ASIA E UNIVERSITY

PERFORMANCE AND CHANGE PROCESS IN ORGANIZATION ABC

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ABSTRACT

The object of this study is Organization ABC in the retail industry. This organization has been having a good performance for the past 40 years with aggressive changes in organization structure and strategic management. However, the performance recently has dropped drastically. This study will focus on what and why this negative trend is happening to this organization. It will look into the internal and external issues such as current market trend, market economy situation, market competition and international competitors who have increased their treat, challenges and competitiveness in same business.

One of the questions is about how does the organization change when the company is facing problems? Another is about whether the change process is right and appropriate? Furthermore, what is the outcome after the change? In fact, when an organization is willing to change which is a good move, but if it does not use the right process and strategies of change, it will compound problems.

The objective of this study is to determine what are the appropriate decisions and actions to be adopted to improve corporate performance is Organization ABC to remain competitive and profitable. Also, it will determine the internal and external issues affecting the actual practice of change implementation.

The method used in this study consists of structured and semi-structured interview with 10 senior and junior managers on their views toward change. According to the results of my observation and interview, Organization ABC had previously good performance record and led the retailing industry, because it dared to change to perform better .However, it did not use the correct method to handle the change process well during the change period .This had caused issues in the internal structure and also dissatisfaction among employees.

In conclusion, the right change management and change process are very important in any organization because they will affect its performance. Using the right methods and strategies can produce the target outcomes and result.

ACKNOWLEDGEMENT

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APPROVAL PAGE

This is to certify that the research entitled "Performance and Change Process in Organization ABC "submitted by Chen Yen Jiin (Amy) has been supervised. In my opinion the research follows the standard requirement for the Master of Business Administration.

Dr Oo Yu Hock

Supervisor

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

MTMA   – Malaysia textile Manufacturers Association

MBTI   – Myers-Briggs Type Indicator

BPR   – Business Process Reengineering

GDP   – Gross Domestic Product

FIFA   – Federation International de Football Association

SOP   – Standard Operating Procedure

JCM   – Job Characteristics Model

GST   – Goods and Services Tax

MOQ   – Minimum Order Quantity

B2C   – Business to Consumer

ELP   – Executive Learning Program

Chapter 1

INTRODUCTION

1.1 Overview of Organization ABC

ABC Sdn Bhd (pseudonym) is a Malaysian-based listed company that's behind a range of baby products, lady's Innerwear and also casual wear for adults and children. It has been established since 1987, starting from Innerwear business, after which it went on to acquire another top baby company XYZ in the year of 2003. In the year of 2011, it acquired another adult and children company, to complete its vision of becoming a one stop Apparel related business, with products catering to consumers from baby to adult. There are more than 30 brands under ABC. The company consists of house brands and famous licensed brands. The company is engaged in Wholesale, retail and distribution of ready - made apparel and related products. They have more than 300 fully owned retail outlets and also 1500 counters in department stores in Malaysia. (Asia Brands, 1987)

XYZ (pseudonym), one of the subsidiary companies of ABC Sdn Bhd, is one of the leading companies in Malaysian baby industry, with competitive strategies such as a wide variety of products, reasonable pricing, focus on quality and efficient distributions channels .From its inception in the year 1973, XYZ has recorded 41 years of history in Malaysia. It is the longest established and trusted baby brand that offers totality of all categories at the convenience of their customers. They offer a wide selection of baby apparel, hardline accessories, baby travel items and other complementary products under one roof.   In the context of quality factor, XYZ received the recognition from Malaysia textile Manufacturers Association (MTMA) for its superb quality in its textile selection, designs and craftsmanship. The pricing

of products remained competitive in the market, without compromising on quality. This is the competitive advantage of XYZ, where consumer can both advantages, without having to tolerate compromised quality due to competitive pricing, yet able to obtain products which are affordable, comfortable and safe. (Abpedia, 2011)

