

CHAPTER TWO

CHANGE MANAGEMENT

2.1 INTRODUCTION

Change is often regarded as a planned or unplanned response of an organisation to pressure¹. It is also the only constant feature in any organisation. Change is a pervasive part of our lives and a necessity for continued organisation survival. In today's ever competitive world change is no longer a choice, it has railroaded into almost all the organisation. Irrespective of the types of organisations whether it is public enterprises, private sector, political parties, non-profit organisations or interest groups are all subject to change. Ignoring change would mean that the organisation would only be moving in circles. For example, it took the government almost 25 years to realise that most of its public enterprises were not contributing to the economic development as expected, rather most of them were kept afloat at the tax payer's expense. The huge foreign debt in the 1980s that was almost US20 billion or 76% of the total GDP was partly due to the inefficiency in the management of public enterprises.²

After the independence the government placed minimal effort in guiding the nation's economy as it was rather stable. Most of the sectors were monopolised by the private entities while the government's function was restricted to monitoring and providing the necessary infrastructure for economic and social development. This policy lax partly caused the ugly 13 May 1969 unrest which later prompted the government introduce the NEP. This new policy had two major objectives, to redistribute the nation's wealth and to promote effective bumiputera participation in the economy. This effort then was translated into more NFPE's to be formed mainly in the transportation, finance, agriculture and communication sectors. However most of the NFPE's could not deliver as they were burdened to serve too many objectives ranging from

¹ Murray M Dalziel and Stephen C Schoonover, Changing Ways : A Practical Tool for Implementing Change Within The Organisation, America Management Association, New York, 1988 pgs 10-23.

² Jomo K.S, "*Krisis Belanjawan dan Hutang Negara*", Cabaran Malaysia Tahun 80an, Ahmad Shabery Cheek (ed), Persatuan Sains Sosial Malaysia, Kuala Lumpur, 1989, pg 39.

politics, economy, social to job creation. The high operating cost also resulted in a marked increase in the government's expenditure from 24.2 percent in 1966/7 to 48.2 percent in 1981.³ A change to the privatisation policy was the answer to this problem. Later in the 1995 budget announcement Dato Seri Anwar Ibrahim, the Finance Minister and Deputy Prime Minister of Malaysia said that the robust performance of the nation's economy for the past ten years was partly due to the success in the privatisation program⁴. This macro view shows how change is essential.

The inability of most organisations to cope with change is not new as they prefer to stick with the devil they know rather than experiencing the unknown. Change could result in apprehension, loss of power, change in daily routine and frustration which is why it is often regarded as a "nuisance" instead of a competitive edge. Organisations which fail to recognise the importance of change will then suffer a similar fate as the dinosaurs⁵. Although gigantic in figure their inability to adapt to their surrounding made them extinct. In today's world being a leader in the industry is no longer important, as maintaining the status quo is a much difficult task. This means organisations will have to undergo constant change and betterment in order to remain competitive and to hold its top position. Monte Peterson, the CEO of Thermos, for example, changed the conventional thinking and broke the old paradigm after taking over the company in 1990. This immediately resulted in new products and innovation to blossom⁶. This inclusion of new products besides its original thermos bottles and lunch boxes has reinstated the company as one of the top producers of electrical and gas cookers. However, initiating change and sustaining the drive is by no means an easy task. The momentum depends on how effective is the support from top management, the orientation of the organisation culture, the type of leadership and finally the most important is the acceptance of those changes by the employees. Even an impressive

³ Ahmad Jaafar, "The Malaysian Economy, Issues and Prospects", Paper presented at The Harvard University, April 1988, pg 5.

⁴ The 1995 Budget Announcement by Dato Seri Anwar Ibrahim, 28 October 1994.

⁵ Michael Yeoh "Managing Change Through Organisation Renewal" Vision and Leadership Values and Strategies Towards Vision 2020, Pelanduk Publication, Petaling Jaya, 1995 pg 17.

⁶ Brain Dumaine "Payoff From the New Management" Fortune, December 13, 1993, pgs 49-52.

change program would not be able to produce any results if the workforce decides not to participate.

In Mastenbroek's research in a commercial bank which launched a large scale of quality improvement program by involving only a few top managers, the program stagnated after just a few months. Though the start ups was spectacular with posters, task force and other events the employees were not consulted prior to the launch which resulted in their disappointment. Mastenbroek argues that change programs should be treated as a duality management. It should balance between steering from the top management who envisions a new change strategy together with the managers and the responsibility of delivering the program successfully on the part of the employees⁷. A well balanced management between these two elements produce a source of energy and vitality to a successful management of change. Mastenbroek's view is supported by George Nicholas's research in major companies from The United States and Britain, for example Harley Davidson, Helena Curtis, Anoco and Tektronix .These organisations managed change effectively because they helped their employees to identify their goals which indirectly involved them in the change process⁸.

2.2 CATALYST FOR CHANGE

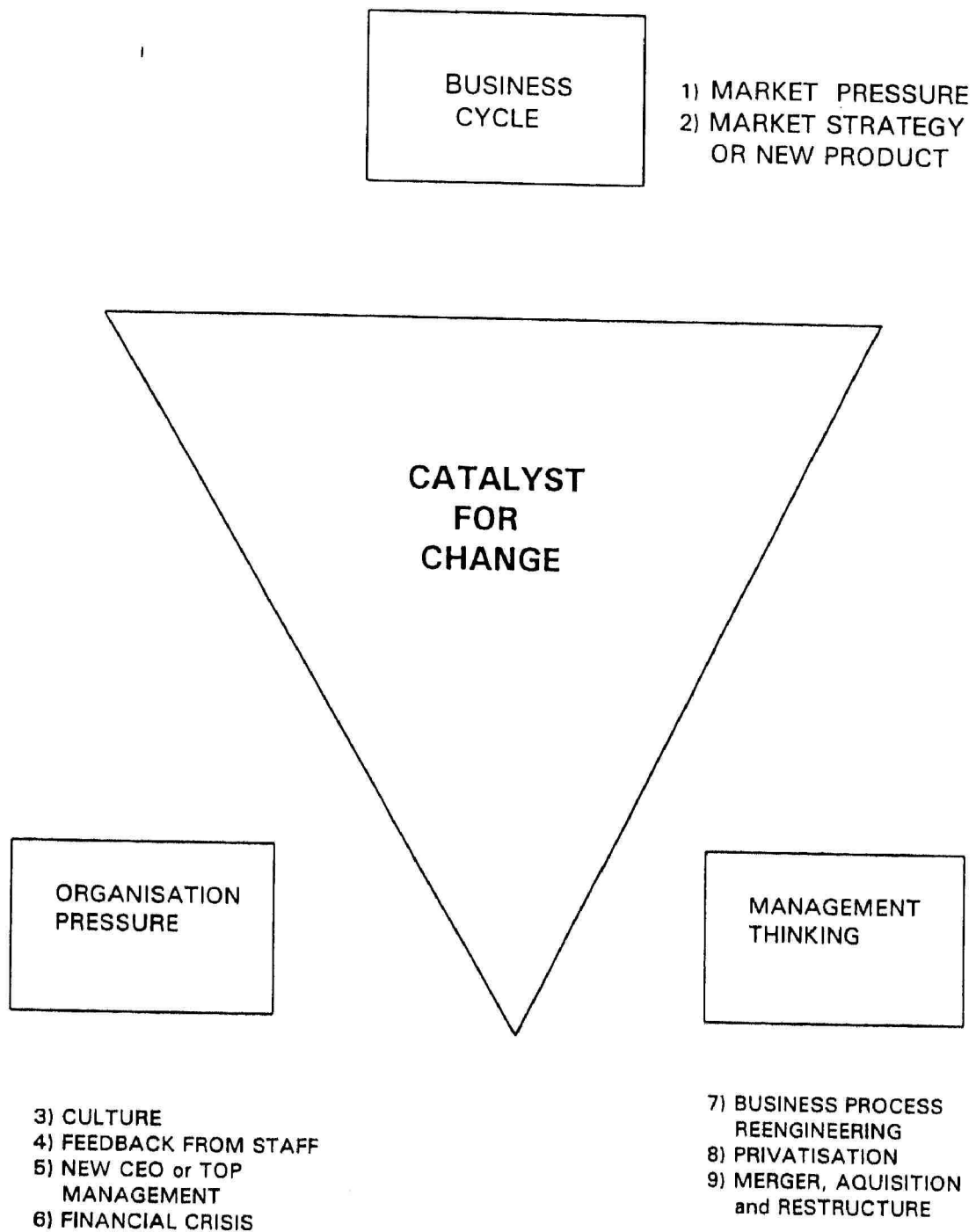
Figure 2.1 shows the three catalysts for change. They are business cycle, organisation pressure and management thinking These catalysts of factors were derived from Alison Barnetson's nine catalysts for change in an organisation⁹. Business cycle comprises of market pressure and the change in market strategy or introduction of a new product. Most

⁷ Willem F Mastenbroek "Organisation Innovation In Historical Perspective: Change as Duality Management" Business Horizon, July - August 1995, pgs 5-14.

