

# Change Management-An Unending Micro and Macro Minuet

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## Abstract

This article is divided into two sections. The first of these highlights a *macro- approach* to the importance of government and market institutions. The second focuses on the organization of businesses at the *micro-level*. Both approaches interact mutually, each bearing influence on the other. *Macro approach*: Examples of successful government initiatives will be presented. They had national leaders who forged consensus on economic objectives and the means to achieve them. They created institutions that were able to exploit technological possibilities and move-up to high-income status. Countries with weaker institutions and non-effective leadership and commitment, are severely handicapped. Their economic growth suffers consequently. *The healthier and more robust institutions in a society, the better quality of life and higher economic growth.* *Micro approach*: Within the micro approach of economic policy for development we present to case studies that have implemented change management in a strategic way to achieve higher and more competitive results. *Case Studies*: 1- The New York City Police Department (NYPD) presented an interesting example of effective institutional change. Key steps for change through persuasion are explained in the paper. 2- IBM Company. This case study highlights the value of dialogue to implement change. *Theory of Change*: Implementing change is a difficult challenge. The basic theories of change known as Theory E & O, it is premised on change being a function of economic values. Conversely, Theory O ascribes change to organizational capacity. *Only, the integration of theories E and O can create major change* – and as a result major payoffs. Another Theory of change, the Theory of Groups and logical types- can also explain a way of implementing change in an organization. Both case studies used both approaches. Details are presented in the manuscript. *Conclusion A sustained advantage in today's economy can come only from a constant ability to develop organizations for the long term combined with a constant monitoring of shareholder value- E dancing with O, in an unending minuet.*

## Keywords

Sustainable, Development-Institutions-Government, Incentives-Business-Change, Management-Change, Theories-Dialogue-Social, Operating, Mechanisms

Received: June 4, 2015 / Accepted: June 20, 2015 / Published online: July 22, 2015

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## 1. Institutions

The nature of the institutional base- the development of organizational capability- is the handmaiden of economic performance [1]. Technology externalities can guaranty sustainable growth. Institutions can assist when they themselves are guided by a matrix of rules and organizations that guide the accumulation of resources as well as their

allocation and use.

Conversely, activities can be severely constrained when institutions are weak or informal. Distorted rules and corrupt organizations generate perverse incentives. When entrenched with dysfunctional behaviour, they become difficult to rectify. A definition proposed by Avinash Dixit [2] is very illustrative.

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He described economic governance as the “structure and functioning of the legal and social institutions that support economic activity and economic transactions by protecting property rights, enforcing contracts, and taking collective action to provide physical and organizational infrastructure.”

*With stronger, better-designed institutions, countries can arrive at superior outcomes.*

## 2. Successful Government Initiatives

Geopolitical changes beginning in the 1960s present several examples of successful government-lead initiatives, which have spurred economic development. Among these, three nations represent particularly successful models: Singapore, Finland, and Ireland.

Few imagined the island nation surrounded by its much larger neighbours, Malaysia and Indonesia, would convert itself into a regional economic powerhouse. Indeed, Singapore's beginnings were what we would call today very low tech. *All of that changed as the country marketed itself as an island of stability which adhered to the rule of law, in a region then-known as a hotbed of political instability and extreme poverty.*

The starting points for these three countries were the national leaders who forged consensus on economic objectives and the means to achieve them. The key leader in the case of Singapore was Lee Kuan Yew, and his political organization, the People's Action Party, which continues to dominate the polls [3].

Finland up until the 1980's was a low-income country that would become in a short time thereafter one of the most innovative nations, experiencing steady growth for about three decades. That country's Funding Agency for Technology and Innovation (TEKES); Ireland's Industrial Development Agency (IDA); and Singapore's Economic Development Board (EDB) all helped implement effective strategies. Singapore secured prosperity by crafting a near-ideal business environment, and by boasting the best-trained workforce in Southeast Asia. The EDB's mission was to engineer an efficient and low-transaction cost environment, while working with other agencies and the national education system to raise the quality of the Singapore's labour.

These institutions explain the speed with which Singapore, Finland and Ireland (known collectively as *Sifire*) were able to

exploit technological possibilities and move-up to high-income status. Countries such as Argentina, which has weaker institutions and effective leadership and commitment, are severely handicapped in areas that foster the accumulation of knowledge. Their economic growth suffers consequently.

Even though the three subject countries have relatively small populations, around 5 million each, their experiences offer lessons in the organizational/institutional area. Each was able to engage institutional networks, because of the incentives to local institutions and firms to embark on research; they had nurtured innovation and focused on building capital knowledge and technology.

