A Study of Factors Analysis for Organizational Change in China Government-Owned Enterprise

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Abstract. After three decades of reforming and opening up, the enterprises in China economy system, no matter the type or the scale of these businesses, face dramatic changes in their environment. This study aimed to investigate the applicability of western management theories in a China government-owned enterprise and to identify key factors of the organizational change in an enterprise. For practical verifications, we developed a thirty-item survey of the enterprise’s cultural change. The survey was validated statistically by analyzing the responses from 303 individuals in a large China government-owned enterprise using the confirmatory factor analysis models, and results were in good agreement with our theoretical structure. In addition, a number of significant correlations between items and factors were found, and five principle components were identified from thirty indicators.

Introduction

Background

When enterprises face environmental changes, the unpredictability makes managers hard to maintain the status of enterprises, thus they have to adjust their business strategy and organizational structure. Consequently, the organizational change becomes the important issue that enterprises have to face.

In addition, there are many activities related to the organizational changes, including the business process reengineering, total quality management, strategic planning, Lean Six Sigma and downsizing, etc. The key to success of organizational changes is how to successfully lead the organizational change, which has been discussed for a period of time by researchers in industry and academia.

China Government-Owned Enterprises

After World War II, lots of developing countries performed nationalization to promote their national economy and industrialization.

From the late 1950s to the mid-1960s, national liberation movements initiated to resist the colonial and their enterprises, including customs, banks, and tax authorities. The nationalization was actually the continued of national liberation movement in the economic field. The nationalization was actually the continuous national liberation movement in the economic field. In the 1970s, the nationalization took over the ownership of oil resources from the oil producers in the Middle East, which encouraged developing countries to regain their proprietorship of natural resources. Some countries took the ownership back from foreign enterprises which manipulated national economy including mining, fishing and agricultural resources. However, the government-owned economy in practice was gradually highly monopolistic, unclear property rights, un-efficiency management and other drawbacks. In order to conquer these obstacles, governments took actions to adjust their strategies to cope with the globalization change, normally accompanied with decentralization, deregulations, tax
reformations, sophisticated regime, and encouraged privatization. These efforts and variety implementations achieved great results. China was one of the countries.

The reform journey of China government-owned enterprises began in 1978, when it marked a shift in China’s economic policies from a centralized Communist orientation into a modern socialistic market with ‘Chinese characteristics’ [1, 2]. In 2000’s, the globe economy changed rapidly. Dot-com bubble, emerging markets rose, China joined WTO; these issues affected world economy continuously, especially in 2008 global financial crisis hit major economics badly, yet in the meantime, China market attracted foreign investments and encouraged enterprises reached out foreign markets.

**Research Purpose**

Thus, this study intended to identify the affecting factors of organizational change through an empirical case study and a numerous theoretical review. The aim of this paper is to combine theory and practice to identify the key affecting factors of organizational change in China government-owned enterprises.

**Literature Review**

We clarified numerous of organizational change literatures as the theoretical foundation, investigated many researchers’ claims on the development of organizational change stages.

**The Development of Change Theory**

Lewin introduced the 3-steps change model, the first step in the process was to unfreeze the existing status quo, the second step in process of changing behavior was the movement and the third step was refreezing which needed to take place after the change has been implemented [6]. Lippitt, et al. in the 1960s, claimed a transformation model which extended to 5-steps of organizational change model: development of a need for changes, establish a change relationship, work toward change, generalization and stabilization, achieve a terminal relationship [7]. Kast also proposed five stages of change: namely to examine the environment, perceived problems, identify the problem, design and implementation of change [8]. Judson indicated the evolution of analyzing and planning the transformation, communicating the transformation, obtaining a recognized new behavior, steering requests from the state and the current status of the fixed and institutionalizing the new state [9]. On behalf of the six stages of scholars are Kwon & Zmud, who suggested initiation, adoption, adaptation, acceptance, usage and incorporation [10]. Cooper & Zmud initiated the adoption, adaptation, acceptance, and the introduction of routine [11]. Burke advocated seven stages, which are participation, sign, diagnosis, feedback, plan change, intervention and evaluation. Kotter reported eight steps that build a sense of urgency, the establishment of the leadership team, build a vision, communicate the vision, empower employees to participation, creating short-term results, to consolidate the achievements, deepen reform and institutionalized change deeply rooted corporate culture [3,4]. Galpin indicated nine edges change requires the establishment, development and dissemination plan for change, diagnostic analysis of existing forms, resulting in the proposal, the proposal gear model refinement, carefully examine the proposal, proposal preparation rollout, as well as showing the proposed measure to strengthen and improving change [12]. This article continues Kotter's eight steps to develop the questionnaire for organizational change and trying to identify the factors affecting organizational change.

**Ten Dimensions of Change Management**

- **Create and Share Vision**: The guiding team has to create organizational vision actively, lead organization on the right track of implementing change actions and draw up change strategy, executing plan and policy. Kotter indicated that create a vision to direct the change effort [4]. Palmisano pointed out it’s easy to inspire employee’s passion for change when business is sliding, yet it’s very difficult to keep the momentum while business is good [13]. To create value-based management system instead of bringing fear of failure. Inspire them by common values which
employees help to define. According to Kouzes and Posner’s research, it indicated that envisions exciting possibilities and enlist others in a shared view of the future is attribute to distinguish leaders from non-leaders. A higher degree of shared vision, a more success change will be leaded [14].

- **Form a Powerful Leading Coalition**: After making decision to organizational change required recruiting talents within exist organization. Then form these high performance executors as a powerful guiding coalition to carry out the change projects. Kotter suggested ‘this team works with shared commitment and has enough power to lead the change effort.

