

# Management of strategic organisational changes in Russian companies under modern economic conditions

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**Abstract.** The sustainable development of any enterprise in today's geo-economic environment provides it with a competitive advantage in the market segments it occupies. But only those enterprises whose managers are able to adapt their business processes to the changing economic environment and promote their business with new technologies and products to the global market segments achieve competitive advantage. Adaptation to uncertainty is achieved largely through relevant and timely organisational change. In this article the authors consider two aspects of adaptation of Russian enterprises to modern economic conditions on the basis of change management. The first relates to the choice of an organizational change management model. The second to the development of a flowchart of intraorganisational staff interaction to address tactical and strategic changes in the organisation. When selecting a model of strategic change management, two options for their implementation are considered: during the implementation of a new business strategy and as a counteraction to the crisis while maintaining the existing business model. To implement the second direction of change management, a complex interfunctional interaction of enterprise personnel is considered in the decision of tactical and strategic production tasks. It is concluded that the achievement of sustainable development of Russian enterprises is ensured by applying the proposed change management algorithms, taking into account the analysis of the existing tactical and strategic objectives facing them.

## 1 Introduction

The competitive environment, stimulated by the constant technological innovation of the modern sixth economic order, creates uncertainty even in those segments of the country or international market where no political or economic collision takes place. This changing environment forces companies that strive to maintain their competitive status and sustainability trends to continuously implement organisational changes. These changes are legitimate in modern business and may or may not significantly affect the structural components of the existing business model.

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Management must choose an organisational path of adaptation to the changing conditions of the external environment and the internal state of the enterprise when implementing changes. As the practice of Russian enterprises shows, this is done either through significant strategic changes in the business, or through tactical measures that allow them to retain their competitive status in the short term. Life shows that the strategic path of change is the most effective. Tactical changes to counteract the crisis, while yielding definite results, are not as reliable as strategic ones. This is because such a mechanism for managing change can only be effective if it is small, minor, and in some cases medium-sized. For more serious and large-scale changes, the second organisational change algorithm would not be appropriate. For example, the crisis of 2021-2022, which affected many Russian companies, showed that without a clearly built strategic plan for change management, staff involvement, training and education, justification of certain changes, it is quite difficult to properly respond to the transformations that occur in the external environment and cope with problems.

For example, the loss of a large number of customers amid the impact of the coronavirus pandemic and the subsequent dire geopolitical situation has led to a drop in company sales. Management, which is generally characteristic of Russian companies, tried to solve problems by implementing various changes, i.e. focusing not on the essence of the problem, but only on methods of solution through tactical changes: introduction of a tougher KPI system (increasing sales plan and the number of calls); transfer of some clients from the database to employees in other departments (who do not know their history with the company); introduction of daily KPI reporting system (employees had to spend time on counting their own figures instead of the company). In other words, different methods were used to solve the company's current problems, and those changes that had been implemented in the last week could be cancelled at one point and the decision made for other innovations and their immediate implementation either locally or throughout the company, as shown in Figure 3. In such crisis situations, a strategic, comprehensive approach is needed, a deeper examination of the problem rather than impulsive and unjustified changes that may not only fail to solve it but also create new ones already in the company's internal environment.

Researchers and practitioners in their works, for example [1-4], explore various issues of change management, In this article the authors offer developed algorithms for implementing change in organizations.

The authors of the article based on the results of research in Russian enterprises, came to the conclusion that there are many models of organizational change, but their implementation in organizations occurs in two ways, when strategically changing the business model or when there is a forced change counteracting the crisis without changing the existing business model.

The problem of choosing the algorithm for implementing tactical and strategic changes in organizations will always be relevant, because the business of Russian organizations is constantly evolving, so there will always be new problems and challenges that need to be addressed, including through effective management of organizational change. All this confirms the relevance of this article.

## **2 Materials and methods**

The methodological framework of change management research is aimed at the practical implementation of the hypothesis: the adaptation of organization functioning in an unstable economic environment based on change management will be achieved if effective change implementation algorithms are selected, managerial decisions on staff interaction in implementing tactical and strategic changes are developed, and the organization staff is interested in the changes.