Another competitive strategy of XYZ is the strong distribution network. Currently, they have more than 400 counters in major departmental stores and hypermarkets as well as more than 100 boutiques, covering Peninsular and East Malaysia. XYZ has strong rapport with numerous retail establishments namely SOGO, Parkson , AEON , The Store and others . No matter in a big town or small village, there is XYZ service to be found. XYZ also gained the foothold in modern trade via Tesco, Giant, AEON Big and others. XYZ products are also available in all leading pharmacies. For the global market, they have the distributions in more than 10 countries, namely Singapore, Thailand, Brunei, India , Cambodia, Myanmar , Vietnam and others. They continue with their expansion in the international market as the Malaysian market is presently quite saturated. In addition, their latest distribution network is the e-commerce business, being the latest trend. This ensures the ability to reach customers globally at all times.

The grand strategy of XYZ is to always stay relevant to the market trends, being able to satisfy market needs and capture market share. XYZ always keeps track and are informed of market needs. Recently , they are having more different concept stores to fulfill customers' needs; for example, an XYZ normal store to target middle market , a flagship store to target the lower income market with cheaper products , and also a large format store to capture prestigious market share by bringing in international products . Recently they have created a new concept with licensed character brands to attract the fans of famous and loved characters. With its own

house brand and also distribution of the licensed brands, XYZ is able to serve baby needs entirely. XYZ is also able to touch the market through numerous community programs and also a loyalty program, as this also can reward and foster loyal relationships with customers. (Asia Times, 2011)

1.2   Background of the Study

The study's object is ABC organization and subsidiary company XYZ, the survey will be based on the performance and challenges which may occur with the solution given. The organization was in good performance in the past 40 years, and has aggressively made changes to its strategy and organization structure; however, the organization's performance has been experiencing a drop in performance in the last few years. This study will focus on what and why this has happened to this organization. This study will look at the internal and external issues such as the current market trend, market economy situation, market competition and emergence of international competitors that increased the threat, challenges and competitiveness in business. The outcome will suggest how the right changes would be able to provide better performance and ability to follow the current technology trends. However, there would be obstacles when any change is to be made. This study also will foresee the potential problems that may likely to occur and how to prevent them from happening.

1.3   Statement of the Problem

Since ABC organization and XYZ have been established for more than 40 years, the business sales and performance will either be stagnant or experience a decrease, if the current business model has already gone to its maximum

implementation. Although a lot of changes have already taken place in the past few years, the performance is still under expectations .This study will conduct an analysis to the performance of the company, reasons and factors that contributes to the performance, previous change outcomes, any internal issues or environmental effects, any opportunities or changes which need to be made to increase the growth. After reviewing the root cause, suggestions on strategy will be provided along with considerations of any problem which may occur during the proposed change.

1.4   Objectives of the Study

The objectives include the identification and analysis of the study is to analyze the Organization ABC organization as follows:

a)   Strengths and performance result

b)   Micro and macro changes that affect performance (Challengers)

c)   Suggested strategy to overcome and sustain performance

d)   Implementation of change process

e)   Problems encountered and solutions tendered

1.5   Research Question

The research question is to determine the appropriate decisions and actions to be adopted to improve corporate performance in order for Organization ABC to remain competitive and profitable. Also, it will determine the internal and external issues affecting the actual practice of change implementation.

1.6   Scope of the Study

This study is based on the topic of Performance of the organization and involvement in Change Management and Change Process. There is a change needed when an organization is unable to perform well or want to improve from its current status. The change management is initially able to help in increasing performance; however the right change process is very important in order for the execution to run smoothly and deliver good results. The case will become more critical if the change does not proceed in the right way and process. The study will encounter what constitutes the performance result with the right change process.

1.7   Significance of Study

This study mainly analyses the process of how a company faces a critical situation and acts to make a right change. The significance of this study is to find out the root cause, providing the pointers and increase the effectiveness and efficiency of performance. This will be able to impact and turn around the business by using the right model and method including the quality and also change process that had been implemented. (Burnes, 2004) The importance of organizational change includes dealing with contingencies, gaining competitive advantage, managing diversity and promoting efficiency in speed and innovation. The improvement of organization effectiveness can be measured by external resource approach, internal system approach and also technical approach. (Jones, 2012)

Chapter 2

LITERATURE REVIEW

2.1   Overview

This chapter is a review of literature on change; it will split into a few sections, starting with the change process, change management, internal and external factors that cause the change and also the leadership that is needed through the change period.