An easiness of doing business ranking illustrates how favourable competitive these countries are [4]:

Singapore:1; Finland:11; and Ireland:15.

Other countries have also reduced obstacles to international trade and used the FDI to catch up with other stronger economies and stimulate growth and productivity. These include China, Ireland, Malaysia, Singapore and Thailand. Conversely, states can grow rapidly without FDI/as the examples of Japan and Korea demonstrate.

South Korea presents a remarkable example. Emerging from being desperately poor in the 1950s following the Korean War (and before when it endured colonial rule), this country today is one of Asia's strongest economies. During the 1960's its leaders realized the importance of changing their country's economic policy. They thereupon introduced a series of sweeping economic reforms, shifting from inward-looking policies in favour of a strategy that emphasized exports. The government took an active role in allocation of capital in strategic industries, establishing in this way a strong industry policy. There was a tight cooperation between government and businesses. These policies lead to a remarkable economic ascension.

The economies that rank highest on the ease of doing business are not those where there is no regulation- but those where governments have managed to create rules that facilitate interactions in the marketplace. Good business regulations enable the private sector to thrive and business to expand their transactions network.

Doing Business [5] encompasses 2 types of indicators: indicators relating to the strength of legal institutions relevant to business regulation and indicators relating to the complexity and cost of regulatory processes.

Average ranking on sets of Doing Business indicators. [6]

