

Professor Ion Gh. ROSCA, PhD
Professor George MOLDOVEANU, PhD
The Bucharest Academy of Economic Studies

MANAGEMENT IN TURBULENT CONDITIONS

Abstract. *The organizational environment is the independent variable in the management process and its main feature is the turbulence. In this context, the organization and management functions are being rethought, emphasizing on the flexibility, extroversion, strong sensitivity to environment and the use of strategic systems in real time.*

Also, there is the shift from strategic planning to strategic vision and the management instruments have new tendencies and approaches, in order to be used effectively. The current management passes through the transition from certainty activities to the management under crisis conditions that requires innovation and ingenuity.

Keywords: *turbulence, flexibility, extroversion, strategic vision, operational strategy, M.B.O, M.B.E, T.C.R.*

JEL Classification: O32, Q56

Environment turbulence

The intensity of threats and opportunities of the external environment are characterized by turbulence, which includes the entire organization environment. This status (T_m), specific today to the majority of socio-economic environments, is dependent on two variables:

- a) changeability(C)
- b) predictability(P)

It follows that $T_m = f(C, P)$

Variable C is dependent on:

- 1) the complexity of the environment (C_m) and
- 2) the newness of the challenges the organization is facing ($N\gamma$)

So, $C = f(C_m, N\gamma)$

Variable P is dependent on:

- 1) the changes' speed or their acceleration (R_s)
- 2) Visibility into future for decision making process (V_v)

$$So, P = f(R_s, V_v)$$

In order to measure the turbulence, there are elaborated more "scales" that are based on assumptions such as: the future is a repetition of the past, the organization focuses on the traditional market, environmental challenges are repetitions of the past ones, and the organizational changes have a shorter period than the response to change ones.

All these assumptions, **today**, are **false** in most organizations and may be seen as an exception in the nonprofit type ones.

It is important the management response to the turbulence position on the upper levels, which may be obtained by the analysis of the inequality:

$$d_{rs} > d_s$$

where:

d_{rs} - represents duration of response to changing

d_s – change duration

Reducing the spread between the two issues is the key to organizational success during crisis. In this context, effective management is only the intelligent, creative one. Creative managers have the ability to reformulate, to see what is hiding beyond any situation, no matter how inefficient and unfavorable it would be. Appreciative intelligence means to see the oak beyond the acorn [6].

New tendencies of managerial and organizational functions

The prediction function, or deployment of forecast-planning-scheduling steps, operates first with priorities or processing sequences and not by calendar dates (priorities and not deadlines) [4]. The first issues are nonperishable and have additional value over time within the managerial processes.

Within the same function, the concrete actions' steps (scheduling) are necessarily outmatched by aggregate programming processes [5], which provides a first harmonizing of any kind of resources with the constantly changing operational objectives.

The organization function is guided to biological models (neural) and minimizing the multi-level models, reduces the vertical division of management labor and excessive degree of centralization [4].

The organizational structures during the crisis period are facing states as the type:

- panic and priorities disintegration;
- impossibility of strategic appreciation / implementation;
- the organization subsystems are incompatible, not adapted;
- inability of response ($d_r > d_{rs}$);
- Time pressure that destroys;
- lack of expertise.

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As set out, shaping of organizational structures with multiple levels of communication may be a network of the type in Figure 1:

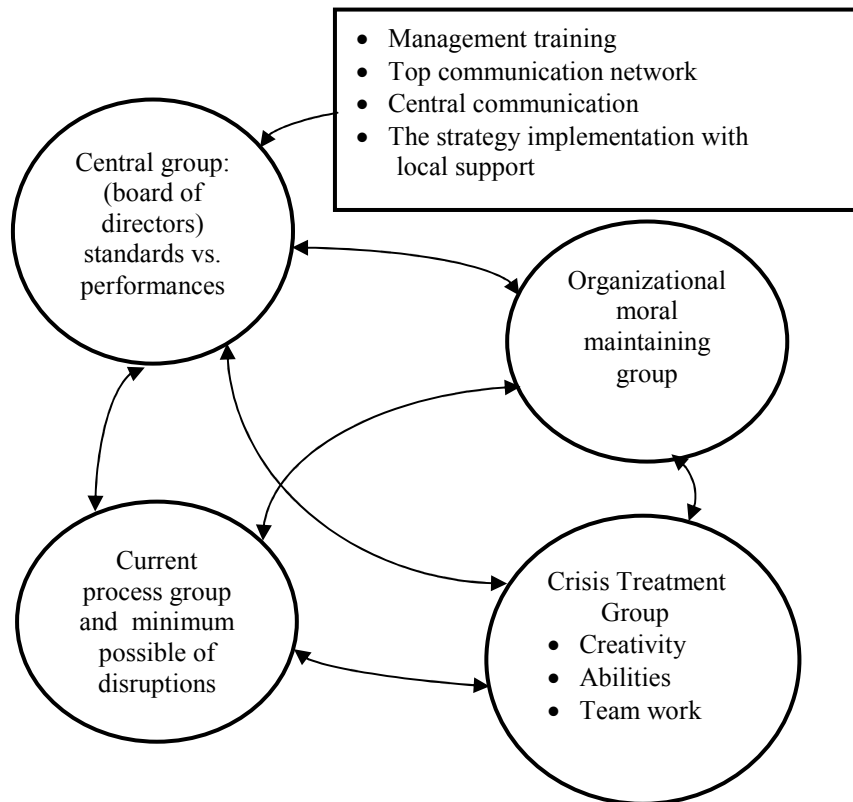


Figure 1. Structural sub-units during the crisis period

In case of turbulent environments, the coordination, as a management function, involves a high degree of parallelism of the actions, an increase of horizontal links between departments that accomplish convergent goals.