⁸ George P. Nicholas, "Connecting Corporate Change To Employee Personal Goal, What's In It For Me", Focus On Change Management, St Helier Jersey, London, October 1996, pgs3-8.

⁹ Alison Barnetson, "What Does It Take To Build A Communicating Culture", Focus On Change Management, October 1996, St Helier, Jersey, London, pgs 13-17.

Figure 2.1 : Catalysts for Change



Source : Alison Barneston, "What Does It Take To Build A Communicating Culture" Focus on Change Management, October 1996, St Helier, Jersey, London, pgs 13-17.

business organisations especially the competitive market faces constant pressure to find new business strategies. Any inclusion of a new product immediately creates a similar product to maintain the competitiveness. For example Allied Bank launched the "Pal Direct" computer banking in May 1995 while Southern Bank Berhad introduced a similar product the "SBB Link" in September 1995. Most other banks are also working towards the same product. So a competitive market responds well to new changes.

Organisational pressure is an internal factor in stimulating change. A new management team for instance will develop a new business strategy and working culture. Apart from that change is also an answer to address crisis in the organisation, for example due to the current economic slowdown most organisations have adopted cost cutting measures and in search of more efficient ways to operate the organisation. So the current economic slowdown could be a blessing in disguise for organisations to be more efficient and to avoid being complacent. Further to that constructive feedback's from the employees should also serve as inputs to improve the organisation.

Finally is the management thinking. The early 1990's witnessed the birth of many new approaches on how organisations can be operated efficiently. Monetarists and Supply Side economist introduced the idea of privatisation. This highly popular concept contributed immensely towards the economic reform in most third world countries such as Chile, the giant in privatisation, Malaysia, Indonesia, Brazil and Sri Lanka. Privatisation opened the organisation to market pressure and naturally developed its ability to be more responsive to changes.

Business Process Reengineering (BPR) on the other hand stresses on radical change to provide efficient customer service. BPR is also a continuation of privatisation. While the former emphasises on quality by an open market strategy the latter places importance in efficiency (for more details please refer to 2.3.4).

Next are mergers, acquisition and restructuring which are forced on many organisations because small operations are quite vulnerable to foreign threat. In Malaysia for example the government has instructed the financial institutions to merge before March 1998 or risk losing their business to their foreign counterparts. The mergers will strengthen the organisations to counter the foreign threat. So the three major catalysts for change explains the reasons behind most changes in the organisation.

2.3 TYPES OF CHANGE

2.3.1 Innovation

Change can take up various forms, the most commonly used terminology's are innovation, organisation development (OD), learning organisation and business process reengineering (BPR). Organisation innovation is built around the following characteristics¹⁰.

- I. An innovation is a tangible product, process and procedures which means it can be seen, felt or touched.
- II. An innovation must be a new idea to the social setting within which it is introduced and not an additive to the current scenario.
- III. An innovation must not be a routine change.
- IV. An innovation also must be public in its effect, in other words the benefit from the innovation must be shared by the whole organisation and not solely by any individual.

¹⁰ Nigel King and Neil Anderson, Innovation and Change In Organisation, Routledge, New York, 1995, pgs 2-10.

Innovation can be classified as initiated within the organisation or emergent change. This type is mostly due to the internal pressure within the organisation. For example, the educated workforce would want to contribute their ideas for smooth flow of operation. The second type is imported innovation. This form of change is mainly enforced due to external pressure such as industry competition, economic, environment, legal, political, and social pressure. For example, most banks are now adopting home banking system as new marketing strategy, this will eventually put the pressure on all other banks to implement it as well.

The third is imposed innovation which means that, organisations have no choice except to change. This is due to environment and government pressure. As an example is the Central Bank's decision to implement a universal clearing system which enables one bank's cheque to be encashed in any banks locally. This new development will force the local banks to prepare for the new change by updating the existing database, purchasing new machines and training their staffs.

In short, innovation takes place on a large scale in the organisation which addresses new ways of operations, shared by all in the organisation and a planned change towards the betterment of the organisation. Larry R William in his research in a few organisations in Malaysia acknowledges the importance of planned change in filling performance gaps, solving problems and satisfying critical organisational needs¹¹. Planned change provides a clear framework for the leaders to guide them in the change process. As such it reduces planning errors and helps the organisation to remain competitive in the marketplace. Furthermore it also supports growth and foster creativity by following the clearly stipulated guidelines.

¹¹ Larry R Williams, Champions Change : Planned Changed Made Easy, Golden Book Centre Sdn Bhd, Kuala Lumpur, 1994, pgs 5-9.

2.3.2 Organisation Development (OD)

Further to innovation Organisation Development is also a planned change effort. It is managed organisation wide from top management to increase organisation's effectiveness by utilising the behavioural science knowledge¹². The main aim of OD is to prepare the organisation to be adaptable and flexible to the changing environment. OD can be generally classified into four categories:

- a) "Human resource development programs, these are plans to improve the depth in workforce by various training and skills enhancement programs.
- b) Technostructural plans involves the social and technical changes on how tasks can be executed more efficiently in the organisation. New technology and work design are among the plans to improve the overall work process
- c) Strategic planning, this process explains how change is carried out and ensures that it is firmly on the right track.
- d) System wide intervention deals with the overall development of the organisation through joint effort of (a), (b) and (c)".

Here again, OD is seen as a planned effort which diagnosis the need to change and sets up the relevant change programs. Although OD basically focuses on one department or unit it is often integrated to the whole system of the organisation. So it can be argued that OD is an approach towards implementing incremental change that will enhance the organisation's overall effectiveness.

¹² Op Cit pgs 135-137.

2.3.3 Learning Organisation

The concept of a learning organisation became popular in the early 1990s. It focuses on continuous learning process by the people and the organisation. Organisations also modify their behaviour to reflect any new knowledge and insights. A learning organisation harnesses the full brain power, knowledge and experience available to it in order to evolve continuously to the benefit of all its share holders¹³. This means that a learning organisation uses all its best available resources to the ultimate benefit of its share holders. For example, the case of Bank Dharmala, the largest bank in Indonesia. The bank was at dilemma whether to hire a new president to boost its operation and to promote reengineering at the expense of seven experienced General Managers who were loyal to the organisation. A decision was made to hire the new president. Titra Adsurya Sutanto, the new president later transformed the bank into a learning organisation which enabled its profit to increase by more than 100 times¹⁴.

Another case is Singapore's Kandang Kerbau's Hospital, the world largest maternity hospital is a learning organisation by obtaining feedback from its patients on how to improve its services to meet their demands¹⁵. The CEO of Motorola on the other hand meets his customer on a regular basis to study their needs¹⁶. However according to Guns and Anderson all organisations do learn but not all are learning based many are performance based¹⁷. The difference between learning based organisation and performance based are that the former is willing to sacrifice today's performance for tomorrow's achievement while the latter does not wish to make such sacrifices. This explains why the local commercial banks lag far behind the foreign bank. Most of the foreign bank establish good customer rapport by initially offering their wide range of products at a low profit margin, which will attract a bigger pool of customers. This will

¹³ Andrew Mayo and Elizabeth Lank, The Power Of Learning Organisation: A Guide To Gaining Competitive Advantage, Institute Of Personnel Development, IPD House Camp Road, London, 1994, pg 7

¹⁴ Michael Loh, Reengineering At Work, Gower Publishing Limited, Hampshire, England, 1995 pg 14-15

¹⁵ Ibid pg 46

¹⁶ Ibid pg 46

¹⁷ Bob Guns and Kristin Anderson, The Faster Learning Organization: Gain and Sustain Competitive Edge, Pfeiffer and Company, 1996, pg 32.

benefit them in the long run business prospect. In short, a learning organisation's success depends on how the organisation studies its strength, weaknesses, opportunities and threats and utilises them for smooth change process.

2.3.4 Business Process Reengineering (BPR)

BPR involves the fundamental of rethinking and radical redesign of business processes to achieve dramatic improvements in critical and contemporary measure of performances such as cost, quality service and speed¹⁸. BPR stresses organisations to confine themselves to their own competency and channelling other functions to the suppliers which will save money and other resources. The agreement between organisation and suppliers should be mutually beneficial for instance Chrysler was dependent on Mitsubishi Motors and Hyundai for its engine supply between 1985 and 1987 and even Proton is dependent on Mitsubishi Motors. This will benefit both parties to develop specialisation, capture the niche market, increase productivity and reduce cost especially storage in JIT.