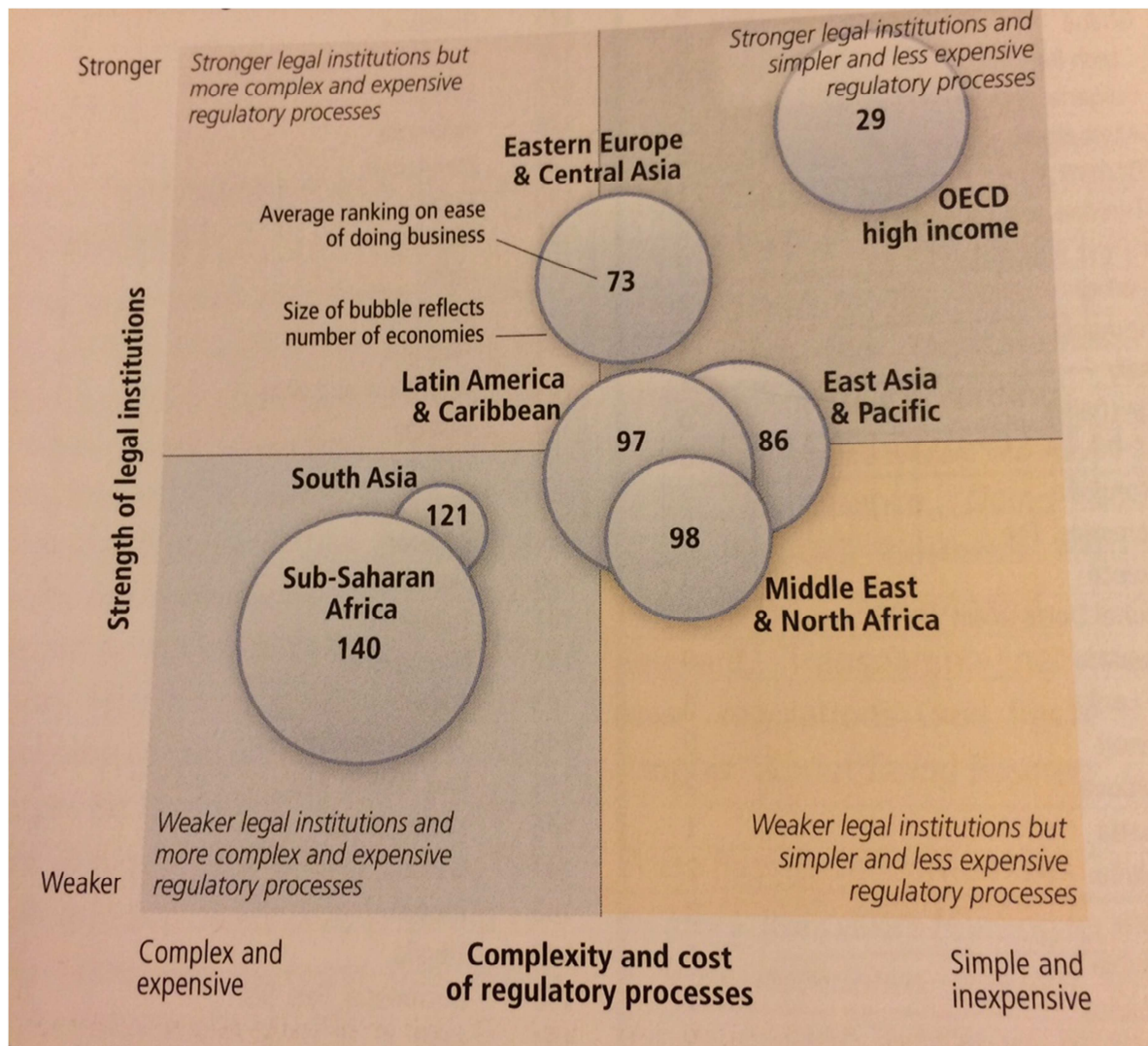


Figure 1. OECD high-income economies combine efficient regulatory processes with strong legal institutions.

Source: Doing Business Database.

*Strength of legal institutions* (vertical axis) refers to the average ranking on getting credit, protecting investors, enforcing contracts and resolving insolvency. *Complexity and cost of regulatory processes* (horizontal axis) refers to the average ranking on starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders.

Just as good rules are needed to allow traffic to flow in a city, they are also essential to allow business transactions to flow.

The more efficient the regulatory processes with stronger legal institutions, the higher the countries' income level, such as the OECD group.

### 3. Other Key Elements for Social and Economic Growth

1-Trust and rules, and 2- Fighting corruption.

#### 3.1. Rules

Rules formalize the underlying system of trust that sustains the complex division of labour. Without confidence, institutions such as markets lose legitimacy and fail to perform. Without competition, they ossify. An effective legal system thus allows a more equal playing field with increased competition; a more complex division of labour within firms; and a more sophisticated market for corporate control. Functioning rule of law –based institutions also creates a better investment climate that will attract Foreign Direct Investment. (FDI).