The methodological and theoretical basis of the study is the following:

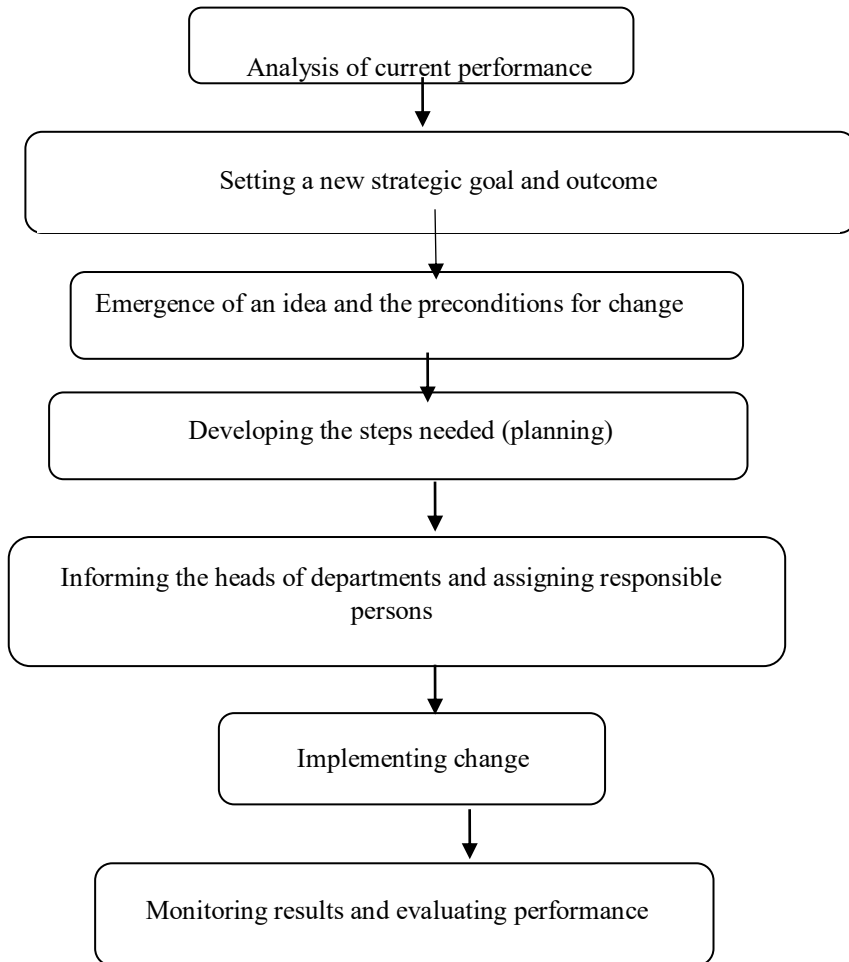
- method of system analysis, with the help of which the issues of formation of algorithms of implementation of tactical and strategic organisational changes and their implementation in the practical activities of Russian enterprises were investigated;
- the concept of rational behaviour of market entities, the provisions of which allowed the development of algorithms for change in companies operating in today's uncertain economic environment;
- comparative analysis, which made it possible to investigate domestic and foreign approaches to change management in the practical activities of companies.

### **3 Results**

Based on research on change management processes in Russian organisations, the authors have formulated two variants of the change management algorithm.

The first variant of change management is implemented during the implementation of a new strategy that significantly changes the business model of the enterprise. Let us consider the scheme of the change management algorithm as a process of implementing a new strategy (Fig. 1).

The content of the management actions in the first variant of change management is as follows. At the initial stage, the head of the company analyses the latest results of activity (of the whole organisation or its individual departments). He then identifies the main points which he is not satisfied or which he would like to change for any reason and sets goals to achieve the desired end result of the new strategy. After that, ideas for change are generated. The steps necessary to implement the change are then developed in conjunction with the Chief Operating Officer (COO). This is communicated via the heads of departments (department if it is a more localized change) who communicate the information to the rank-and-file employees. The responsible persons then implement the planned changes and monitor the process and subsequent results, assess how effective the changes have been, and draw appropriate conclusions. We will now highlight the main advantages and disadvantages of this approach.

