & McCalman, 2022)

P. Drucker believes that the allocation of resources reflects management's willingness to implement a specific plan. This is true when the company's current operations are in evolutionary optimization mode and meet market demands smoothly. A similar indicator for a manager would be the willingness to allocate more resources than expected. (Aaker, 2007)

Mescon and Hedouri believe that there are four main organizational management strategies in change management: coercive, which involves solving the problem by force; rational persuasion; and the "barter-negotiation" strategy, which involves re-establishing new values and making compromises. Each of these has its own nuances, which are analyzed in their work. Developing new values takes a long time. And while this is theoretically effective, in practice, the market changes rapidly, making it difficult to achieve results before ideas become obsolete. The only exception is "eternal" values. (Meskon, & Khedouri, 2017)

According to Yitzhak Adizes, barter combines persuasion and coercion, thereby increasing the effectiveness of both, albeit at additional costs (in terms of money, status, or authority). (Adizes, 2007)

In 2018, Elizbar Barbakadze's dissertation, "Ways to Improve the Methodology of Developing Management Decisions, " which was defended at Akaki Tsereteli State University, discusses the fundamental improvement of the methodology for developing reasonable management decisions. According to the author, making optimal management decisions and implementing them are of great importance in organizational activities, as they form the basis for positive change.

In 2014, Natia Svanidze's dissertation, "Directions for Improving the Management of Georgian Industrial Enterprises", defended at the Georgian Technical University, discusses the main aspects of the theory of inclusiveness in modern industrial enterprises; the theoretical and practical significance of management and the necessity of its application in industrial production and business are established. The criteria for assessing management effectiveness, the analysis of factors affecting it, the economic and mathematical modeling of management changes in an industrial enterprise, and directions for increasing its effectiveness are also discussed.

In the dissertation "Improving the Organizational-Marketing System of a Firm," defended by Ana Tsulaia at Caucasus International University in 2016, the author discussed the changes that the company's management should use to improve one of the most important systems - the marketing service and the joint system of stakeholders.

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The dissertation “Managing Changes and Transformations in Companies,” defended by Lala Jikia at Georgian Technical University, is interesting because the modern world is characterized by a rapidly changing organizational environment.The relevance of effective management of organizational change processes is confirmed today by the following statistics. According to research by the American Management Association, 84% of US enterprises are currently implementing one large-scale change, 46% are implementing more than three change projects. It should be noted that Georgian enterprises are no exception in this regard; they constantly implement changes of one kind or another, improving various aspects of their activities. Organizational changes aren't optional; they're a necessity for success in a competitive environment.

Many Western scientists create works on organizational changes, the structure, direction and features of changes, the problems of using and developing scientific approaches to change management have been discussed by the following authors: Lippitt R., Watson G., Westley B., Beckman T. Ali, Scholey J., Koch A., Boer H., Cornelius J., De Brabandere L., Calloway E., Bamford D., Forrester P.L. and others. According to the named author, despite the diversity of traditional management approaches, their combination should be used in practice, leading to the development of new combined approaches. It is argued that combined approaches are a development of traditional scientific approaches to management, devoid of many of their characteristic shortcomings. In addition, most authors distinguish an independent approach to the “human factor” when implementing changes.

D.R. Bamford, P. Eng, M. Graceley, L. Lahey, R. Kegan, M. Rock, A. Askari, D.P. As a result of the research of Kenneth, D.M.Maori, M.Taliaventi, F.Bertolotzi, L.Whitman, S.H.Cheragi, M.Pina, J. Schramm, D. Pfeiffer, R. Chang, J.A. Chapman, M. McGraw, and others, combined approaches to change management have been simplified and clarified, indicating models of change. These approaches are variants of the methodological framework of organizational change.

Methodology

The dialectical method was most suitable for the work's topic, as it provides a framework for formulating and analyzing the issues under study.

Taking into account the method's selection and characteristics, we identified a set of tools. When collecting, processing, classifying, analyzing, and drawing conclusions from research materials, we relied on dialectical logic. Its use made it possible to establish acceptable principles and approaches and to clearly define approaches to the object and subject of research. Dialectical logic informed the formulation of research questions and tasks to achieve the work's goal, thereby avoiding misinterpretation of the results during the solution process.

The following methods were used within the selected methodology: reflection of reality, comprehensive and multifaceted research, deduction-induction, statistical methods, and generalization. In addition, the dialectical methods of historicism, determinism, and contradiction were used. In the „Literary Review“ section, methods of analysis and synthesis of abstract reasoning, as well as principles

of historical and logical connection, were employed.