2.2   Change Process

2.2.1   Organization Change

Organization change is the process of organizations moving from their present state to their desired future state in order to increase the effectiveness and efficiency. (Beer & Michael, 1984) If an organization is in a decline mode, this may require a need to restructure to suit the environment.

Normally, the target of change will involve four different levels:

    a)   Human Resources

    b)   Functional resources

    c)   Technological capabilities

    d)   Organizational capabilities

2.2.2 Organization Development

Organization development is a planned process of change in an organization's culture through the utilization of behavioral science technology,

research, and theory. (Burke, 1982) It refers to a long-range effort in order to improve the organization's problem solving ability and how it is able to cope with the external environment changes with the help of the change agents. (FRENCH, 1969)

Organization development is also summarized as an effort (Richard Beckhard, 1969)

a) Planned

b) Organization-wide

c) Managed from the top, in order to

d) Increase the effectiveness and health

e) By using behavioral science knowledge , through planned intervention in the processes.

It is also named as a system wide process of data collection, diagnosis, action planning, intervention and also evaluations. (Michael Beer,1969)) The objectives are as below:

a) To enhance the congruence among organization structure , strategy, process and people

b) To develop new , creative and innovative solutions

c) To develop the self- renewing capacity

Organization can use change management to solve a problem, learn from experience, to reframe the shared perception, to adapt the external environmental changes, to influence the future changes and also improve the performance. (Cummings, Worley, Cummings, & Cummings, 2000)

2.3 Lewin's Change Management Model

There are 2 Change Management models developed by Lewin, which are Three Step Change Process and Force- Field Theory. Both are also described on the change process as below:

Figure 2.1: **Lewin's Change Management Model**

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┌─────────────────────────────────────┐
│           Change Process             │
└─────────────────────────────────────┘
              │
┌─────────────────────────────────────┐
│   Lewin's Three Step Change Process  │
├─────────────────────────────────────┤
│              Unfreeze                │
├─────────────────────────────────────┤
│    Move / Changing to desired change │
├─────────────────────────────────────┤
│              Refreeze                │
└─────────────────────────────────────┘
              │
┌─────────────────────────────────────┐
│     Lewin's Force-Field Theory of    │
└─────────────────────────────────────┘
        │                       │
┌───────────────────┐   ┌───────────────────┐
│ Resistance to Change │  │   Force to Change │
└───────────────────┘   └───────────────────┘
        │                       │
┌───────────────────┐   ┌───────────────────┐
│     Reducing       │   │    Promoting      │
└───────────────────┘   └───────────────────┘
        │                       │
┌─────────────────────────────────────────────┐
│ Organization Development (OD) – A Series of  │
│             Techniques and                    │
└─────────────────────────────────────────────┘
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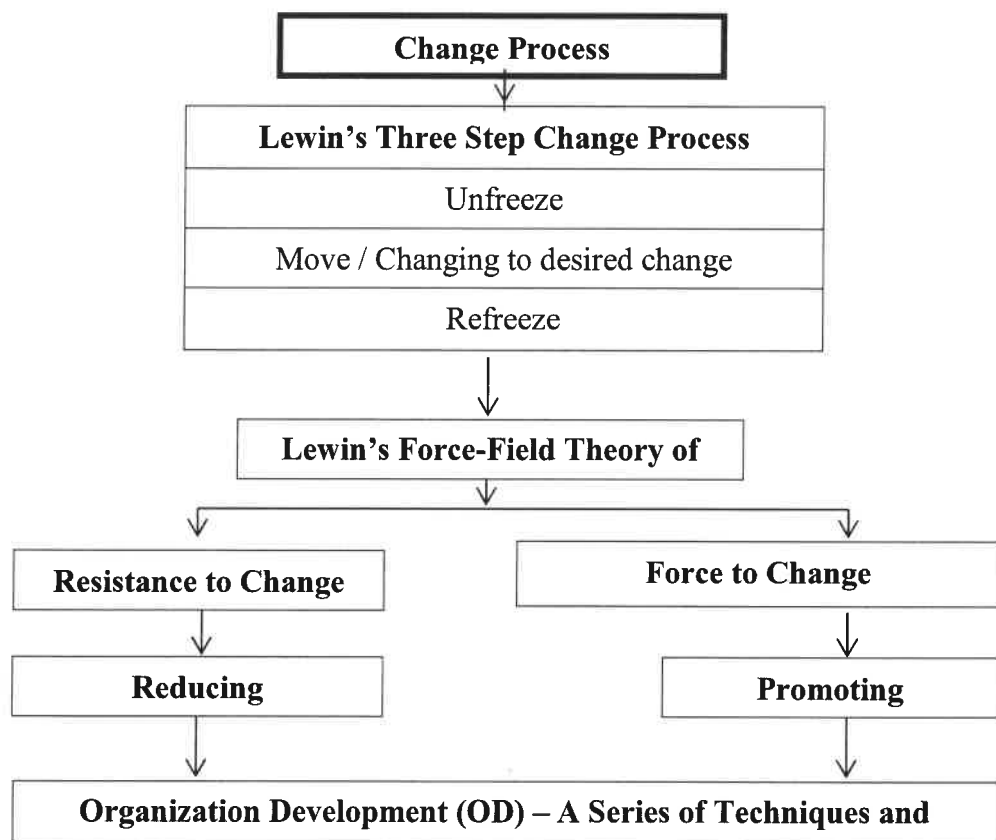
Source: Cummings, Bridgman, & Brown, 2015