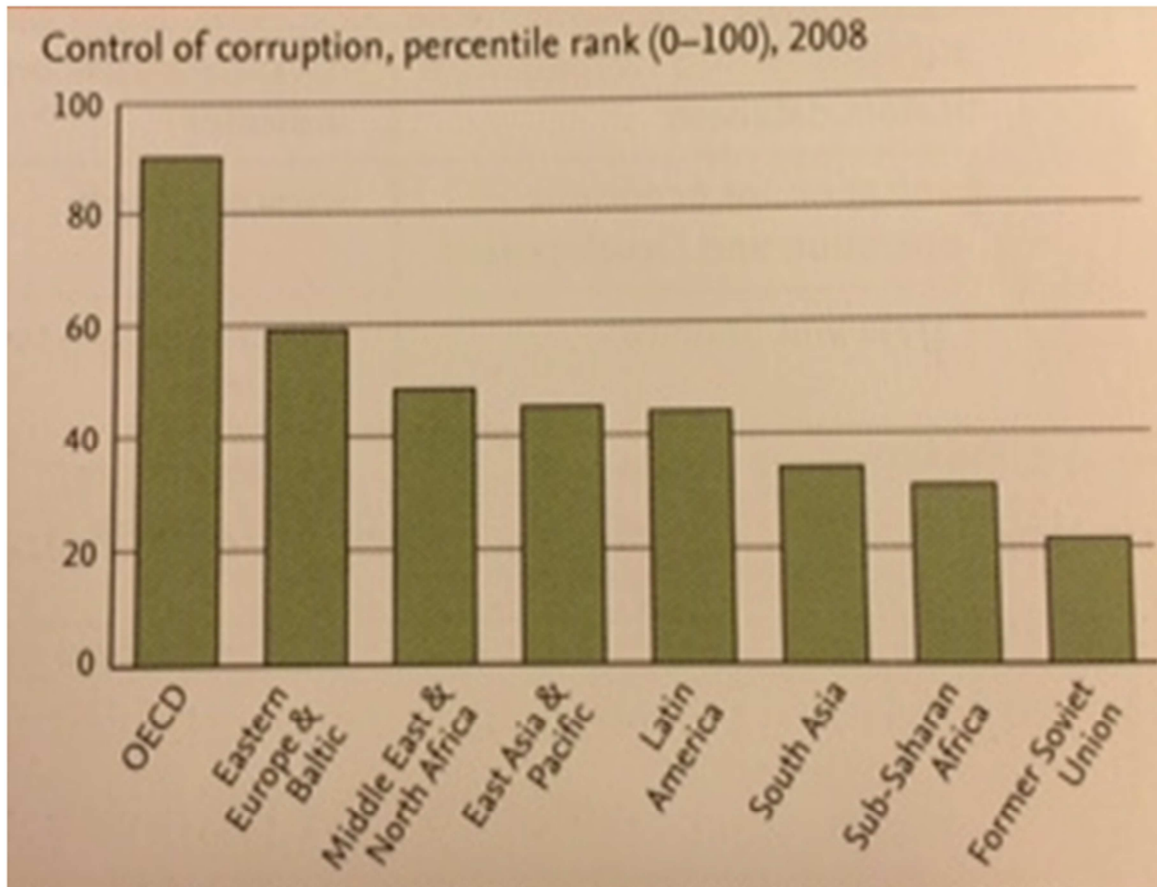


Figure 2. Corruption Control by Region (Graph. Reference: 6).

### 3.2. Corruption

Another key element in helping economic growth is fighting corruption. Effective legislative structures, respect for individual liberties and property rights, a free and vibrant press, they all contribute to strong and capable institutions of the state.

Corruption can be viewed as a virus that attacks trust. Countries with relatively high levels of FDI inflows have less pronounced corruption.

The lower corruption the higher per-capita income.

## 4. Why are Some Countries Wealthier than Others

Within this line of thought and all the data presented in this paper, we are aligned with the second school. The one that focuses one on the institutions, the governmental institutions, the business realm and also others, such as the police department, the health department, etc.

*The healthier and more robust institutions in a society, the better quality of life and higher economic growth.* The first

school focuses on the geographical features, though does not apply for the line of thinking of this article.

## 5. Case Studies and Change Management Theories

Below is presented the case study of strengthening a key institution-the police department- in one of the most vibrant cities in the world- New York.

The New York City Police Department (NYPD) presented an interesting example of effective institutional change.

William Bratton [7], served as that city's police commissioner for several key years during the 1990s (and returned to the position after the election of Mayor Bill deBlasio in 2013). In less than 2 years, he transformed New York City into one of the safest cities in the United States, without a budget increase.

Bratton faced an organization addicted to the status quo and unable to change. Its resources are limited; employees were often unmotivated. Defenders of the system were entrenched and powerful. Bratton's response: focusing resources on what

really mattered; mobilizing key players' commitments; and silencing naysayers.

## 6. Steps to the Turning Point [8]

- 1- Break down barriers by making managers experience the organization's problems, for example, sensitizing superiors to problems (requiring officers to ride subways in dangerous places in their cities).
- 2- Sidestep the resource barriers. Concentrate current resources on areas most in need of change (majority of crimes occurred mainly at a few subway train stations, so focused manpower there).
- 3- Jump the motivational barriers. Motivate key influencers and persuade adversaries with multiple connections to become allies. Bratton organized town meetings, meetings at schools and civic centers, which introduce the culture of performance.
- 4- Knock over the political barriers: Identify and silence internal opponents; isolate external ones. Powerful vested interests resist change. Identify and silence key naysayers by putting a respected senior insider on your top team. Also, silence opposition with indisputable facts. Bratton proved crime-reporting system required less than 18 minutes in a day.

Bratton's strategy for dealing with such opponents [9] was to hasten their isolation by building a broad coalition with the other independent powers in his realm. His boss, the Mayor, spoke aggressively to the press about the need to pursue quality-of-life crimes. The city's most respected newspaper gave credence to the policy Bratton's implemented.

## 7. Change Through Persuasion [10]

Advances through stages that build on one another, which could take years.

### 7.1. Establishing a Great Enough Sense of Urgency

Unless motivated, people won't assist, and reform inevitably fails.

Bratton delegated to his *key responsibilities to his managers, in particular, operational problems to ensure they couldn't evade the reality – and their responsibilities*. For example, Bratton ordered his top officers to ride the subways and experience the fear that most passengers would face daily. He used the same method to sensitize his superiors to his

problems. As an example, while police chief in Boston, he had to deal with undersized and inexpensive squad cars of dubious quality and reliability, purchased by the Transit Authority. Instead of fighting the decision, Bratton invited the General Manager for a tour of the district, using the type of car that was about to be ordered. Bratton jammed the seats forward to enable the General Manager to experience the lack of legroom available to an officer, hitting every pothole he could find. As amusing as this sounds, Bratton's approach was truly effective. After just two hours, the General Manager wanted no more, and Bratton got the larger cars he wanted.