- **Stakeholder Involvement**: Stakeholders are classified to internal and external, internal stakeholders are employees, stockholders; external stakeholders are customers, suppliers and government, etc. ‘Get key influencers involved and on your side’ ‘Where there is change, there is pain, and where is pain, there is resistance.’

- **Sharpen Tools & Skills**: Rigby and Bilodeau reported on Management Tool & Tends survey [15] shows that ‘given the challenges to growth and the competing demands for investments, companies now take a more thoughtful and strategic approach to tools instead of jumping on recommended to clients.’

- **The Sense of Urgency from Employees & Leading Team**: Kotter indicated that organizations need to have a sense to learn the market situation and external competition. Identify and manage the crisis which organization is confronted with, including (1) review potential crisis or important opportunity with an open mind to make appropriate response plan, (2) convince at least 75% of managers that the status quo is more dangerous than the unknown [4].

- **Empower Others to Act on the Vision**: Organizational change guiding team should overcome obstacles to reform and improve the institution and structure which damage the change vision, and encourage employees to engage in risky and innovative ideas and actions, authorize the employees take responsibility for the possible measures of implementation. Kotter suggested 'remove or alter systems or structures undermining the vision. Encourage risk taking and nontraditional ideas, activities, and actions.' [4]

- **Metric to Measure Change Result**: Harrington indicated ‘If you can’t measure it, you can’t control it. If you can’t control it, you can’t manage it. If you can’t manage it, you can’t improve it. It is as simple as that.’[16]. It’s very important to set up metric indicator, and use leading indicator to measure change result. Schaffer and Thomson provided a result-driven-programs aspect, set measureable short-term performance improvement goal for long- term vision. Measure the results periodically, enable management adjusting strategy in time to approach long–term goal [17].

- **Plan for and Create Short-term Wins**: The guiding team is required to set a clear planning on performance, improvement actions, and achieve victories actively. Recognize and encourage those staffs that make improvement on change project in public. Inspire employees to contribute on change performance. Kotter suggested that define and engineer visible performance improvements, recognize and reward employees contributing to those improvements [4].

- **Consolidate Long-term Improvements and Institutionalize New Approach**: To be good at using the built-up credibility within the organization, with the incentive to improve the performance, furthermore, change or alter the systems, structures and policies not meet the vision before implementing change project. Kotter reported ‘Hire, promote, and develop employees who can implement the vision. Reinvigorate the change process with new projects and change agents.’ [4].

- **Communicate the Vision & Remove Obstacle**: Organizational change requires using all possible methods and communication channels, the guiding team needs continuing to convey a new vision throughout the whole organization, and build confidence related strategies to build confidence of organization. Meanwhile the guiding team must also set an example to change the staff. Kotter reported ‘Teach new behaviors by the example of the guiding coalition.’ [4].

**Case Company**

W Company is a government-owned enterprise located in northern China and jointly controlled by Group Corporation. W Company is also a large-size comprehensive metal-processing enterprise with sophisticated equipment, diversity of products and experienced capability of technological research
and development. There are more than 1,400 employees in W Company. The majority of customers for their products or processing service are coming from China, Europe, America, and Japan.

As W company’s production mode is mainly dependent on the capacity and precision of production equipment, high entry barriers do not exist, in additional, China government has an open policy towards this industry, therefore W Company faces strong competition from domestic and international competitors, as well as clients ask lower down prices in general specification products, resulting W Company low performance continuously. In 2012, W Company showed huge financial deficit than 2011, the external challenges of increasingly fierce competition, while internal employees limit to the cultural trait of China government-owned enterprises, generated considerable pressure to management. Therefore with support from Group Corporation, W Company implemented Lean Six Sigma quality and process improvement methods, and a reorganization of management team since 2012. The study is part of one comprehensive diagnosis including business culture, operation management and process management.

Questionnaire Development

The study is aimed at exploring the practical part of the corporate culture. Based on change management theories and refer to Denison’s organizational culture model [5]. We interviewed various staff and focus group in W Company, incorporated company status and a deliberate analysis. We developed a 30-items questionnaire to identify the affecting factors of China government-owned enterprise change management, the reliability and validity of pre-test were satisfied [18,19].

Results

Based on the instrument, the study conducted holistic survey, used stratified sampling mode to separate different tasks and working environment, then sampling by seniority from stratification in order to maintain the consistence of population. Based on the factors loading great than 0.5, there were 303 valid questionnaires from 353 respondents, Cronbach’s Alpha is 0.871 > 0.8 (suggest greater than 0.8). From the result of the analysis of the reliability and validity, the process of this research including questionnaire development, sampling methods and the analysis process showed certain credibility, and the statistical data is sufficient to support the findings. During Factor Analysis, we removed some insignificant items and extracted five factors based on common variance from 21 items after Varimax rotation. The Kaiser-Meyer-Olkin value is 0.864 (suggested greater than 0.7), and the p-value of Bartlett’s test of Sphericity is 0.000, test result is significant. On the ground of the above, the reliability and validity of this holistic survey were satisfied and acceptable.

There were five common factors extracted from the factors analysis in this study named as: (1) Commitment for common goal; (2) People development and engagement; (3) The sense of urgency for leading team and employees; (4) Tools and Skills; (5) Communication and discipline.

Implication and Conclusion

The systematic research of this study, its factor analysis can be considered to be a milestone of China government-owned enterprise change management. This research extracted five common factors which potentially affecting the organizational change of China government-owned enterprises.

For these five extracted factors, it is necessary to have thorough analysis of managerial implications, to give a more specific definition, in order to constitute theoretical framework of China government-owned enterprises change management. Base on this study continues researching the same topic of other China government-owned enterprises or to extend research object to different type of China enterprises, such as private-owned company, small size company and Joint-Venture enterprise.
References