As such, most managers tend to adopt a quick fix approach to achieve these improvements. Total Quality Management (TQM) is seen as a life saver in the process of reengineering. TQM is a structured system for meeting and exceeding customer needs through continuous improvement. This means that TQM suggests that incremental improvement works the best. However, most managers ignore Edward Deming's original advice on quality management which was to eliminate slogans, exhortations and targets to achieve immediate results.

¹⁸ Kelvin F Cross (etall), Corporate Renaissance - The Art of Reengineering, Blackwell Business, Cambridge, Massachusetts, USA, 1994, ps 4-9.

TQM provides an option to the organisation when it needs to reengineer. Incremental change as shown in point A in Figure 2.2 provides the answer to the organisation when they need to reengineer. As the product or service achieves enough improvement via continuous incremental change, reengineering takes place to consolidate the incremental improvements. This is shown in point B where the improvement is substantial. TQM thus provides the tool and discipline necessary for innovation and radical change (reengineer).

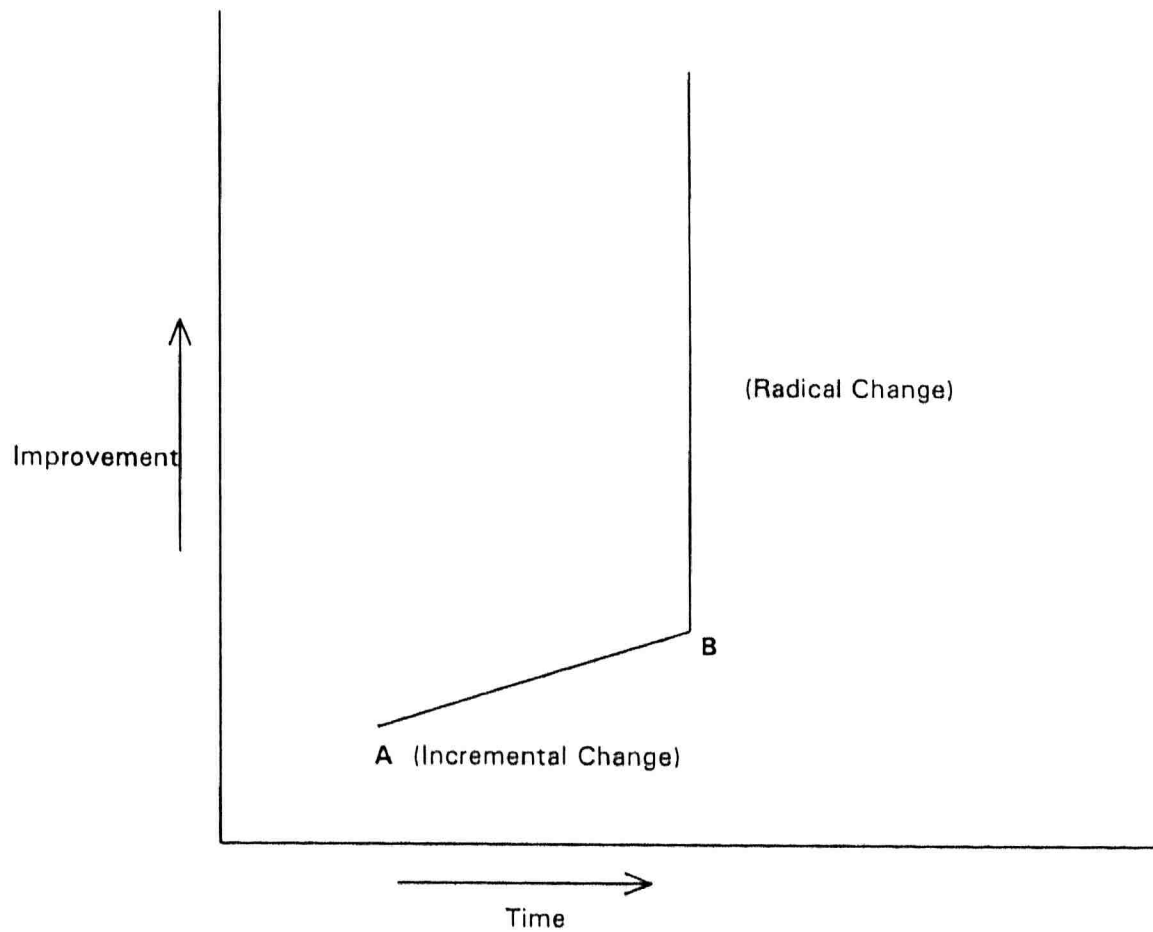
Table 2.1 summarises the important terminology's in the change management from 1960s to the current period of 1990s. The 1960s era focus was on system engineering which emphasised in enhancing efficiency through standardisation of work practice. The important element here was to speed up production through incentivised bonuses. The 1970s looked into changing the working environment which focused more into internalising the corporate culture of the organisation. This is to ensure a better team work and greater motivation among the employees, while the late 1970's emphasised into the flexibility in managing the organisation via matrix structure and devolution.

The 1980s envisaged a new frontier on quality and customer focus programmes. Just In Time (JIT), Total Quality Management (TQM) and Management By Objective (MBO) were among the few popular ones adopted by most organisations. The late 1980s and early 1990s saw a flatter organisational structure and process reengineering was embarked to provide the organisation a competitive edge against its competitors. Most government entities were also privatised in order to open these organisations to greater market forces, quick decision and quality customer service.

Several authors categorised change into three different types namely, the transformational, methodological and tactical change¹⁹. First, the transformational change is

¹⁹ Le Roy Thompson Jr, Mastering the Challenge of Change Strategies For Each Stage In Your Organisation's Life Cycle, American Management Association, USA, 1994, pg16.

Figure 2.2 : Incremental Versus Radical Change



Source : Modified from Kelvin F Cross
(et al), Corporate Renaissance :
The Art of Reengineering,
Blackwell Business, Cambridge,
Massachusetts, USA, 1994, pg 9.

Table 2.1 The Evolution of Change Management

Period	Focus	Objective	Change Ingredient
1960	System Engineering	Enhance efficiency and standardisation of work practice - Incentified bonus.	Work study Job Measurement Job Performance Bonus
1970	Culture Change	Flexible working & to realise potential in people	Job Design Team Work Job Motivation Leadership Training
Late 1970	Organisation Redesign	Flexible response to meet business environment	Matrix Centralise Vs Devolution Strategic Planning and Review
1980	Performance Management	To reward people for measurable performance	MBO Staff Appraisal Reward Career Management
	Business Internalisation	Work Market	IT System Telecommunication Strategic Business Unit Cross Culture Awareness
	Customer Focus	to establish customer orientation	JIT, TQM & Customer Care
Mid 1980s	Management Competence	To select people that will be high business performer in future	Individual Development Competency Profiling Manager as 'coach'
Late 1980s	Flatter Organisation	Increase speed in quality and decision making	Reduce Bureaucracy Organisation Redesign
Early 1990s	Process Reengineering	To focus on critical management processes which deliver competitive advantage	Critical Success Factor Team Work Continuous Improvement

Source : Christopher Ridgeway & Brian Wallace, Empowering Change :The Role of People Management, Institute of Personnel Development, Camp Road, London, 1994, pgs 12-15.

similar to Innovation or BPR which focuses on radical change overall in the organisation. Methodological change on the other hand, is similar to OD which looks into how to perform the daily operations in a much better way. Lastly tactical change deals with business strategies for instance the promotional activities and launching or relaunching of a product to accomplish the objectives of the organisation.

Rosebeth Moss Konter shares a similar view with the other authors that change can be categorised into three types²⁰. According to her the first type of change is how the organisations change their relationship to suit their current environment such as restructuring and redefining their identities or boundaries mainly through mergers, acquisition, divestiture and partnership. Most commercial banks in Malaysia are currently practising this type of change. Realising the threat of a globalized economic environment and vast improvement in technology can pose to their organisations most of the local banks have forged a partnership through mergers. Author of Vision 2020 Stan Davis also agrees that once an organisation reaches its optimum level, it has to redefine its goals and objectives in order to enhance further.

The second form is changing the way an organisation operates. This deals with internal change particularly culture, performance and system change. Finally is changing the organisation's control mechanism structure to maintain greater surveillance on the change process and to ensure that it moves firmly on the right track.

Herbert Kaufman divides change into only two types, the marginal or incremental change and innovation or transformational change²¹. He withstands that organisations are only capable of marginal changes due to the volatile environment.

