A Multi-Case Comparison of the Relation between Change Strategy and Performance

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Abstract

The main objective of this study is to investigate the influence of Change Strategy and performance. Through the case comparison of four companies in Taiwan’s Electric Scooter industry, it was found that: When the Change Strategy is different, enterprise’s performance will also be different. The findings are (1) When Change Strategy of continuous change is adopted, the change performance of the enterprise will be higher. The enterprise will then have competitive advantage. (2) When change strategy of organization development (First E then O, simultaneous EO) is adopted, the enterprise’s performance will be higher. The enterprise will then have temporary or equivalent competitive advantage. (3) When Change Strategy of economic value is adopted, the change performance of the enterprise will be lower or the final result will even be a failure. Three meanings of practice are proposed to be used as reference by enterprise when it is performing change management.

Keywords: Change Strategy, Organizational Change
**Introduction**

For an enterprise, in order to maintain its competitive advantage, when there is any change in enterprise environment or enterprise capability, major adjustment needs to be done on the original strategy to implement strategy change (Todnem, 2005). Strategy change is the change of an organization, to cope with environmental change, in terms of its form, characteristic and status along with the progress of time (Mintzberg & Westley, 1992; Van de Ven & Poole, 1995). Through strategy change, an organization can fit the organization elements such as vision, goal, strategy, resource and capability within the organization with the external environment so as to get the relative competitive advantage.

Most scholars think that strategy change will need viewpoint of multi-dimensional perspective. For example, it will need viewpoints such as rationality, recognition, learning, organization politics, organization culture, resource basis, life cycle, system, complicated science, organization organizational ecology and common evolution (Dufour & Steane, 2006). However, for the division of Change Strategy, scholars have proposed different viewpoints which include economic value (abbreviated as E), organization development abbreviated as (abbreviated as O) and continuous change (abbreviated as C)(Beer & Nohria, 2000; Boonstra, 2004; Weick & Quinn, 1999 & 2004). Therefore, Change Strategy and change performance need to be further explored and explained. “Does different Change Strategy method cause different change performance?” is also one topic worth discussing in intra-organization governance field and this is the second motive of this research.

Based on the above motive, when we reviewed the past literature regarding Change Strategy, we found very few results. Therefore, to extend the application scope of Dynamic Capability theory and to enrich the practical function of that theory, this research tries to investigate whether the selection of Change Strategy will affect enterprise change performance. Several examples of Electric Scooter manufacturing companies of Taiwan will be taken to derive research propositions with academic research values to be used as reference for future academic research. Meanwhile, suggestion with management meaning of practice is proposed to be used by the industry.

**Literature Review**

**Divisions of Change Strategy**

Change Strategy can be divided into three paths including economic value, organization
development and continuous change (Boonstra, 2004). In economic value change strategy aspect: Economic value sees the organization as the adaptive system of the market demand. It emphasizes on the creation of shareholder’s economic value. It focuses on formal organization structure and system. Meanwhile, it is driven through financial intention, in a top-down way, or it is driven by management consultant way. Then step-by-step implementation plan is prepared. Money is the major return that an employee can obtain. It emphasizes on short term performance. It is a change of project management. In other words, it belongs to rigid economic value reform (Ghoshal & Bartlett, 2000). In the practical aspect, for example, in the enterprise and organization reform project, reform suggestion project is then proposed by external consultant and core member. Management consultant will assist management level to recognize the situation and target and evaluate their choices. Assessment experts and investor bankers will then arrange the sale of asset or merging. The tough layoff or related project issues in human resource management association. The promoters of economic value might, in order to increase the shareholder value, rely pretty much on mechanism that might increase short term cash flow and stock price, for example, performance bonus, layoff, the sale of asset, or the strategic adjustment in the sale department. The CEO and management team will promote related Change Strategy in a top-down way.

In the Change Strategy of organization development: Organization development associates with social and technical systems to develop simultaneously organization effect and work quality. It is built on the cooperation basis between manager and employee (Torraco & Hoover, 2005; Warzynski, 2005). It can thus be called a participative change process. It belongs to soft organization development change, and its change is triggered in a bottoms-up way to set up organization culture, behavior and employee attitude. Its implementation plan is decided after a consensus is formed among employees, and technology and bonus is the return that an employee can obtain. In other words, it pays more attention to long term viewpoint. In the mean time, in the practical aspect, enterprise obeying organization development strategy will try to, through individual’s and organization learning, encourage their culture and capability. It will need employee’s higher degree of participation, and it has flatter organization architecture as well as close relationship between the organization and employee. Moreover, three stages change of unfreezing, moving and refreezing can be used as the guideline for an organization to develop Change Strategy (Cummings, 2004; Lewin, 1951).