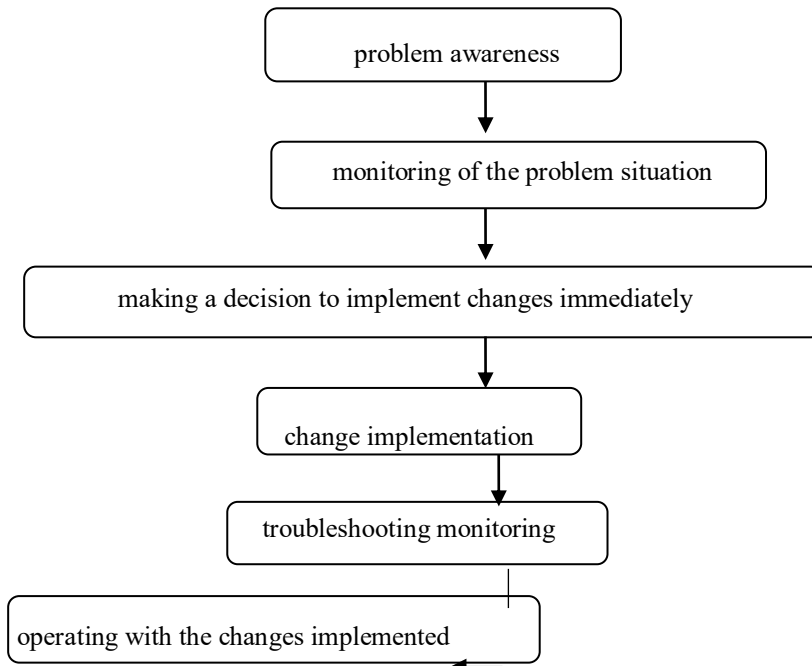


**Fig. 1.** Block diagram of the change management algorithm in Russian enterprises in terms of implementing the new strategy

Advantages: There is a situational analysis phase; there is a version of 'as is' and 'as should be' vision.

Disadvantages: there is no special group or expert to develop measures to implement changes; staff is informed about the innovation before the implementation, there is no stage of staff training; there is no training of employees or involvement of persons who are affected by changes in this process; organizational culture and standards are not taken into account; no experimental implementation; there is no analysis of the feasibility of changes in terms of availability of financial, time, material and human resources [4], see "The change management".

Now let us consider the scheme of change management as a response to crisis or problem situations without changing the existing business model (Fig. 2):



**Fig. 2.** Change management in Russian enterprises as a response to the crisis

In this case, the process begins with recognising a specific problem and analysing it. As a rule, its monitoring is rather superficial, because in a state of stress neither employees nor management spend time studying the underlying causes, but immediately look for solutions without making a clear plan. If the identified problem is small and concerns 1-2 departments, the decision to implement changes is made by the head of department after briefly discussing the action plan with the employees involved. If the problem is sufficiently serious, requires financial resources or a global restructuring of a process or even several processes, it is reported to the head of the company. Sometimes in such cases you have to wait for approval from the top management for a few days, which can be a very long time given the nature of the company's industry and line of business. Often the manager does not agree to the proposed changes, and then the situation becomes even more complicated. The same happens if the changes that have already been implemented do not lead to results and do not solve the problem, then the decision makers, using brainstorming, look for new options to implement the changes.

The advantages of this approach to change management: there is awareness of the problem and therefore a willingness to solve it; the employees involved can participate in decision making regarding the change and therefore the risk of resistance is reduced; there is a quick response to a crisis by implementing changes if changes can be implemented without the approval of top management.

The disadvantages include: changes are experimental in nature, the probability of a positive outcome depends largely on the experience of those responsible, the situation itself and external factors; there is no clear plan for implementing changes; time and financial losses if the decision is made only by the head of the company and it is impossible to reach him within minutes; if the desired effect is not achieved, the cycle is repeated, but the essence of the problem is not examined, but options are considered immediately, etc. Speaking about employees' attitudes towards such changes, they perceive them differently. Moreover, many

of them are not completed: they are either forgotten or prove to be ineffective already at the initial stage.

In the framework of the change management algorithm in Russian enterprises when implementing a new strategy (the first variant of the proposed algorithm of organizational changes), the implementation of a new business project usually takes place. Such changes characterize the development of the company within a new strategy, which will bring profit and bring it to a new level of functioning.