²⁰ Rosabeth Moss Konter(ettal), The Challenge of Organisation Change, Maxwell Macmillon, Canada, 1992, pgs 211-217.

²¹ Herbert Kaufman, Time, Chance and Organisation : Natural Selection in a Perilous Environment, Chatnam : Chatnam House, 1985, pg47 in Paul G Thomas " Beyond the buzzword : Coping with Change in the Public Sector' International Review of Administrative Sciences, Sage, London, Thousand Oaks and New Delhi Vol. 62, 1996, pgs 5-29.

Amir Levy made the distinction between first, second and third order of change. He referred the first order change as minor changes within the framework of an organisation²². This means Levy was referring to incremental changes within the organisation such as product improvement and better service to customers. The second order change involves modification to the existing paradigm. This requires a shift in the existing culture and basically it is quite difficult to change. Dr Larry William pointed out that any attempts to change the existing culture requires a skilful leadership. He stressed that working with the existing culture is a better way to promote change rather than trying to change it²³. Finally the third order change is a completely new definition to the organisation. This involves a radical change or innovation to the organisation coupled with working with the new paradigm.

In conclusion most writers agree that change can either be transformational or incremental. Managing the former requires culture change, visionary leadership and strong foundation in terms of resources and employees while incremental change basically operates within the existing management sphere.

2.4 CHANGE MODELS

2.4.1 Lewin's Force Field Model

There are several representative models for managing change. Lewin's "force field" model was one of the simplest and earliest techniques. The behavioural model studies the equilibrium between the driving and restraining forces that pushes each other at the opposite side. Lewin suggested that the best way of managing change is by diffusing the restraining forces but

²² Amir Levy "Second-order Planned Change : Definitions and Conceptualisation," Organisation Dynamics 16, Autumn 1987, pgs 5-20 in Paul G Thomas pgs 5-29.

²³ Larry R William, pg 11-14

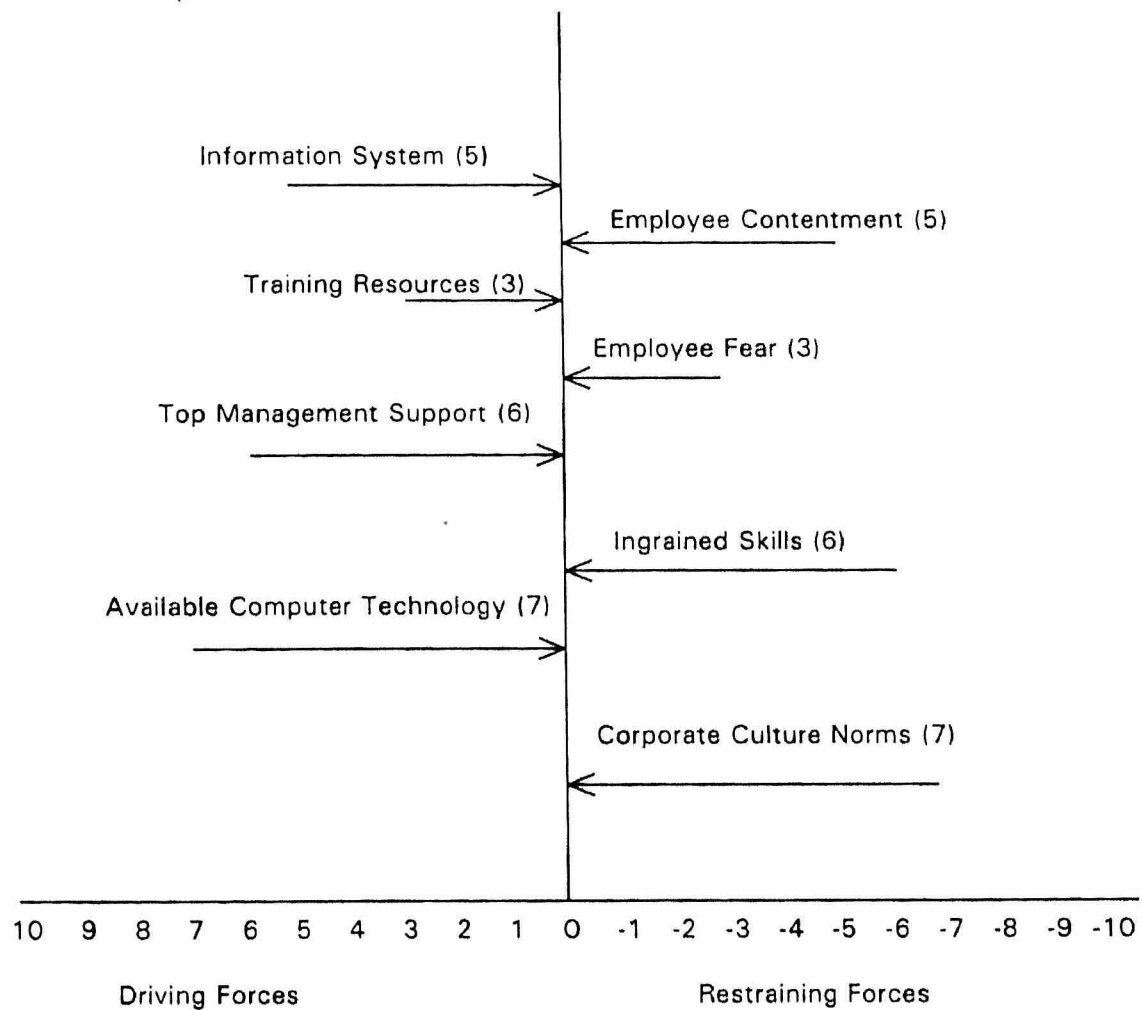
not always emphasising on the driving forces. Figure 2.3 depicts Lewin's model, the left portion shows the forces supporting the change while the right portion is the restraining forces and the length of the arrow is the amount of force applied. Information technology, training and adequate support from top management forms the driving forces while the restraining forces deal with employees resistance of fear and contentment besides the corporate culture and ingrained skills

Basically, Kurt Lewin discusses that organisational change moves in three phases. The first phase is the preparation for change, developing a vision and overcoming resistance. Both top and lower management play an important role at this stage. Poor people management at this stage will hinder the take off process of the change. The next phase is how the proposed change is implemented while mobilising the organisation's resources to fully support the change process. Finally, is the refreezing stage which looks into the feedback, evaluation and modification to ensure that the changes are stabilised and move in the right path.

2.4.2. Lippit, Watson and Westley's Model

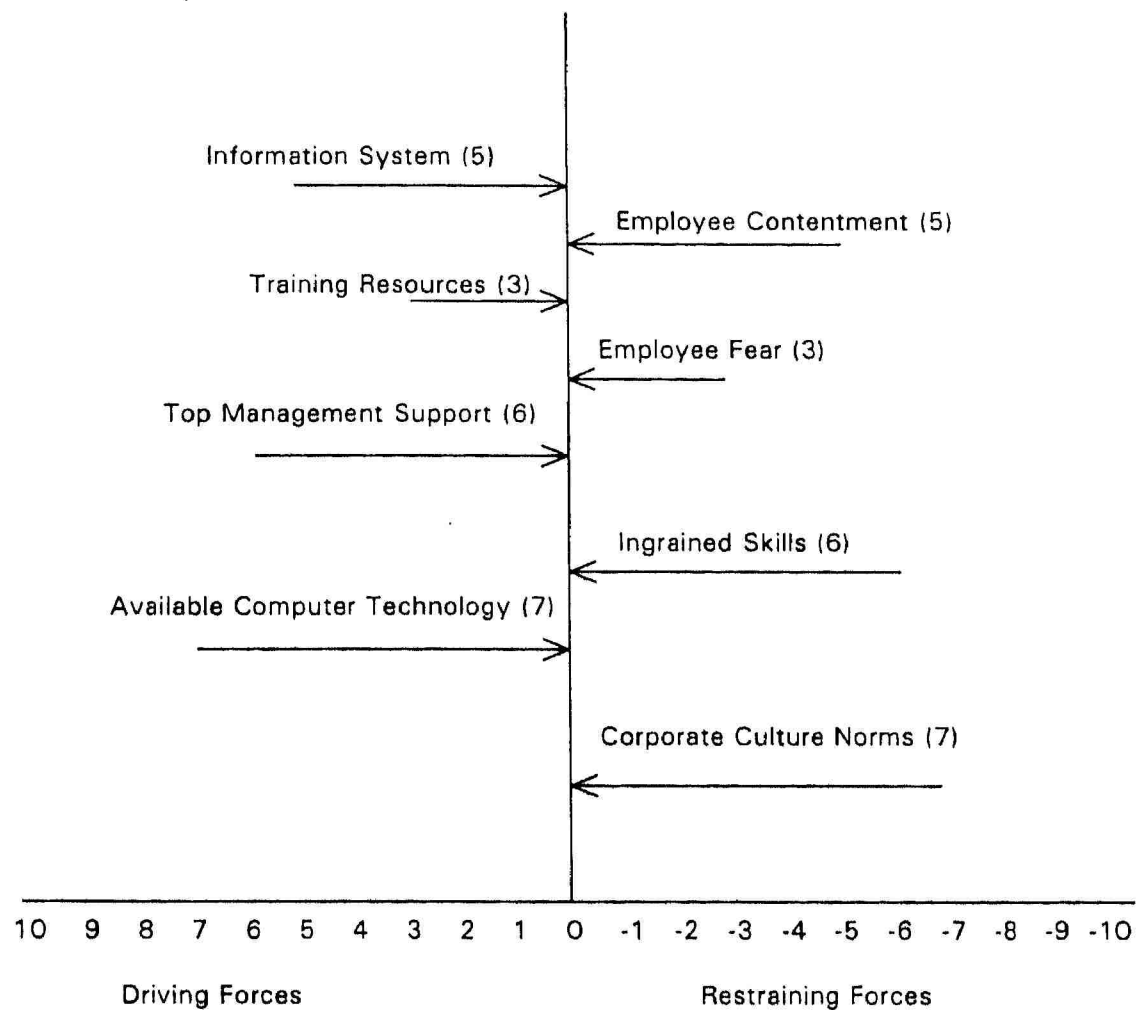
Lippit, Watson and Westley expanded Lewins' model to form a five phase consolidated plan. They are phase one, recognising the need for change (unfreezing), phase two is studying the change relationship with other departments or interfacing, step three working towards the change, phase four stabilising the change and finally the evaluation process. Figure 2.4 visualises the Lippit, Watson and Westley's model. The need for change incorporates the selection of the change team and gathering data. Subsequently the data is analysed and trust is built among the employees. Next is implementing the change, maintaining the momentum and finally the evaluation process.