### 7.2. Creating a Powerful Enough Guiding Coalition

In cases of successful transformation efforts, leadership coalitions grow over time.

Efforts that lack a powerful guiding coalition can show limited progress for a short period. Sooner or later, the opposition reassembles to combat change.

For example, William Bratton had reinforced direct experiences by insisting that his officers meet members of the communities they were charged with protecting. He organized community meetings at schools and civic centers to permit the public to voice their concerns to district sergeants and detectives. In Boston's District 4, a big perception gap came to light. While officers were proud of solving serious murder cases, most residents were troubled by minor street crime and public drunkenness. As a result, additional police officers were assigned to patrol their streets.

He allocated municipal resources on areas most in need of change, yielding the biggest payoff.

### 7.3. Creating a Vision to Direct Change Effort

The guiding coalition needs to develop a picture of the future that is relatively easy to communicate and appeals to customers, stockholders, and employees. A vision goes beyond the numbers and must *clarify the direction* in which an organization needs to move.

The key to William Bratton's competitive success was the transformation of the way the New York Police Department (NYPD) functioned. He wanted his police force to be more efficient and to lower crime rates in the city. He demanded increased information sharing and more delegation of responsibility to street officers from supervisors. *As a result, the NYPD became an effective and a task driven organization.*

Bratton's accomplishments were not limited to identifying unproductive behaviour, taking corrective action, and giving poor performance reviews. He was committed to

understanding the complexities of human behaviour and mainly guiding the police force through a productive process.

Another example of Bratton's success was related to NYPD narcotics enforcement. He reassigned officers to weekend duty as most large quantity sales did not take place during weekday hours. In contrast, Bratton's predecessors had most narcotic squad officers operating Monday through Friday. The weekday schedule was an unquestioned *modus operandi*. Based on the numbers and narcotics related activity Bratton reallocated the staff and resources within the New York Police Department. Drug activity was subsequently reduced.

Another problem the police faced concerned the amount of time spent by officers to process criminal suspects. To ameliorate the situation, Bratton introduced mobile processing centers known as "bust buses." These could be found around the corner from targeted subway stations. Ever the good manager, Bratton was able to see the details and at the same time the big picture.

#### **7.4. Communicating the Vision by Factor of Ten**

Executives who communicate well incorporate messages into their every day activity.

As presented above in point 4: tipping point of political hurdle, Bratton's strategy for dealing with opponents, was to isolate them by building broad coalitions with the other independent powers in his realm. He even induced the Mayor of New York City to speak aggressively in the press about the need to pursue quality-of-life crimes. The city's most respected newspaper gave credence to the policies Bratton implemented.

#### **7.5. Removing Obstacles to the New Vision**

The more people involved, the better the outcome. Bratton was able to change a time-consuming method of processing information that slow down operations. Since it was not functional it was perceived as an obstacle for the officers. Therefore, as mentioned above, Bratton introduced a method of "bust buses"- they were mobile processing centers that helped speed up the time officers needed to process suspects' information.

#### **7.6. Systematically Planning for, and Creating, Short Term Wins**

Real transformation takes time, and a renewal effort risks losing momentum if there are no short-term goals to meet and celebrate.

In a successful transformation, managers actively look for ways to obtain clear performance improvements, establish goals in the early planning system.

Bratton created an inspiring video, in addition to guiding and committing himself daily to the organization, in order to keep the moral high during the long transformational process. One of the biggest impacts that made New York's Police Chief popular was his creation of a humorous video satirizing the grilling that the commanders were giving; it showed the cops that he understood just how much he was asking of them.

#### **7.7. Not to Declare Victory too Soon**

Until changes sink deeply into a company's culture, a process that can take five to ten years, new approaches are fragile and subject to regression. Bratton was constantly looking for improvements and coaching his team. Once achieving a success he was continuing for more improvements.

#### **7.8. Anchoring Changes in the Corporation's Culture**

In the final analysis, change works when it becomes the "the way we do things around here," and filters into the bloodstream of the corporate body.

Culture defines the essence of the relationships between organizations and environments

*Each culture distinguishes itself from the way they will find solutions to problems or dilemmas*

Bratton created a culture of effectiveness and problem solving. He was able to rid the NYPD of outdated behaviour that may have been appropriate in the past but was unhelpful in his time. He created a culture of "yes," disposing of previous attitudes that overvalued criticism and analysis. Bratton empowered supervisors with decision-making authority to speed up processes.