In addition, within the framework of the dialectical methodology, the following scientific approaches were selected: systemic, complex, and multifunctional approaches.

Results

Let us examine the evolving role of the owner-founder across various organizational development models.

In I. Adizes’s organizational life cycle model, one necessary condition for development is the transfer of control from the owner-founder to a hired manager. In L. Greiner's organizational development model, the first stage, in which “Creativity” is the driving force, relies on the founders' enthusiasm, new ideas, and creative potential. Even the staff during this period was recruited through family ties.

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However, this is how foreign authors view the picture. In reality, the situation may unfold somewhat differently. Specifically, while moving away from regular management, the owner continues to intervene periodically, reserving the right to make key decisions.

However, there are specific reasons for this. Unlike in developed countries, where owners' interests are protected, in transitional economies, the institutional environment significantly influences owners' decisions to transfer control to a hired manager. Only after completing all the stages of this model do internal environmental factors begin to play a decisive role. (Ansoff, 2019)

Based on this, the algorithm for an owner's decision to transfer company management may be represented as follows (Figure 1).

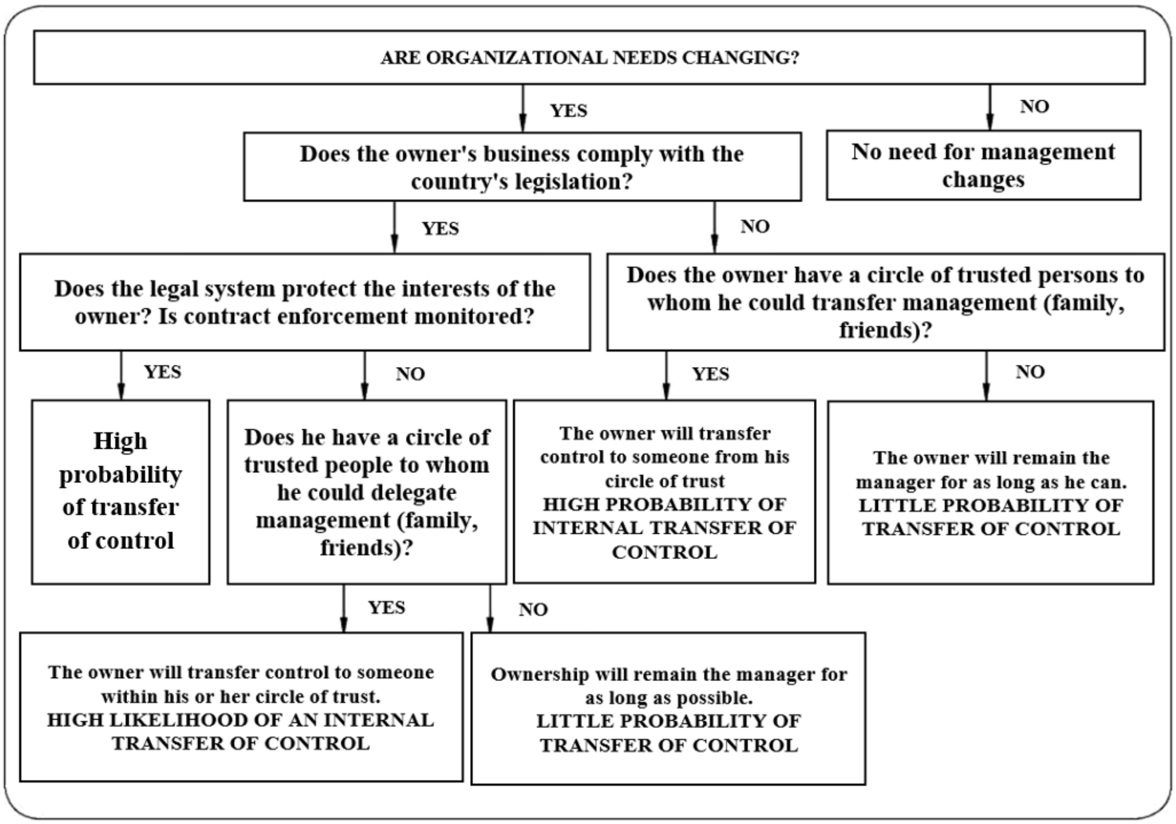

Fig. 1. Alternatives to the owner's decision to transfer control to a professional manager

Thus, the following factors may influence the owner's decision to transfer control of a growing company to a hired manager:

- Age of the organization – the older the organization, the more likely the owner will transfer control to a hired manager.
- Size of the organization – the larger the organization, the more likely the owner will transfer control to a hired manager.
- Guarantees for the protection of the owners' interests – the greater the negative impact of the legal system on the business, the less likely the owner is to transfer control to a hired manager.