Figure 2.3 : Lewin's Force Field Model of Change



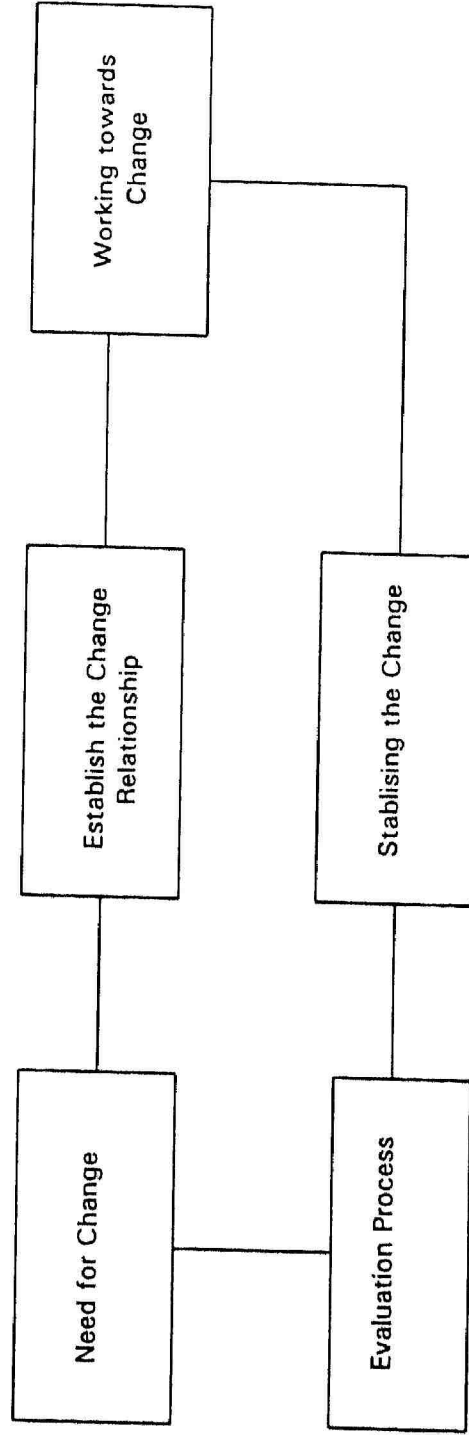
Sources : Larry R Williams, Champions Change : Planned Change Made Easy, Golden Book Centre Sdn Bhd, KL 1994, pg 36.

Figure 2.3 : Lewin's Force Field Model of Change



Sources : Larry R Williams, Champions Change : Planned Change Made Easy, Golden Book Centre Sdn Bhd, KL 1994, pg 36.

Figure 2.4 : Lippitt, Watson and Westley's Model of Change



Source : Larry R Williams, Champions Change : Planned Change Made Easy, Golden Book Centre Sdn Bhd, KL, 1994, pg 40.

2.4.3 Duality Model Of Change Management

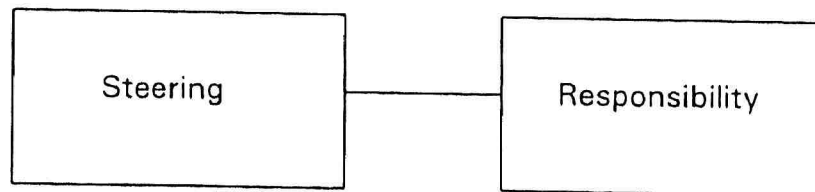
Willem F G Masternbroek developed a new model which integrated the steering and responsibility. The steering process is shouldered by the top and the line management. Top management develops a new vision and the line management attempts to successfully implement the change. This involves the difficult part of starting the new changes diffusing resistance, sustaining the drive throughout the process and ensuring that it moves in the correct path. On the other end is the responsibility where each unit develops their own improvement actions and produce visible results. According to Mastenbroek, if the duality management clicks well, it becomes a source of energy and vitality to the organisation to implement any change programs. Many multinational corporations (MNCs) such as Asea Brown Boveri (ABB) and Microsoft have used the model with positive results.

2.5 DETERMINANTS OF SUCCESSFUL MANAGEMENT OF CHANGE

2.5.1 Leadership

Most authors of change management agree that the most crucial link in the change process is the leadership or change leaders. Much of the success of new changes depend on how well the leaders get the change started, communicate it to the employees, motivate them during the process or sustaining the drive and overcoming barriers to ensure the effectiveness of the change process. Ronald W Clement pointed out that the important elements

Figure 2.5 : Duality Management of Change



- Top management develops a vision for organisation.
- The line management directs and monitors.
- Each unit develops its own improvement actions.

Source : William F G Mastenbroek, "Organisation Innovation In Historical Perspective : Change As Duality Management," Business Horizon, July-August, 1996, pg 12.

in the change process are culture, leadership and power²⁵. While culture is important to determine the nature of change that is compatible to the organisation, leadership and power are the key factors. A manager or a leader with "power" will be able to control the process of change more effectively compared to those without it. The term "power" can be of different forms such as charismatic, expert, coercive, reward and information power. The positive manipulation of "power" by the change leaders are an effective method in diffusing resistance. Power need not be a legal authority but the ability to exercise influence to get things done or in other words empowerment of people. A subtle act of empowerment will have a greater effect compared to a strict practise of "power". Hager and Dewar also support the idea that elite leaders will promote a high level of innovations²⁶. Some of those elite leaders are Dr. Mahathir's success in orchestrating the nation's progress, Mr. Lee Kuan Yew in leading Singapore to be a safe financial heaven in South East Asia and banker Tan Sri Azman Hashim in guiding the success of Arab Malaysian Finance industry. A detailed analysis on the role of change leaders, types of leadership, characteristic of a change leader and how they manage resistance in the change process will be discussed in chapter 3.

2.4.2 Organisation Culture

Culture is difficult to be defined. There is no universal culture, the way things are done today may not be the same tomorrow and how organisational tasks are executed by one group need not be agreed by other groups in the same organisation. So it is crucial to have a unified corporate culture in order to avoid sectarianism among employees which will erode the achievement of the organisation's objective. Most organisations place great importance in building a positive culture through daily briefing which is practised by the Japanese organisations. Among

²⁵ Ronald W Clement " Culture, Leadership and Power : The Keys to Organisational Change," Business Horizon, January - February, 1994 pgs 33-38.

²⁶ Hager And Dewar "Elite Values Versus Organisational Structure In Predicting Innovation", Administrative Science Quarterly 18, 1973, pg 279 in Nigel King and Neil Anderson, Innovation And Change In Organisation, Routledge, New York, 1995, pg 47.

other ways are through training, slogans, lectures and periodical visits by senior management team. A strong positive culture will enable the managers to execute their task smoothly and nurture organisational change. Once the workforce is united under a common culture, implementing new changes would be a simple task. Before proceeding further the definition of culture as stated by Edgar Schein includes basic assumptions, values and artifacts of an organisation²⁷.