2.3.1 Three-Steps Model

One of the cornerstone models for understanding organizational change was developed by Kurt Lewin back in the 1940s, and still holds true today. His model is known as Unfreeze – Change – Refreeze, refers to the three-stage process of change he described. (Lewin, 1939) Lewin, a physicist as well as social scientist, explained

organizational change using the analogy of changing the shape of a block of ice. (Cummings, Bridgman, & Brown, 2015)

a) Unfreeze Stage

- To determine what needs to change by understanding why changes need to take place and also surveying on the current organization's situation.

- To ensure strong support from the top management

- To create the need of change by communicating the vision and also using the right strategy

- To manage and also understand the doubt and concern of an employee

b) Change Stage

- To communicate often throughout the planning and implementation with highlights on the benefits , prepare the employee's awareness on changes and predict the influences that occur

- To dispel rumors by answering questions openly and honestly, always ready to deal with the problems immediately when they occur.

- To empower action with provides more opportunities to employee's participation and also to give clear directions.

c) Refreeze

- To anchor the changes into the culture with identification of barriers and support in change, meanwhile, to develop ways to sustain the change by creating a rewards system and also to establish a feedback system.

- To provide support and also training to keep everyone informed and supported.

2.3.2 Force Field Analysis

Force Field Analysis is a useful decision-making technique developed by Kurt Lewin (Page, 1977) to analyze the pressures for and against change. It is able to help in communicating the reasoning behind the decision that has been made .There are two purposes as below:

a) To decide whether to go ahead with the change

b) To increase the chances of success by strengthening the forces supporting change and weakening those against it.

The method of Force Field Analysis as below:

a) Describe the plan or proposal in the middle of a piece of paper or whiteboard.

b) List all of the forces for change in a column on the left-side

c) List down and all of the forces against change in a column on the right-side.

d) Give the score to each factor and add up the scores for each column.

e) Decide whether or not to move forward with the change refer to the scores.

f) Strengthen the forces that support the change and weaken the forces opposing it to increase the successful of the change