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- Importance of the owner's contacts ("connections") in the organization's operations – the higher the value of contacts and the more significant they are in the work, the less likely the owner is to transfer control to a hired manager.
- Audit of the organization – if the company is undergoing an audit, the likelihood that the owner will transfer control to a hired manager increases.

B. Livehood's model also demonstrates the changing role of top management in change management.

In the first stage, the "pioneer" owner plays a key role. They create the enterprise and manage it for the first period. At this stage, the owner plays a dominant role. They reject any serious interference in the established operating procedures. However, a pioneer enterprise remains healthy only as long as:
– The pioneer still personally knows all employees.
– The pioneer still personally knows all clients.
– The production process or service operations are relatively transparent;
– Due to technological and market stability, accumulated experience plays an important role.

As a result of a crisis that occurs during the pioneer phase, the enterprise is forced to either transition to regular (professional) management or cease to exist.

The subsequent shift in management's role follows a pattern similar to L. Greiner's model: initially, key functions are transferred to a professional manager, and subsequently, the prerequisite for development is the formation of a top management team that interacts with teams at other levels of management.

As noted, organizations often turn to professional management consultants when implementing change. In this section, we will examine management consultants in greater detail and explore how they can assist an organization in managing change. According to Geneva consultants, there are two main approaches to defining the objectives of management consulting. (Okumus, 2023)

The first approach defines consulting within a functional context. According to Fritz Steele, consulting is any assistance in developing the content, structure, or problem-solving process of a task, where the consultant is not responsible for its implementation but merely assists those performing it. According to Peter Block, if a person tries to change or improve a situation but does not directly control it, they are engaged in consulting.

These definitions emphasize that consultants are assistants or intermediaries and that consulting assistance can be provided across a wide range of tasks. Incidentally, a manager can also act as a consultant by assisting colleagues or subordinates without giving direct orders. (Beer & Nohria, 2017)

The second approach views consulting as a distinct professional service and identifies several characteristics it should possess. According to Larry Greiner and Robert Metzger, management consulting is a contracted advisory service that provides organizations with specialized, qualified individuals who assist the client organization in identifying management problems, analyzing them, making recommendations for solving them, and, where necessary, facilitating the implementation of solutions. Similar definitions are used by professional associations of management consultants in the UK, US, and other countries, as well as by individual consulting firms. (Gamus, Salem, Ben-Haim, Gat, & Or, 2017)

These two approaches are complementary. Management consulting can be viewed either as a professional service or as a method providing practical advice and assistance. There is no doubt that it has developed into a distinct professional field and deserves to be treated accordingly. At the same time, it is a method that helps organizations and executives improve their management practices and enhance individual productivity and overall organizational performance. (Kotter, 2003)

In either case, management consulting involves providing professional assistance to executives, offering expertise and skills relevant to practical management issues. Through theoretical training and practical experience gained in dealing with various management situations, a management consultant acquires the skills necessary for: (i) solving problems and sharing experiences; (ii) identifying problems; (i) finding relevant information; (iii) analyzing and summarizing; (iv) developing proposals for improvement; (v) communicating with people; (vi)

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planning changes; (vii) overcoming resistance to change; (viii) helping clients gain experience; (ix) transferring management methods from one country to another, etc. The question arises: Can managers cope with these problems without consulting experts? Indeed, hiring consultants is a relatively expensive undertaking that doesn't always yield measurable results. However, employing professional consultants isn't a sign of management ineptitude, as it might seem at first glance. On the contrary, the opposite trend is evident: the more competent managers are, the more often they turn to management consultants, and the more positive the results of such collaboration are. (Rampersad, 2005)

Let's list the arguments in favor of an organization's collaboration with management consultants or consulting agencies:

1. A consultant possesses specialized knowledge and skills (effective methods, theories, approaches, specific solutions) that the organization doesn't know or can't apply independently. If an organization lacks employees who can solve a specific problem as effectively as a specialist, a consultant is invited.
2. A consultant views the problem from an outside perspective, with a fresh perspective, free from the organization's existing attitudes, stereotypes, beliefs, and rules.
3. A consultant brings a fresh perspective to the organization's work. Their presence enhances the significance of the events and attracts employees' attention.
4. The consultant's recommendations enhance the value of decisions in the eyes of employees. This can reduce resistance to change.
5. A consultant can focus intensively on the assigned project without being distracted by other work. Sometimes an organization has the necessary technically qualified personnel. Still, key executives or in-house specialists cannot be freed for in-depth, long-term work on a significant problem or project. (Conze, Morganti-Fisher & Conzemius, 2021)