Firstly, basic assumptions are things that are taken for granted as the correct way of doing things in the organisation.

Next are values of the firm which refers to what "ought " to be in the organisation. If the employees believe that on the job training is the best method of learning then structured training would be of little importance.

Finally artifacts include other things such as procedure followed, technology used, the design of call cards, teamwork, communication and others. This is the highest level of employees mindset in the organisation. According to Schein, in order to change the existing culture, an organisation must first change the basic assumptions and values rather than trying to alter the artifacts. In conclusion, culture can be defined as shared beliefs, norms and attitudes of the employees in an organisation. It can be also viewed as "sticky" practices that forms the politics of an organisation.

Culture can be categorised as structural and interpretative culture. The former focuses on the link between culture and organisation structure while the latter reflects towards Edgar Schein's definition which emphasises on symbols, rituals and myths in the organisation. Charles Handy further identified four types of structural culture. They are role, power,

²⁷ Edgar Schein, Organisational Culture And Leadership: A Dynamic View, San Francisco CA, 1985 in Ronald W. Clement "Culture, Leadership And Power, The Keys To Organisational Change", Business Horizon, Jan-Feb, 1994, pgs 33-38. .

task and person culture. This role culture is basically the typical bureaucratic culture which clearly defines the multiple layers of power flow in an organisation. The bureaucratic structure though built for stability operates in a predictable, and routine environment. They can be supportive to incremental changes of work procedure and system but generally resistant to innovations. For example, Dr Mahathir's early policies such as "Leadership Through Example" which protects the bureaucratic structure was well received by the public sector, however, a drastic change to the privatisation policy caused a major stir and was vehemently rejected by CUEPACS. This is because dramatic change threatens to dissolve the original bureaucratic culture. Another example that depicts a similar case is how Monte Peterson, the CEO of Thermos in 1990 replaced the conventional bureaucratic thinking which led the way to the blossom of new ideas and products.²⁸

Power culture is the second which surrounds on a prominent figure in an organisation. This is similar to the charismatic leaders in an organisation. In a small group the influence can be a strong drive to promote new changes but as the group grows, the prominent figure might not be able to foresee all aspects of change programs. Furthermore power culture also does not allow ideas from other individuals as change is centred on the power figure alone.

Secondly, task cultures are seen in matrix structure. Task cultures are regarded as the best form of culture to promote change. This is because each matrix structure is designated to a particular task with small groups reporting to the top management. The high flexibility allows free flow of information within the structure. Any new changes can be initiated almost immediately as it comes from the top direct to the matrix team.

Finally is the person culture. Interest group organisations such as co-operatives, unions and professional partnership are examples of person cultures. Person cultures may promote individual creativity that leads to a better management of change. However, they can

²⁸ 'Brian Dumaine "Payoff From The New Management", Fortune, December 13, 1993, pgs 49-52.

have an adverse effect due to most important decisions are based on persuasion and the individual charismatic behaviour.

Next is the interpretative culture which focuses on symbols, values, basic assumptions and artifacts. These signs should be monitored closely before implementing any changes. The best way to determine whether new changes are feasible is by determining the existing organisation culture, whether it is individualistic or team work oriented. This research will utilise Victor S.L Tan's four mindset model. The model was widely used in his consultancy work in several large organisations in Malaysia.²⁹ Briefly, the model explains the four basic individual character in an organisation. Interpretative culture which comprises of rituals, myths, signs, symbols and values and the four basic mindset model are the best method to determine the overall organisation culture and the suitability of implementing any changes. The 4 Mindset Model will be further discussed in 2.5.3.

An example of the interpretative culture is evident in the perfect competitive market. For example, the banking industry has undergone tremendous change over the years. From a "protective" outlook environment with grills and high walls plus long queues, today, it has changed into a more open environment with more customer contact and a variety of new products to serve customer better and to ease the long queues.

Managers should carefully study the existing organisation culture before implementing any new changes. According to Ronald Clement, measuring organisation's culture is a necessary first step towards implementing any changes but is insufficient³⁰. This is because new changes threaten to alter the basic assumptions, values and artifacts which might create resistance. The measurement of the organisation's culture will determine the sensitive areas. The importance of culture in change management can also be seen by the Canadian government's

²⁹ Victor S.L Tan, Change To Win: The Change Imperative For Asian Companies. How To Win In The Work Place. How To Win In The Market Place, Times Business, Singapore, 1994, pgs 53-59..

³⁰ Ronald Clement, pgs 33-38

reformation of its public services program called PS2000, which consist of 10% of legislative change, 20% system change and 70% culture change³¹. Even the magical success of Japanese firms is attributed to the strong work culture. Being totally wrecked in the second world war, Japan managed to progress rapidly in dominating the world economy. In Malaysia, Dr Mahathir's administration in the early 1980s sought to revitalise the public sector by introducing new policies such as "Leadership by Example", "Clean, Efficient and Trustworthy" and instilling Islamic values in the public sector administration. Such are the importance of culture in managing change. In fact, if the first step of measuring culture is successful, changes will flow smoothly in the organisation. This will also minimise employees resistance towards change.

In conclusion, there is no denying that culture is an important element in the change management. Culture cannot be based on the organisation's formal structure alone but also the informal setting which involves the employees and their relationship with management supervisors and colleagues. Focusing immediately to the organisation's culture without taking into effect these elements will only result in employees resistance. It is also not easy to change the existing culture, thus a highly skillful leadership is necessary to initiate changes without offsetting the existing culture

³¹ Paul G. Thomas "Beyond The Buzzwords: Coping With Change In The Public Sector", *International Review Of Administrative Sciences*, Sage, London, Vol 62, 1996, pgs 5-29.

2.4.3 Employees

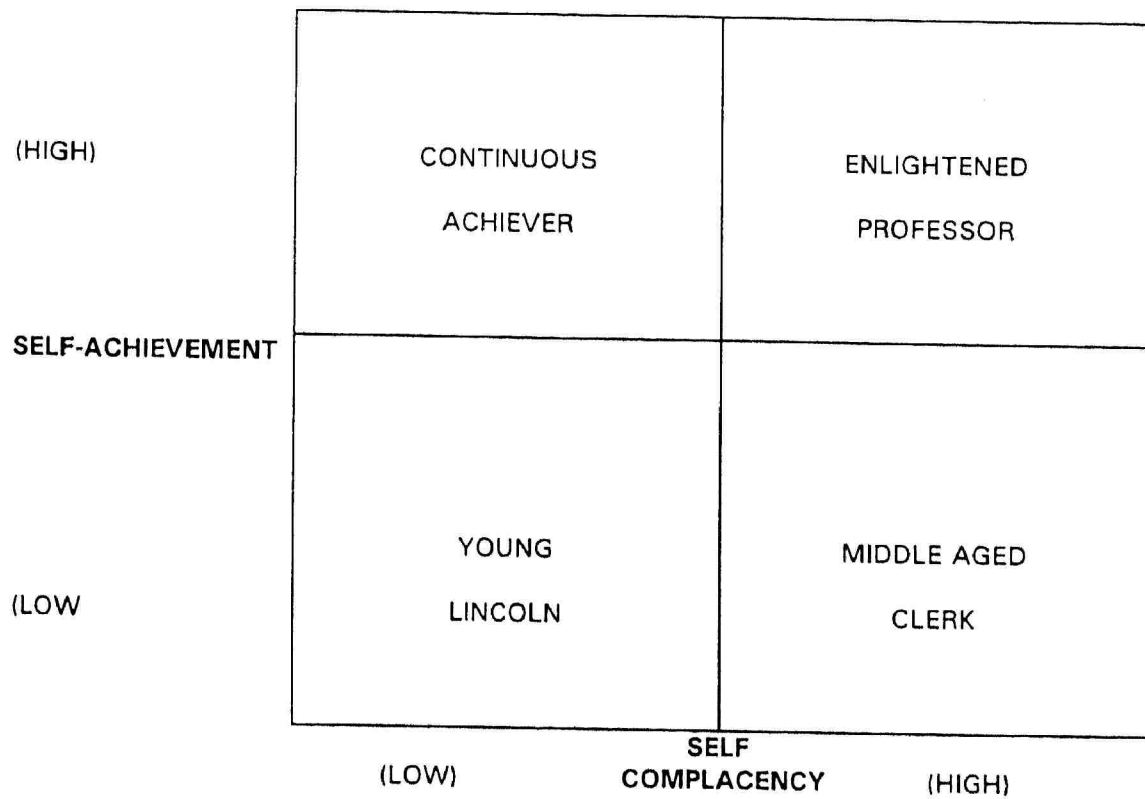
Employees are the key element in the change management besides the change managers. Employees today experience enormous stress due to rapid changes in their working environment as a result of rapid technological change. Alvin Toffler acknowledged the fact that workforce may suffer from "future shock" because they are not prepared to face the new changes.