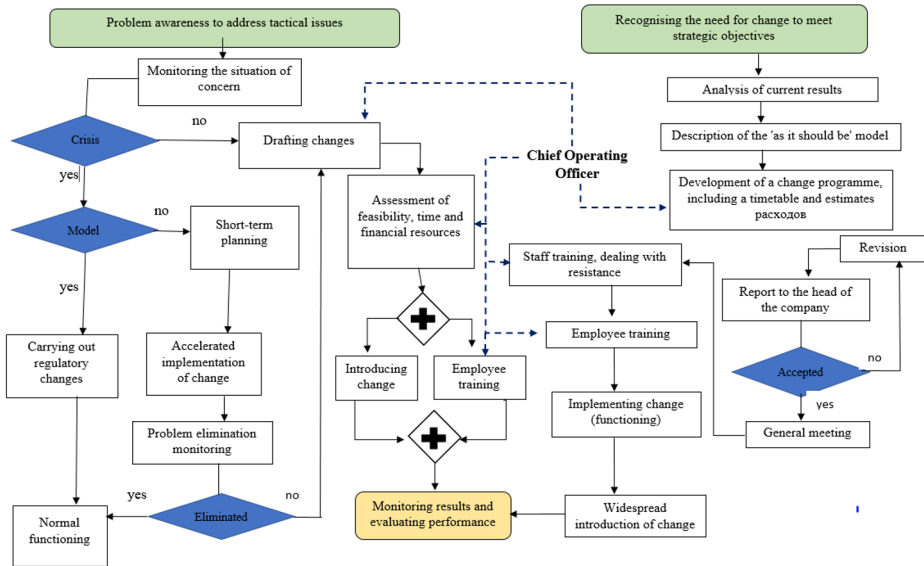
We propose to manage changes as implementation of a new strategy according to the following algorithm:

1. Once the idea for a business project has emerged, the head of the company, together with the operational director, describe the model for its operation and the expected result (effect).
2. The COO then engages the head of the department(s) involved in the new business project to develop a programme for its implementation. The main steps for its creation are:
  - selecting a reliable partner from among regular customers;
  - in the case of business expansion, finding a site that meets the requirements of the company's new business project;
  - search for employees to implement the new business project, or training and retraining of staff;
  - drawing up cost estimates and a calendar plan of activities;
  - appointment of persons responsible for implementation and control of activities.
3. The head of the company analyses the programme and approves it.
4. A corporate meeting is held with a visual presentation of the programme, informing the employees.
5. Resistance is dealt with.
6. The programme for the implementation of the new business project is implemented.

Depending on the nature of strategic change, the stages can be reversed in each case.

A general flowchart of the management of a business project as a general flowchart of change management in the implementation of the new business project including both tactical and strategic changes is shown in Figure 3.

Based on the flowchart shown in Figure 3, we can conclude that the COO plays one of the defining roles in change management. This reduces the involvement of the CEO in some of the issues related to ongoing change and hence saves time in decision-making. The management impact here will be effective thanks to digital technology. Employees will be involved in the planning and implementation of changes, and in critical typical situations they will act according to regulations. It should also be noted that changes related to the implementation of the new strategy will be made by using the parallel operation methodology. The parallel operation methodology will allow the company to smoothly enter the new direction of its development, while timely control will allow it to monitor the process of learning, adaptation and gradual transition to the new system.



**Fig. 3.** Block diagram of a company's tactical and strategic change management system

## 4 Discussion

When talking about organisational algorithms for change, one of the main points that cannot be ignored is staff attitudes towards change. Various aspects of research on this issue are given special attention by scientists and practitioners. Thus, in their work [5] Oleksandr Bilichenko, Mikhail Tolmachev, Tetiana Polozova, Dmytro Aniskevych, Alzoubi Laith Abdel Karim Mohammad consider the value-motivational sphere of the personality as a potential source of active innovation behaviour, and the innovation motivation mechanism as the most important component for its intensification. Mohammad Hossein Moshref Javadi, Mahboubeh Delshad Dastjerdia [6] investigated the impact of implementation of information management system on the causes of staff resistance, Abdelouahab Errida, Bouchra Lotfi, Zaineb Chatibi [7] developed models to assess staff readiness for organizational change, Rana Tahir Naveed, Homoud Alhaidan, Hussam Al Halbusi, Abdullah Kaid Al-Swidi [8] analyzed organizational resistance as a boundary condition of organizational innovation and effectiveness relationship. Ibrahim E. Sancak [9] describes change management in sustainability transformation based on business models, Rodrigo Lozano, Benjamin Nummert, Kim Ceulemans [10] explore the relationship between sustainability reporting and organisational change management for sustainability.

For successful implementation of innovation, it is necessary to take into account the results of a survey on staff attitudes towards the implementation of organisational change, carried out by the authors of the article in Russian enterprises. The following conclusions can be drawn from the results of the survey:

- more than half of those surveyed believe that the company does not involve them in the discussion of planned changes, and employees themselves do not want it to affect them in any way;
- many of those who oppose changes are the ones who show latent resistance, i.e. they do not voice their dissent and may act as covert saboteurs;
- almost all employees are concerned about how changes will affect their work and try to anticipate them;

- 50% of employees are willing to seek solutions to problems if they arise during the implementation of changes.