#### **7.9. New Behaviours Need to be Rooted in Social Norms and Shared Values**

Otherwise they are subject to degradation as soon as pressure for change is removed.

The fact that crime rate went down considerably during Bratton's term shows that his reforms had been implemented effectively and substantially. Under his leadership overall crime fall almost 20 percent. By the end of Bratton's tenure, the NYPD had a 73 percent positive rating, up from 37 percent four years earlier.

## **8. Theories of Organizational Change**

As we can see, organizations change primarily in two ways, through drastic action and evolutionary adaptation. In the first case, change is discontinuous and often forced on the organization. In the second case, evolutionary change is

gentle, incremental, decentralized, and over time produces a broad and lasting shift.

Implementing change is a difficult challenge. There are different approaches about how to “crack the code” of change. Michael Beer and Nitin Nohria [11] are credited with presenting one of the basic theories of change Known as Theory E & 0, it is premised on change being a function of economic values. This is a hard approach to change. Shareholder value is the only legitimate measure of corporate success. Change involves heavy use of economic incentives, drastic layoffs, downsizing and restructuring. Conversely, Theory O ascribes change to organizational capacity. It has a soft approach, focusing on developing corporate culture and human capability through individual and organizational learning - the process of changing, obtaining feedback, reflecting and making further changes. (e.g. the Hewlett-Packard Corporation).

The risk of implementing Theory E by itself is corresponding possibility of failing to build capabilities needed for sustained competitive advantage, such as commitment, coordination, communication, and creativity. In 1995, the Scott Paper Corporation’s Chief Executive, Al Dunlap had to sell his firm to long time competitor Kimberly-Clark. Even though he was able to stabilize the company’s financial situation, this former CEO didn’t get the “heart and soul” of the employees. In fact, he fired a substantial number of employees, and the changes he introduced were insubstantial, while limiting his focus to stakeholder value.

*The integration of theories E and 0 can create major change – and as a result major payoffs.*

These basic theories are somehow aligned with the McKinsey’s theory of organizational structure, where he combines the hard and the soft elements that make up an organization. An analogy exists showing a relationship between the hard elements and theory E and the soft elements and theory 0. All elements contribute to the organization’s growth, and employees’ fulfilment.

McKinsey described the hard elements as: Strategy, Structure and System are factual and easy to identify. They can be found or expressed in strategy statements, corporate plans, organization charts, and other documentation. *Strategy and system, though “hard” (and sometimes called the “Hard Ss”), need the proper type of communication to be implemented effectively. Systems are aligned with the core idea of dialogue as the “motto of change.”*

Both theories contain hard vs. soft aspects, though one explains an organizational model and the other a theory of change. Both stances agree that implementing a long-term change and running a successful organization both sides need

to be interwoven and interrelated. These models find parallel in the right vs. left sides of the brain model, which consigns both to be a prerequisite for higher achievement.

New approaches, behaviours and effective attitudes are key to institutionalizing change. In order to help people see the right connection, effective communication is required.

Products and operational strengths aren’t what really differentiate organizations. All can be imitated. *What cannot be duplicated easily are dialogues and robust operating mechanisms and their links to feedback and follow-through.* These are the most enduring competitive advantage factors that an organization has.

The other case study present in this article highlights the value of dialogue to implement change, as the computer firm IBM has done.

*The valuable information they gathered lead to higher productivity and employees satisfaction.*

## 9. Case Study: IBM Company

In this case, the firm needed to reinvigorate and update the way things were done even when business was good. IBM sought dialogue, through meetings and online forums as the main tool to question the values and the mission of the computer giant. These new values have been critical to design the company new strategy and set of objectives.

In order to create the *values-based management system* IBM [12] conducted the exercise outlined below. This contains a managing system with hard elements follow the McKinsey’s theory as well as the soft elements discussed above, including dialogue as the medium for exchanging ideas.

1- *Gather employee input on values*

2- Assess the strategic challenges facing the company. The head of the organization, Samuel Palmisano, designated a team to develop the value statements: commitment to the customer, excellence through innovation, integrity that earns trust.

Analysis of employee input;

3- Revision of expressed values. For example: IBM changed its concept of innovation, trust and personal responsibility in all business relationships.

4- Identification of obstacles to living the values; 5- Changes to remove obstacles to reform.

In this way, Palmisano and his team were challenging the types of values that have been governing the organization for the last decades.

Why questioning the prevailing values?