Managers should not focus on the change strategy alone, isolating the effect to the employees. Determining the types of employees in the organisation and how to get them to participate in the change process is indeed crucial. The toughest part in most change programme is to empower employees to accept and participate in the new changes because if individuals don't change nothing changes³². The Four-Mindset Model which is an important tool in determining the individual's self-achievement and complacency will be used in this study³³. The level of individual achievement depends on training, education and opportunities while the complacency is based on values, upbringing and personality. The model suggests that there exist a relationship between these elements and the reaction towards change. Those with high level of self-achievement possess high drive to change, while those with high self-complacency are quite resistant to change. Figure 2.6 illustrates the 4-Mindset Model. The model is comparable to the Abraham Maslow's Theory of Hierarchy as shown in Figure 2.7.

³² Robert Howard "The CEO as Organizational Architect: An Interview With Xerox's Paul Allaire", Harvard Business Review, September-October 1992, pgs 106-121 in David K. Carr (Et All), Managing The Change Process, A field Book For Change Agents, Consultants, Team Leaders and Reengineer Managers, McGraw Hill, New York, 1996, pgs 3-21.

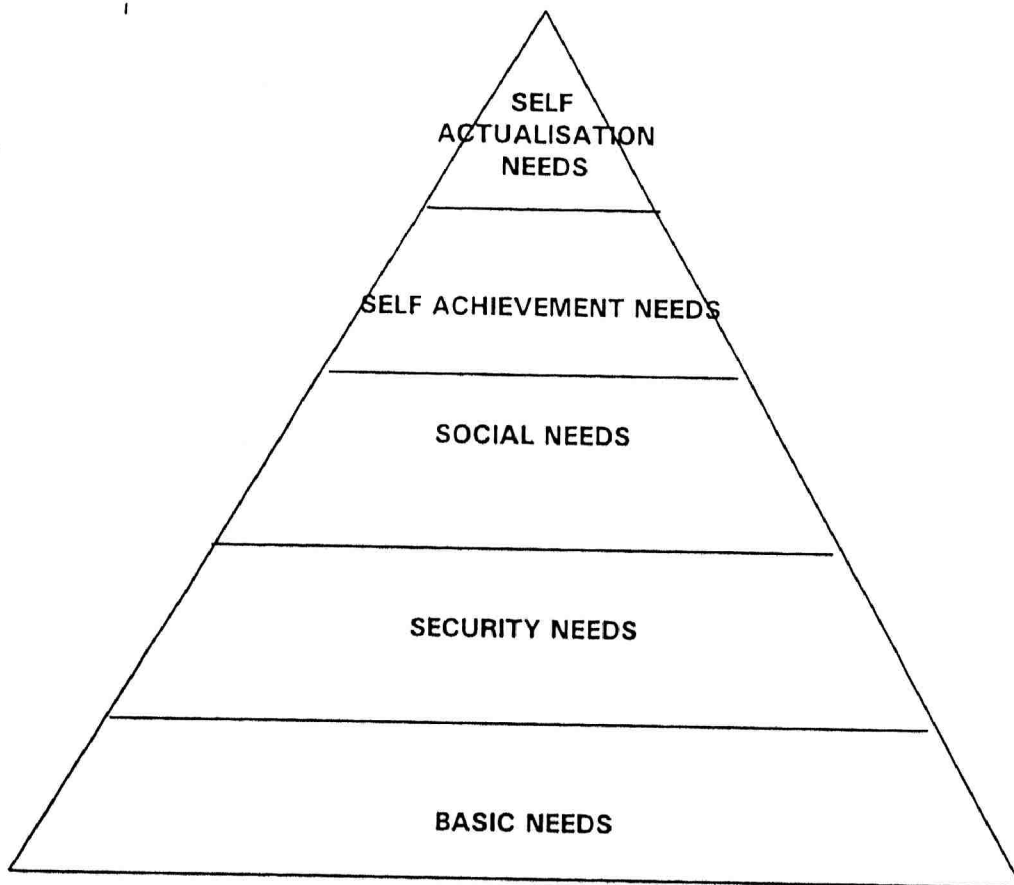
³³ Op Cit

Figure 2.6 : The Four Mindset Model



Modified from Victor S L Tan,
Change To Win : The Change
Imperative For Asian Companies,
How To Win In The Workplace,
How To Win In The Marketplace,
Times Business, Singapore, 1994,
pgs 53-59.

Figure 2.7 : Abraham Maslow Theory of Hierarchical Needs



i) **Middle Aged Clerk**

The middle aged clerk is high in complacency and low in self achievement. These group of employees are satisfied with their current achievement and do not aspire to advance further. Some of them would turn down promotions as they do not want the additional responsibility. In the banking industry, most middle aged clerks are employees who joined the industry during the 1970s and their mindset do not accept new changes. Changing these mindsets require more than monetary rewards. Middle aged clerks fall in the first and second category in the Maslow's hierarchy of needs theory. Having enough basic and security needs they are satisfied with their life style.

ii) **The Young Lincoln**

This group is low in self-achievement and self complacency. They are willing to strive harder to move up the corporate ladder. Victor S L Tan termed them as young Lincolns because Lincoln was slow in self-achievement in his younger years but progressed to become the President of United States. Young Lincolns are in the third stage of Maslow's theory who has a strong desire to move into the self-achievement needs. Proper training and guidance will produce the best from this group to initiate any changes.

iii) **The Continuous Achievers**

Employees in the continuous achievers are those who achieve success at relatively young age, however they are not discontented with their position. Continuous Achievers

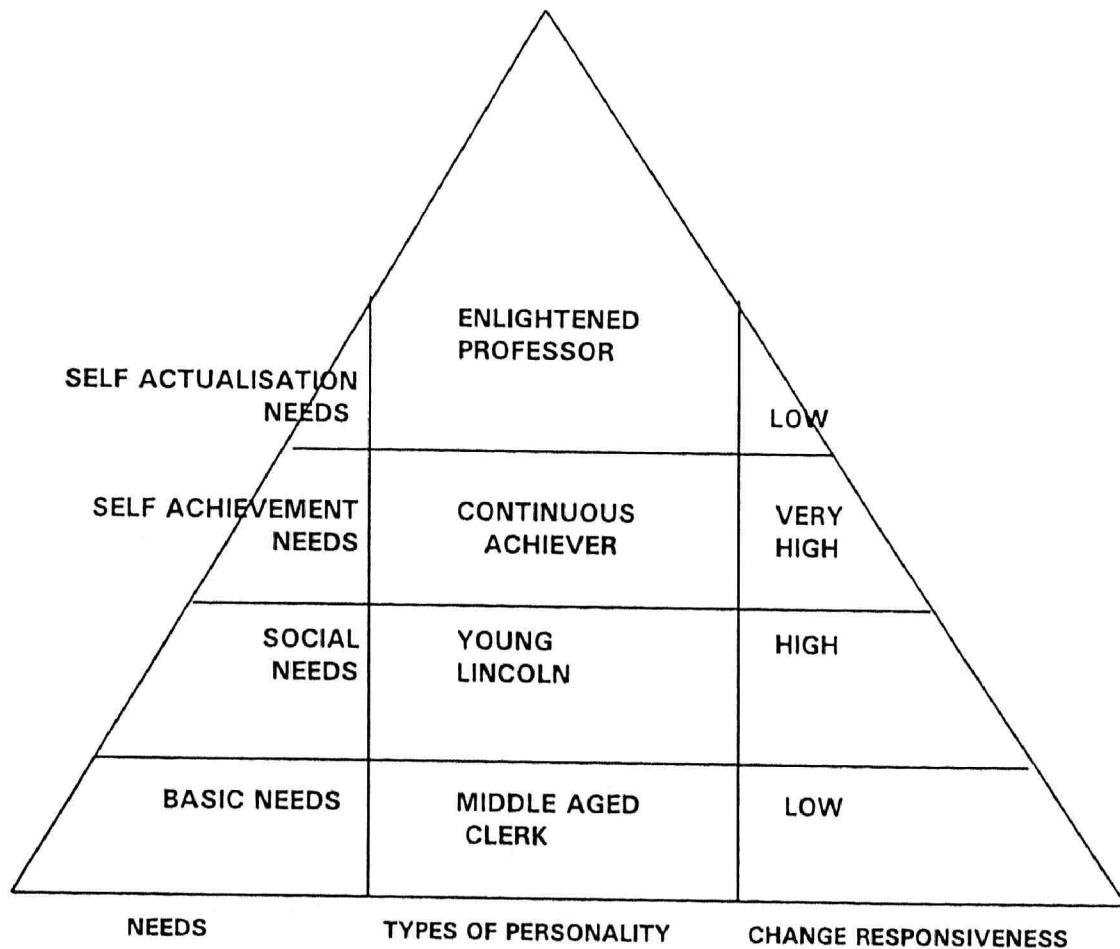
aspire to move further. They are the best set of people who has high degree of responsiveness towards change. Employees in this rank are in the self-achievement needs stage in the Maslow theory of Hierarchical Needs. Their low self-complacency coupled with high self-achievement will move them into the highest point in the Maslow's theory, the self actualisation needs.