Figure 2.2 : **Lewin's Force-Field Theory of Change**
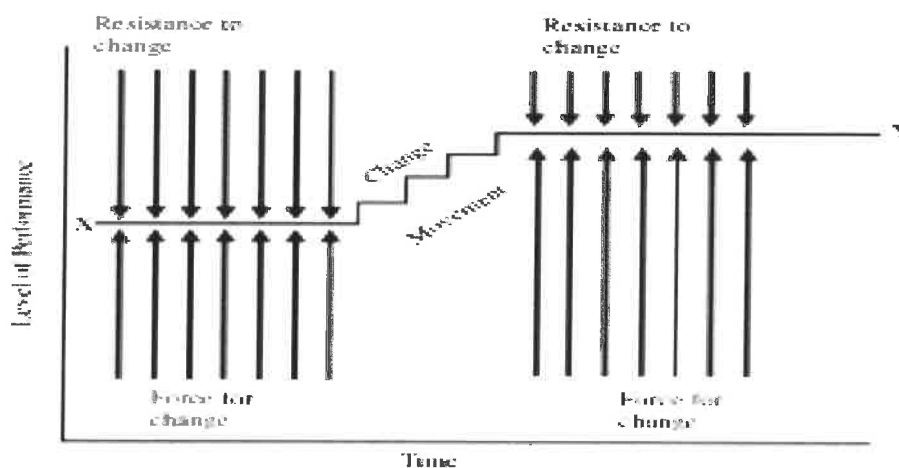
Source: Change management. Retrieved July 23, 2016, from
https://www.pinterest.com/pin/571957221399839019/

2.4 Process Reengineering (BPR)

Business Process Reengineering involves the radical redesign of core business processes to achieve dramatic improvements in productivity, cycle times and quality. Refer to Michael Hammer and J.Champy, reengineering involves the "fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed (Hammer & Champy, 1993) . In Business Process Reengineering, companies start with a blank sheet of paper and rethink existing processes to deliver more value to the customer. They typically adopt a new value system that places increased emphasis on customer needs.

Companies reduce organizational layers and eliminate unproductive activities in two key areas:

a) To redesign functional organizations into cross-functional teams.

b) To use technology to improve data dissemination and decision making.

Business Process Reengineering is a dramatic change initiative that contains five major steps. Managers should:

a) Refocus company values on customer needs

b) Redesign core processes, often using information technology to enable improvements

c) Reorganize a business into cross-functional teams with end-to-end responsibility for a process

d) Rethink basic organizational and people issues

e) Improve business processes across the organization

Companies use Business Process Reengineering to improve performance substantially on key processes that impact customers as below:

11

a) Reduce costs and cycle time by eliminating unproductive activities and the employees who perform them.

b) Reorganization by teams decreases the need for management layers, accelerates information flows, and eliminates the errors and rework caused by multiple handoffs.

c) Improve quality by reducing the fragmentation of work and establishing clear ownership of processes. Workers gain responsibility for their output and can measure their performance based on prompt feedback. (Becker & Kugeler, 2001)

In order to perform successful reengineering, there are three guidelines that should be followed (Caeldries, 1994):

a) Organize around outcomes but not tasks. If possible, one person should perform whole process to avoid job transfer within functions.

b) Let those who use the output of the process to perform the process. They will know what they want.

c) Decision making should be decentralized to the point where decision is made.

2.5 Leadership roles in Organization Changes

Leader need to have different roles during the organization change such as below (Kirkbride, 1964):

a) The Sponsor – leaders which act as sponsor, is the person will not allow or let the change project fail .They will do whatever initiative to make the change happen.

b) The Role Model- Leader must lead by example, which action and move first. They must have self-awareness and ability to deliberate. Employees will watch the changes, only then will they believe and follow accordingly.

c) The Decision-Maker – The role of a decision maker is important so that the change direction will be moving to the right direction .During the change, the right decision is needed to smoothen and reduce the challengers.

d) The Voice – Leaders are the face and voice of change because they need to communicate, update, encourage and share information during the change. They should be transparent and consistent to interpret the change message to employees.

e) The Motivator – Leader need to provide the motivation during the change. They need to able emphasize the urgency and importance of change, in another way they should reward the employees who participate in the change project. They should show passion, enthusiasm, energy and empathy during the change.

f) The Enforcer- The enforcers are authorized and can hold people accountable for the change. They uphold the agreement and make sure others do the same action as them. They will not let people get away without changing; they will understand the causes and remove the obstacles. They will make sure everyone go with him in the same direction.