In case of a limited time and indetermination, training-motivation can maintain or even reduce the wage support system, bonuses, etc.

The control, as a management function, requires an evaluation loop of an increased dynamism [2;3].

In the field of organizational functions, the human resources one records the greatest changes, though it is has to support all the other functions.

Thus, the changes are based on staff reduction, restructuring, mergers or acquisitions.

New dimensions of human resources are the increasing of capacity for innovation, of creativity, of flexibility, in order to maintain competitiveness.

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These changes are also generated by the implementation of new technologies, which requires re-qualifying, training, coaching, effective communication.

Last but not least, the staff must understand the impact of change, of legislation and liaison with labor unions, in a constructive view.

General requirements of management in the turbulent environments

The first requirement imposed by the turbulent environments is the **flexibility**, which is totally an environment dependent variable. Adapting the organization to the environment, by management, is the essential action that ensures the viability of any social creation. The effort of this "alignment" to the organizational environment implies the permanent control of costs, in terms of variable tasks and relative maintaining of organizational structures.

The second requirement follows from the fact that, as the turbulence increases, the management should guide the organization on an **extroversion** path, of strong sensitivity to environment, by fructification of its opportunities and minimize threats.

The third requirement, as the predictability is reduced, is the developing of a **strategic system in real time**. But turbulence through its surprises that can not be controlled may generate crises, which requires the thinking and the development of a **crisis management system**. The chaos theory supports this concept and brings elements benefic to the management and organization. According to this theory, sensitivity to change that replaces strategy, varies between predictable and random cycles. The model to be followed is hidden in chaos, as a combination of disorder with a freer form of order called auto-similarity.

It is vital the fact that the chaos level is the source of innovation, especially in the critical points of the organizational processes.

In periods of turbulence the organizational structures are fragile, the flows of energy are necessary.

However, the "cascade" of chaos states may continue until achieving a dynamic equilibrium between organizational environment factors.

From strategic planning to strategic vision

The **strategic planning** *is based on a realistic assessment of what the organization can do and on a planning in detail in which the strategy must be applied*. In this sense, *the strategy contains many details, with a guarantee of achieving it*. Also, the final outcome of the strategy is least known by the largest part of employees.

Hierarchical strategy emphasizes the competitiveness, designing an elitist vision of management, leading to the demobilization of a large part of employees, who no longer recognize themselves in the organization's purposes

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and they are not involving any more actively and constantly in their achievement.

Instead, the **strategic vision** requires the management to set a series of aims for the organization and at the same time to create *networks and skills* necessary to be achieved, *but sets the task of the various organizational levels to identify specific method to achieve these objectives.*

It follows that the guideline, the strategic vision transfers the management goals to the operational levels by using the most appropriate procedures to specific circumstances and not by successive derivations, specific only for stable environments and not for the turbulent ones.

In conclusion, as the organization changes from "machine" typology to the "living body", the strategic planning is also transposed [1].

For example, many telephone companies used strategic planning to minimize costs, to become telephone service providers on the greatest market segments. But, at a reduced cost they have been overshadowed by competitors that have used internal increasing and strategic alliances in order to develop the ability to use a new range of technologies and to fight on a more generally field, on a greater number of markets, with priority on the market of the offered services and on the cable entertainment one (television, internet).

Therefore, the focus of the effort to define the strategy (what should the organization become) is going towards the *skills development*, that *enables effective exploitation* of the organization resources, and also in the new area of properly changing.

The traditional method, described extensively in the specific literature, is based on thesis, such as:

- follow competition; reduce costs by "imitations", improving quality, and developing advertisement;
- Determine any detail, foresee all situations;
- The management group is the only able to have a global vision of the activities;
- The organization does what the destructive competence allows to, or what it is ordered to do;
- The organization is a set of operational sub-units

The modern approach is based on:

- Identifying the means to fight against the competition - new alliances, new processing systems;
- Clear guidance, but operational levels, the employees decide the details;
- The organization continuously learns and progresses;
- Understanding the difficulties of changing of organizational behavior;
- Organization is a whole in which one part helps the other one and the system progresses.

Crisis and the operational strategy

The overall organizational strategy has as the basic split the operational strategy of goods / services processing.

This approach leads to the obtaining of goods / services of high value, possibly low costs and maintenance of market share. Processing is a powerful competitive weapon in business. Other approaches in this field such as those focused on the role of finances or marketing, without ruling out in any way the importance of these areas, may lead to crisis.

It is obvious that the behavior of "*wheeling and dealing*" type, based first on the financial world, has generated many surprises throughout the current economic-social area.