Values are very powerful because they are principles that function almost like DNA. *They let you change everything, from your products to your strategies to your business model, but remain true to your essence, your basic mission and identity.*

IBM allowed proposed values to be discussed in an online forum in 2003. Participants have debated over whether IBM is willing and able to live the values it considered to be evocative of the firm at the time of its founding in 1914: respect for the individual, best customer service and pursuit of excellence.

Results: a small team settled on IBM's new corporate values.

- 1- Value: dedication to every client's success. Maintain long-term relationships and a persistent focus on outcomes. "Having skin in the game of your clients success."
- 2- "Innovation that matters". IBM never stops questioning assumptions, trying out different models, testing the limits.
- 3- Trust and personal responsibilities in all relationships.

They conducted the: Managing ValuesJam through Face to face meetings, brainstorming sessions, and online forums.

The survey conducted was based on the concept of corporate value, because values inject balance in the company's culture and management system.

*As we can see this case study shows how sharing information- dialoguing through a forum or in meetings was a key mechanism to implement change management.*

Dialogue can lead to new ideas and speed as a competitive advantage.

*How to start the change?*

*It begins with dialogue and Social Operating Systems [13].*

- 1- *Dialogues: Dialogue is the basic unit of human interactions that represent the primary instrument at the leaders disposal.*
- 2- *Social operating Systems: Feedback and follow through takes place here, allowing leaders to strongly influence how others perform through designing social operating mechanisms that promote free-flowing yet productive dialogue. These mechanisms shape a decisive culture.*

While structure divides, social operating systems integrate.

#### *Case Studies*

There are two notable examples where dialogues and SOM meetings had been the motto of change, separately involving the IBM Corporation and the New York City Police Department.

As we can observe the two case studies presented above had

implemented both, Theory E and O, IBM maximized their resources appealing to their employees for new values and ideas. The NYPD restructured themselves for the benefit of people it is charged with protecting. In the latter case, a safer city resulted in increased business growth in New York.

In the case of IBM, its CEO clearly focused on the firm's corporate culture and human capability. He designed an online forum to obtain feedback and implement further changes. In the NYDP, one of the changes its CEO introduced was town meetings at schools where citizens could express and share their concerns and expectations. Both cases had opened communication channels to be closer to their public and then to be able to design solutions to problems or challenges to be faced.

These cases demonstrate that a combination of both theories (E and O) needs to be implemented for changes to be ingrained in the corporate culture.

Another theory of change- the Theory of Groups and logical types- presented by Watzlawick [14] can also explain a way of implementing change in an organization.

The Theory of Groups is composed of members who share one common characteristic. Identity is given by a combination with any other member. The other one, the Theory of Logical Types [15], states that rising to the next higher level entails a shift; a jump; a discontinuity or transformation- a change- for it provides a way out of a system.

Group theory gives us a framework for thinking about the kind of *change* that can occur *within a system* that itself stays invariant.

Both case studies use these approaches or theories. In accordance with the Theory of Groups: IBM consulted its own employees for improvements. Their survey was conducted within the organization whose respondents all shared an identity of belonging to that IT behemoth. In case of the NYPD, police officers were reallocated to areas exposed to more crime. Change was implemented from within. There are more examples presented below.

Aligned to the Theory of logical types, IBM decided to concentrate their business on human capital. Therefore there was a change, a shift. The company was transformed from a mainframe maker into a provider of integrated solutions. Clearly, this change implied a discontinuity with previous services and products.

Can a microeconomic analysis of change management influence the macroeconomic level?

Yes. It can. The competitiveness of a country is determined by the aggregate ability of individual firms to operate



successfully in international markets [16]. The more competitive the country's firms and industries' are, the higher the economic development of the country.

The better managers understand their culture the more effective negotiations they can achieve. As a result, higher profits could be gained.

*Change Management is an investment with a long-term effect.* It is essential to understand the company and the nation culture for achieving higher productivity.

## 10. Statistical Data

An interesting statistical study shows how culture can influence in the entrepreneurial degree of a nation. Since Culture, as Trompenaars [17] states, is the software of our mind.

While facing lower corruption level and easier way of doing business Eastern European Countries are less prone to open new business comparing to Latin American countries that have higher corruption level, worst environment to doing business and still entrepreneurial style is higher.

**Table 1.** *Statistics paper [18]:* Latin America (LA) vs. Eastern Europe (EE): "Easy of Doing business" and "Corruption Level" influencing Opening New Businesses.