Over the years, management consultants have worked with numerous organizations, thereby gaining extensive experience and expertise. Because consultants have encountered a variety of changing circumstances, they can identify common trends and problem causes and, with a good chance, find appropriate solutions. They are also adept at approaching new issues and opportunities. Furthermore, professional consultants continually monitor management literature and the evolution of theories, methods, and management systems, including advancements at universities and research institutes. Thus, they act as a link between management theory and practice. Even an excellent manager can be convinced that a management consultant can bring something new to the organization's work.

It is essential to consider the specifics of consultants' work:

1. Consultants provide advice but do not have decision-making authority. Consequently, they cannot make decisions on behalf of managers. They are responsible only for the quality and completeness of the advice; clients bear all responsibility arising from its acceptance. In consulting practice, there are many variations and levels of advice. Providing not only the proper guidance, but also the right way, to the right person, and at the right time—this is the skill and art of a consultant. The client, in turn, must learn to accept and utilize the consultant's advice. It would be a mistake to think that once a consultant appears, management can relax because someone else has taken on the task of solving the problem.

2. Consultants must be independent in their assessments and judgments. The consultant's independence is expressed by the ability to objectively assess the situation and tell the client the truth, by the honesty of the advice and recommendations given, and by conclusions that do not depend on the impact this may have on the client's interests. This detachment has many aspects and can, in some cases, be a very delicate matter. (Vivarelli, 2023)

Most often, managers turn to consultants when they need help solving problems. When an organization's leaders admit that a situation is unsatisfactory and cannot be resolved on their own, they bring in a consultant. The ideal outcome is that the situation is corrected and the problem is resolved, and that the changes resulting

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from the consultant's recommendations improve management processes and increase the organization's effectiveness. After all, this is precisely the primary purpose of engaging a consultant. However, it should be noted that "improved management" and "organizational effectiveness" are relative concepts, and the precise context must be established for each specific organization. (Gunasekaran & Kobu, 2022)

Fundamentally, consultants can participate in management in two ways:

1. providing ready-made solutions successfully tested by other companies;

2. assisting the organization's staff and management in analyzing the causes of problems and developing independent solutions.

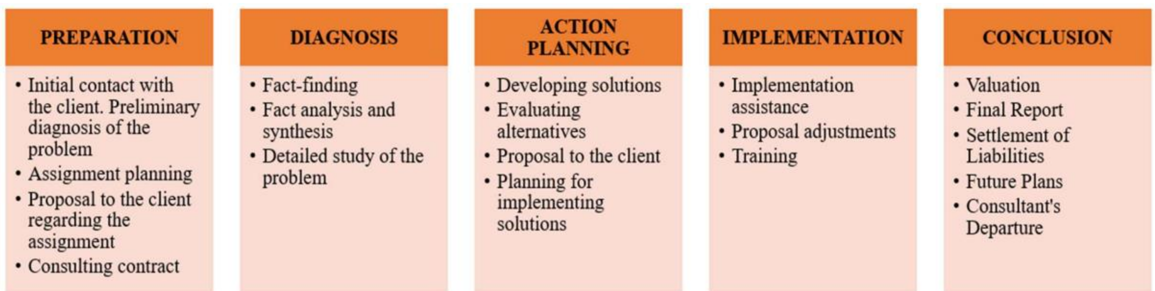

Fig. 2. Phases of the counseling process

The second option is preferable, as it maintains a high probability that, after the consultant's engagement with the organization ends, changes will continue in the chosen direction and with positive momentum. However, this option is also more complex. The "solution-finding assistance" consulting approach is more compatible with the concept of "soft" change, and its implementation is significantly more complex than that of "hard" change. (Burke, Lake, & Paine, 2018)

It is also worth noting that an integral part of a consultant's work is training the organization's employees. Consulting assignments serve as a learning tool; their goal is to introduce new knowledge to the organization and help managers and staff learn from experience.

Conclusion

However, since this model is more comprehensive in terms of content, it also includes two additional stages: the active participation of partner company managers (including suppliers and customers) in managing changes and development; and finally, the formation of a self-learning organization, where the role of management is relegated to the background and is essentially reduced to supporting the development process.

Thus, the activities and views of the organization's owners and managers (especially the CEO) significantly affect not only the processes of organizational change, but also the trajectory of the organization's development.

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