The components of operational strategy (the mission, the distinctive competence, objectives and policies) will specify four basic elements, namely: cost, quality, delivery and flexibility, otherwise the removal from the market is obvious.

In the processes of crisis, the *imitative strategies*, specific for mature markets, sensitive to price and cost, may be replaced by the *innovative* ones, specific to markets that may develop, the benefits resulting from the new products / services. Innovation is essential in turbulent processes, in which the gained expertise doesn't help any more. A good example is the economic crisis in Romania at the end of the 80s, when there was relatively more but bad production (not qualitative), devoid of innovation.

Also, we emphasize that the operational strategy of processing must be entirely elaborated as a response to external factors, due to the profound changes in the field of consumption, of resources, processing technologies, etc.

Turbulent environment and the managerial instruments

The turbulent, uncertain organizational environments involve new accents of managerial instruments that achieve effectiveness and efficiency. Thus, the management by objectives (MBO) comes from the two key steps of this method, namely the *derivation of the objectives from the fundamental to the individual ones* and *harmonizing resources with commitment aims*, stresses, *focuses on the second step*. At the level of each derived objective there should be checked the existence of resources (human, material, financial, informational) to harmonize them with their purposes, including the using of the negotiating method in all its forms.

Concerning the management by *exceptions* method (MBE), the turbulent environments require "*dropping*" the management activities at the level of operating centers, of direct executants, in all functions, including the evaluation and control and not only the focus but also the "exceptions" approach, or the benefit of their inexistence.

Another way that we consider to be extremely useful for turbulent environments is *TCR - total cost and risk* [1].

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The exposed methods, and also the others within the methodological device of management (MBP, MBB, TCR) bring to the fore, in conditions of turbulence, the *decentralization* as a way of strengthening the top management. It follows that within an organization the decision power should be reconsidered on the hierarchically way or circuit, in the sense of attracting a few activities to the operation centers, without eliminating or reducing the excessive power of decision at the upper levels.

A *cultural "background"* for this condition is provided by the organizational culture *created by Hofstede*.

Conclusions

From the analysis of organizational realities, results that within a relatively short period of time, there was a shift from a stable to a turbulent environment; this requires the transfer from one mechanical model, to a *staff and line* one, matrix, organic or even fractal one. Figure 2 illustrates this new status.

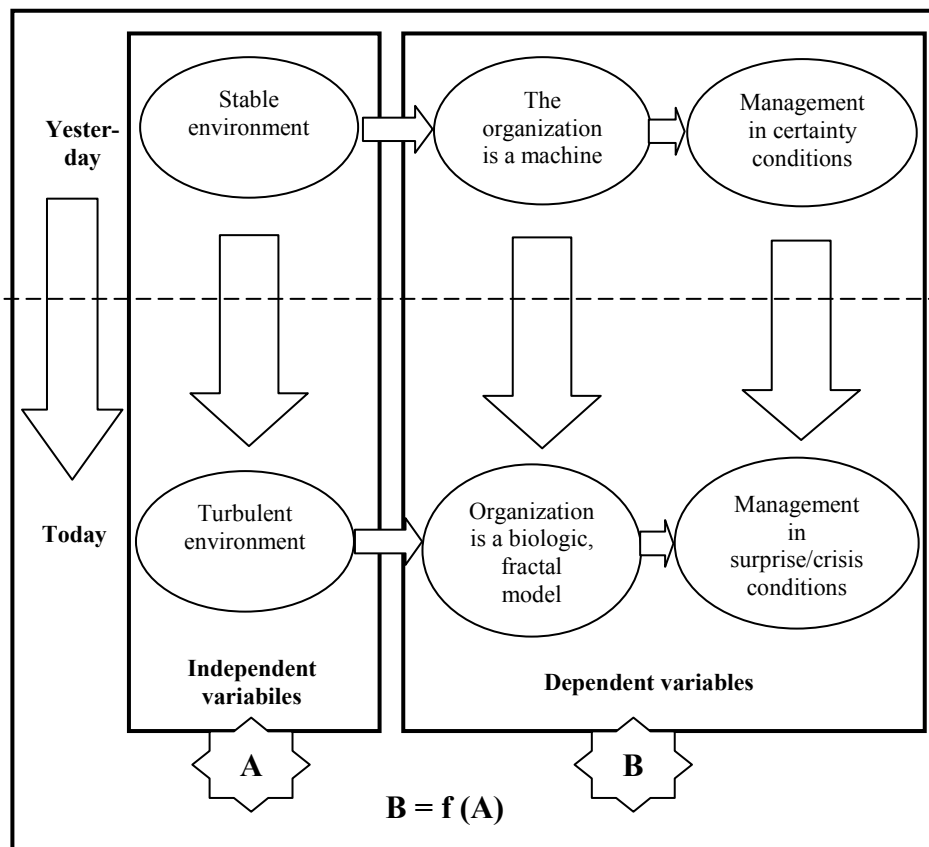


Figure 2

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The management in turbulent environments is lacking effectiveness and efficiency, whether using classical instruments. It must have improvements of the type we have attempted to shape above.

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