In any case, it is worth noting that 70.8% of the organisation's staff are either negative or sceptical about change. Let us outline the methods which we would recommend to be used in this situation.

- **Informing.** The main problem in the company was that the staff was only informed about the changes before they were implemented. Everyone needs time to accept innovations, especially those of a strategic nature. Therefore, the timely and detailed delivery of information will avoid misunderstanding and stress in the team. It also eliminates the influence of employees who spread rumors and negatively influence the climate in the company.
- **Employee Involvement.** Employees' involvement in the planning and implementation of changes will not only keep them informed about what is happening in the company and reduce their anxiety, but it will also have a positive effect on the quality of the measures developed, since experienced employees will see the situation from the inside, which will make it possible to reach a common solution faster.
- **Staff training.** If the changes that are being made involve the automation of processes, changes in roles, or new responsibilities, staff will need to be retrained. Training can be outsourced to outside specialists or to staff who previously worked in the same role. Either way, this method would make staff feel more confident and unafraid of innovations relating to their work.
- **Organise collaborative activities.** Resistance to change is often due to internal disengagement, with each employee pursuing only personal or departmental goals and with competition rather than human relationships coming to the fore. It is advisable to hold events (e.g. corporate New Year, March 8th, other holidays), including those outside the office (a trip to the countryside, various quests, team building activities). Team building will help you to be more optimistic about any changes, including taking an active part in them.
- **Negotiations.** For employees who have shown themselves to be "opposed to change" in the questionnaire, meetings should be held in the presence of the head of the company and innovation management staff to find out the true reasons for discontent. In cases where a particular change is not having the best effect on a particular individual's work, it may be decided to compromise.
- **Co-optation.** The use of this method is only recommended if someone in the department does not support the proposed programme of change and thereby makes the rest of the staff question its appropriateness.

The developed system has a number of advantages, one of which is the fact that employees are given more freedom in making decisions related to crisis situations and can have some influence on the implementation of ongoing changes. This nuance is very important for the personnel of Russian enterprises, since about 50% of employees in the questionnaire expressed their willingness to solve the company's problems that arise from time to time. Their involvement will reduce anxiety and resistance to innovation. Other benefits could include: minimising impulsive change, introducing planning and training phases, reducing decision-making time, and developing the manager's confidence in his or her employees.

Having summarised all of the above, let us present the activities required to build a change management system presented in Figure 3:

- delegating the change management function to the Chief Operating Officer while maintaining the same salary level, forming new job descriptions;
- development of regulations for dealing with typical problems requiring changes;
- adjusting the job description of warehouse employees (adding the function of controlling the assembly of orders in shifts);



- implementation of 2 payment systems / servers which will ensure uninterrupted money transfers not only from clients, but also when the company pays for the raw materials from suppliers;
- implementation of Google Sheets (spreadsheets);
- introduction of corporate events to build team spirit.

In order to ensure that the organisational change management system built will have a positive impact on the company's operations and results, it will be necessary to assess the socio-economic effectiveness of the proposed measures.

## 5 Conclusions

The study has shown that, in the context of the dramatic increase in the volatility of economic processes and the rapid development of technology, the correct strategic orientation of enterprises has become more important than ever before. The fundamental assumption underlying modern strategic planning that sustainability can only be achieved through constant change is well established. Changes should be comprehensive, including both products, technological and logistical, as well as organisational and managerial changes.

Most of the surveyed enterprises are aware of the importance of this task and are developing some form of strategic development plans. However, the prevailing tendency is a conservative approach and orientation of these plans towards maintaining their positions in the developed market segments. Comparative analysis, however, provides convincing evidence that the most successful enterprises are those that focus on new products, new technologies, and new markets.

The specialised organisational units within the corporate management system that are geared up for the analysis of markets and technologies and regular cooperation with consultants are the tools that ensure that enterprises are well-positioned to deal with the flow of change. As a prerequisite, management must be committed to digital transformation and involve as many rank-and-file employees as possible in the strategic process.

The design of the intra-organisational interaction of these participants in the strategic process using the algorithms outlined in this article will allow enterprises to remain sustainable in the most unfavourable market conditions.

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