	EE- New Business Registration	LA- New Business Registration
Easy of Doing Business	R= 0.1	R= 0.8236
Corruption Level	R= 0.2120	R= 0.4123

LA bigger  $r=$  there is a stronger correlation. Even though there is higher level of corruption there are more business registered, in proportion, compared to EE. This can imply that there are other factors, influencing or affecting the new business registration. This other factor is related to research question of the statistical study, which is how culture influences the business environment and the entrepreneurial culture. So in this case, implies that there is another factor influencing the entrepreneurial style of the country.

EE is a more industrialized region, with heavy industries. The main component of the GDP for Czech Republic is based on exports. Since Austria-Hungarian times the region had been focusing on heavy industry such as trains, later on trams and more recently cars, they are leaders in this sector. On the other side, Latin countries are more inclined to consume and import. They have a strong agricultural industry, though not a strong industrial tradition. Let alone, supported or finance by the government. Still, even though they are younger countries, with higher corruption level and more uncertainty, there is more entrepreneurial activity with a more short-term planning.

## 11. Conclusion

From the macro perspective, the successful case study of the Sifire countries showed how government commitment and strong, reliable institutions with a clear development plan lead to a sustainable economic growth.

Sifire governments developed policy initiatives and incentives to promote knowledge, manufacturing, and technology capabilities. They enjoyed economic growth based on the commitment and credibility of their governments; the quality of organizational infrastructure responsible for planning, administering, and coordinating development; and the implementation capability of key public and private entities.

Within the business realm, efficient markets [19] always require the coexistence of competition and cooperation and trust. This practice would reduce trading and working problems and abuse of power.

At a micro level in order to make progress and introduced changes in organizations executives can take the following key steps for Successful changes that require commitment, coordination, and competency.

- 1- Mobilize commitment to change through joint diagnosis of problems. Starting point: clearly defined the business problem. Develop a shared diagnosis.
- 2- Develop a share vision of how to organize for competitiveness. Remove functional and barriers to information sharing and problem-solving by changing responsibilities.
- 3- Foster consensus for the new vision, competence to enact it, and cohesion to advance.
- 4- Institutionalize revitalization through formal policies, systems, and structure.
- 5- Monitor the revitalization process, adjusting in response to problem.

Achieving change is difficult. For change to stick, *leaders must design and run an effective persuasion campaign.* Managers must perform significant work up-front to ensure that employees will actually listen to tough messages, question old assumptions, and consider new ways of working. *They need to create a new context for action. Transformation is a process, not an event.* Change sticks when it becomes "the way we do things around here".

Successful change management practices are possible. As shown above, NYPD Police Chief William Bratton was able to reduce crime by 22 percent by introducing change management. At the beginning of 1990 New Yorkers considered the subway the most dangerous place in the city.

Before Bratton, there were 170,000 fare evasion crimes per day, costing the city \$80 million annually. Vandalism was endemic. Today, New York is one of the safest cities in the United States. Fare evasion rates are lower and millions of dollars in revenue has been recuperated for use by the city.

IBM replaced a command-and-control with values-based management. Instead of galvanizing people through fear of failure, they instead energized them through hope and aspiration. The computer giant gained employee commitment and higher productivity. These changes enabled employees to respond quickly, flexibly, and creatively to a stream of strategic challenges.

*Change, by definition requires creating a new system, which in turn always demands leadership.*

In summary, change management main conditions are:

- 1- Dialogue: basic unit of work in an organization.
- 2- Tone and content of dialogue shape beliefs and behavior of employees, this would be the corporate culture. We can conclude that corporate culture is reproduced through the beliefs and employees behavior that flow through verbal and non-verbal communication. Verbal communication has a great impact in transmitting the corporate culture DNA.

IBM's chief executive officer and the New York City Police Chief in the mid-1990s were able to "walk the talk". That made these examples to become successful cases of major change.

*Decisive dialogue encourages incisiveness and creativity and brings coherence to ideas that appear fragmented.*

As we can conclude there is a possible analogy on the differences between the macro and micro approach and the Theory E and O about change. Theory "E" can be associated with the macro approach, the hard side, governmental institutions that enforce the rule of law, the planning, and the investments. The idea is to gain economic values.

On the other side, theory "O" can be associated with the micro-level, the soft approach that focuses on development a corporate culture and building human capital.

Both approaches, sides are needed: the macro and micro and the theory E and O for implementing constructive changes and achieve economic goals.

*A sustained advantage in today's economy can come only from a constant ability to develop organizations for the long term combined with a constant monitoring of shareholder value- E dancing with O, in an unending minuet.*

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