iv) **The Enlightened Professor**

The enlightened professors are people who have a high self-achievement and because of that they are also high in self-complacency. They worked hard during their early years to be in the top position and once they are perched on top, they do not have any desire to progress further. These set may be impossible to change, because they occupy the top position in the management team. Family owned business may fall in this category. The pioneer may want to control the business and to retain it within the family circle. They fear that new changes will result in loss of power and position. This might be because they are perched too long in the self-actualisation needs in the Maslow's theory.

The Four Mindset Model will be applied in this research to map the type of employees in an organisation. How many of the young Lincolns and continuous achievers do the organisation has and most important is how the middle aged clerks who occupy the base in the combination of the Four Mindset Model and Malsow's theory can be more responsive to the changes in the organisation. Figure 2.8 illustrates the combination of both theories. The middle aged clerks who are placed at the bottom of the diagram have low level of change responsiveness. The young Lincoln's and continuous achiever with high level of change acceptance are in the social and self-achievement needs aspiring to move up to the next stage respectively. Finally is the enlightened professors on the top of the diagram, high in self-actualisation but resistant to change. Organisations with a more "middle" rank young Lincolns and continuous achievers will be able to initiate more innovative programs. The responsibility of

FIGURE 2.8 : Combination of the FourMindset Model And Maslow Theory Of Hierarchical Needs.



Source : Literature Review

identifying the types of personality and tailoring the training, motivation, skill enhancement programs lie on the change managers. According to Victor Tan, changing the mindset requires a "super ordinary leadership". The role of managers will be discussed further in Chapter Three.

2.6 PAST STUDIES IN THE MANAGEMENT OF CHANGE

The study in change management is a widely researched topic in the United States of America (USA), United Kingdom and North America however they are very limited works done locally. Below are the few researches in the change management conducted in the local organisation.

2.6.1 A Study in Public Bank Berhad By Haji Arshad Haji Marsidi³⁴

Haji Arshad from NPC studied the remarkable success of Public Bank Berhad through changes in people management and innovation. Public Bank is among the few local banks that has achieved great success within a short period. It started in 1966 with a capital of only RM12.75 million, today its paid up capital is more than RM357 million. Among the domestic banks it is ranked second in KLSE. Much of its success is attributed to its CEO, Tan Sri Dato The Hong Ploow, who envisioned several opportunities and capitalised them. A continuous flow of ideas and proper management of the new changes charted the progress of Public Bank, for example the bank was the first to bring ATM service to customer's window when it installed the ATM machine at the petrol stations. Public Bank also was the first domestic bank to link up its computer in Peninsular Malaysia to East Malaysia to provide better customer service.

³⁴ Haji Arshad Haji Marsidi, "Productivity Through People And Innovation: The Success Of Public Bank Berhad", Jurnal Produktiviti Bil 14, June 1988, National Productivity Centre, pgs 2-19.

Innovative products are another hallmark of its success. The bank introduced hire purchases for new cars to its existing customers at a preferential rate. An innovative loan scheme for petty traders in 1985 further boosted its image although it did not contribute much to the bank's profit. The loan was disbursed in response to government's call to offer credit scheme to petty traders and hawkers also built long term goodwill with the customers.

The facilitative leadership of its CEO was another contributing factor. Tan Sri Teh Hong Piow often paid visits to the branches and mingles with the staffs especially in sporting events and family days. Such a gesture enhanced staff motivation and they were better prepared to serve the organisation and to absorb new changes.

2.6.2 A Study Of O.Y.L Research And Development Centre Sdn Bhd (OYLRD), An Affiliate Of Hong Leong Group By Chai Siew Key³⁵

Chai Siew Key studied OYLRD which is the R&D arm of the OYL group of companies. OYL is involved in manufacturing and marketing of heaters, air conditioners and refrigeration system. The study highlighted the critical success of OYL in promoting innovation is the long term commitment of their senior management group. OYLRD has been the backbone in the success of OYL which is directly managed by a Chief Operating Officer. He only reports to the General Manager which allows him maximum flexibility to manage the group. Furthermore the people oriented management style which is similar to facilitative management is another key factor to its success.

³⁵ Chai Siew Key, Innovation In A Malaysian Equipment Manufacturer, University Of Malaya, Unpublished MBA Thesis, 1997.

2.6.3 A Study In A "Classified" Organisation in Singapore by Nina Chow Lai Meng³⁶.

The organisation in this study was classified. It has a worldwide employment of 92,000 employees from America, Europe and Asia Pacific. The organisation started in USA in 1938 operating in selling computers, printers, peripherals testing and measurement instruments, medical and analytical products.

Nina Chow Lai Meng studied the role of managers in the changing environment with a sample of 43 percent middle level managers and 57 percent of the lower rank group of which has an average service of 6 to 10 years. This study was focused on managers from finance and administration departments who was involved in the new changes. The study highlighted several interesting findings. Managers who are managing the change process should effectively play the role as resource allocator, mentor and disseminator. They should constantly monitor and guide the subordinates throughout the process of change. They should also serve as a role model to the employees. Communication skills and the ability to be proactive are certainly plus points for the managers. Nina suggested that in order to be more competent organisation must provide good development program apart from excellent support from the top management.

2.6.4 A Study In UMW Toyota Sdn Bhd and Euromedical Industries Sdn Bhd by Larry R. William³⁷

UMW Toyota after installation of their new on line computer system decided to retrench the four data entry clerks. However after much consideration they decided to retrain them in the new technology. The management provided ample encouragement and support throughout

³⁶ Nina Chow Lai Meng, Role Of Managers In An Enviroment Of Change, School Of Post Graduate Management Studies, Unpublished Thesis, National University Of Singapore, 1995/1996

³⁷ Larry R. Williams, Champion Change: Planned Change Made Easy, Golden Book Centre Sdn Bhd, Kuala Lumpur, pgs 25-28 and pgs 90-93.

the one year training process. The 4 clerks managed to master the new technology in less than a year. Larry William concluded that if employees are given adequate information, opportunities and skill development, they would be more comfortable in adapting to new changes thus minimising resistance to change.

Euromedical was established in Malaysia in 1973 being the the largest supplier of Latex Foley Catheters in the world. It won numerous awards and the highest achievement was the Prime Ministers Industrial Excellence Award for quality management in 1993 and the Baxter Quality Award in 1992/1993.

The study found that the secret behind its success was that all senior management practised participative management at all levels. Apart from that Performance Management Objective (PMO) which involves the employees in the change process also motivated the employees. As suggested by Mastenbroek's model of duality change management where both managers and employees must be equally responsible in ensuring that new changes are successful, Euromedical is a proof that this model is applicable in the local organisations.

Generally these studies highlight several crucial factors in the management of change. They are facilitative leadership, a committed management team, high speed innovation, communicate, support and training by the managers and finally the most important is empowerment of employees in the process of change.

Facilitative leadership as discussed in chapter three plays a key role in the process of change. An inspirational leader is what the people in the organisation depend on to steer the organisation. Facilitative leadership and a highly committed management will instil confidence and motive the employees to perform better. this is discussed in the Public Bank's case where the inspirational leadership of Tan Sri Dato the Hong Piow chartered the progress of

the bank. furthermore how managers communicate the changes, train and support the employees enhance the effect of the change programs, this was highlighted in Nina Chow Lai Meng's study.

Next is high speed innovation which is particularly crucial to the competitive industry. Computerisation, innovative products and services are the hallmark for the success of most organisations such as Public Bank, UMW Toyota and Euromedical Industry Sdn Bhd.

Finally is people empowerment . Leaders and managers must ensure that each and every employee feel that they are a part of the change management. They should not be left to perceive that the change only benefits the share holders and the management. Empowering them in the new changes will enhance their commitment. This is evident in the case of Euromedical which practised Performance Management Objective (PMO).