

Chapter 9

Speed of Technology Adaptation in Connection to Organizational Change and Ownership Concentration: Study in Croatia

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ABSTRACT

This chapter investigates technology adaptation in Croatian companies in connection to organizational changes. Furthermore, this chapter investigates how levels of ownership concentration in Croatian companies form patterns of organizational change. Organizational change is conceptualized as changes in technology, organizational structure, organizational culture, strategy, changes in employees' structure and changes in products and services. The above-mentioned patterns of organizational change are analyzed in terms of their frequency and effects on corporate performance. In this empirical analysis, the authors take in consideration three forms of organizational control: (1) control by one dominant shareholder; (2) control by coalition of several large blockholders and (3) managerial control. Each type of control corresponds with ownership concentration measured with percentage of capital held by the largest shareholder. This chapter observes how different levels of ownership concentration and control influence determinants of organizational change.

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INTRODUCTION

As computing devices become more pervasive, it is becoming obvious that it has great effects on individuals as well organizations. As nature of interactions between users and computers evolve, consequently changes also evolve at the organizational level. Today, as never before, organizations are facing dynamic environment that is changing rapidly and in which resources, from financial and human resources to network connectivity and software services, frequently vary. The task facing managers is to help organizations respond and adjust to the changes taking place. Organizational change is the process by which organizations move from their present state to some desired future state to increase their effectiveness. The goal of planned organizational change is to find new or improved ways of using resources and capabilities in order to increase on organization's ability to create value and improve returns to its stakeholders (Porras & Silvers, 1991). The ownership concentration dictates the distribution of power and control between managers and owners. Empirical work on the subject of influence of large shareholders in corporate governance is focused on trends of ownership dispersion, causes and consequences of reducing the influence of owners.

Planned organizational change is normally targeted at improving effectiveness at one or more of four different levels: technological capabilities, human resources, functional resources and organizational capabilities (Jones, 2004). These four levels at which change can take place are obviously interdependent, it is often impossible to change one without changing other. Human resources are an organization's most important asset and ultimately, an organization's distinctive competences lie in the skills and abilities of its employees. These skills and abilities give an organization a competitive advantage; organizations must constantly monitor their structures to find the most effective way of motivating and organizing

human resources to acquire and use their skills. An organization can improve the value that its functions create by changing its structure, culture and technology. Technological capabilities give an organization an enormous capacity to change itself in order to exploit market opportunities. The ability to develop a constant stream of new products or to modify existing products so that they can continue to attract customers is one of an organization's core competences. Similarly, the ability to improve the way goods and services are produced in order to increase their quality and reliability is the crucial organizational capability. At the organizational level, an organization has to provide the context that allows it to translate its technological competences into value for its stakeholders. This task often involves the redesign of organizational activities. Through the design of organizational structure and culture an organization can harness its human and functional resources to take advantage of technological opportunities. Organizational change often involves changing the relationships between people and functions to increase their ability to create value. Changes in structure and culture take place at all levels of the organizations and include changing the routines an individual's uses to greet customers, changing work group relationships, improving integration between divisions and changing corporate culture by changing the top management team.

The influence of ownership concentration on the performance of a company is theoretically very complex and questionable. Basically, a dense ownership concentration can improve a company's performance through a more intensive supervision. On the other hand, the drawback of dense ownership concentration that is mentioned most often is that big owners can use their control rights to worsen the position of small shareholders. Even the fear of bad treatment of small shareholders itself can limit the possibility that a company with dense ownership concentration collects money. One more potential bad trait of a dense ownership

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