In the Change Strategy of continuous change: It is internal activity within enterprise and organization. It can self-sense and self-decide, and it is a process of continuous change and organization (Brown & Eisenhardt, 1997; Lawrence et al., 2006; Luecke, 2003;
Tsoukas & Chia, 2002; Weick & Quinn, 1999 & 2004). Continuous change can be a normal state, a capability of continuous change. Continuous change emphasizes on the search of new opportunity, work procedure and social reality. Hence, it is a continuous and related procedure activity. It needs the focus and involvement of each interest related person. Change is cooperation route, and it adds dialogue, exploring and interference. The change process needs to be done in moving learning and moving research way so as to balance the static and dynamic change circulation process (Boonstra, 2004). In the practical aspect, freeze-rebalance-unfreeze can be continuous change (Weick & Quinn, 1999). Its circulation method includes four stages: In the first stage, influential power is used to urge the creativity of change. In the second stage, real change is done through the use of authorization. In the third stage, technology is embedded to carry out change. In the fourth stage, culture is managed to ignite continuously the change cycling (Lawrence et al., 2006).

Therefore, in the continuous band of change scale, three routes of Change Strategy are displayed in different ways. In the Change Strategy of economic value, based on the Change Strategy thinking of shareholder value maximization, radical and discontinuous way is adopted to perform large scale strategy change. In the Change Strategy of continuous change, based on Change Strategy thinking of continuous change, continuous ways is taken to perform small scale strategy change. In the Change Strategy of organization development, based on the Change Strategy thinking of organization development, the change scale is between radical and continuous (Beer & Nohria, 2000; Boonstra, 2004; Burnes, 2004a & 2004b; Weick & Quinn, 1999 & 2004).

Change Strategy and Performance

For the Change Strategy and performance, Beer & Nohria (2000), in order to solve the pursuit of economic value and the tension of organization development, has first proposed two suggestions. The first one is the Change Strategy of “E first then O”, that is, an enterprise has to increase the economic value first, then the related personnel should gain their capabilities, then trust and commitment should be gained to promote the performance of the enterprise and organization. The second one is the Change Strategy of “EO simultaneously”, that is, it emphasizes on the simultaneous development of shareholder value and organization capability so as to ensure the performance of enterprise organization.

Most scholars, based on the suggestions of Beer & Nohria and through the application of economic value and organization development, have gained the support and verification of enterprise performance (Burnes, 2004a & 2004b; Jacobsen, 2006; Torraco & Hoover, 2005; Warzynski, 2005). Warzynski (2005) had used four different strategy change tools
to investigate the relationship between development and performance in Cornell University, including total quality management (economic value), 2000 project similar to social technology system development (organization development), work planning project (organization development) and expansion project based on cooperation and co-evolution (organization development). The study of the Change Strategy viewpoint supports E and O. Therefore, through the integration and application of the economic value of Change Strategy and organization development within an enterprise, strategy change could easily be successful and the enterprise can survive easier (Burnes, 2004a & 2004b; Jacobsen, 2006).

However, lots of scholars have pointed out that radical change and incremental change cannot cope with fast environment change. Continuous change is a way that is more appropriate for the enterprise (Brown & Eisenhardt, 1997; Burnes, 2004a & 2004b; Tsoukas & Chia, 2002; Weick & Quinn, 1999; Zhou et al., 2006). Continuous change that is based on complicated science needs the support of management action. It needs co-adaptation, re-start, trial and the creation of a transfer period to complete the mission and goal of strategy change. These are quite different than the traditional strategic change and strategic management (Brown & Eisenhardt, 1997). Continuous change is a continuous change capability for the enterprise organization (Burnes, 2004a & 2004b). Continuous change has its main components based on technological change and administrative change. It is driven by three factors such as the motive of change (previous performance), the opportunity of change (enterprise’s competition position and market orientation) and the capability of change (enterprise’s ownership, change attitude and the charm of leadership). Meanwhile, it is also highly related to organization performance (Zhou et al., 2006).

**Research method**

**Overview of the Research Target**

Electric Scooter industry is one of medical equipment industries. Taiwan’s medical equipment industry has value innovation characteristic and is seen as superstar industry with proud market potential. Currently, there are 250 domestic medical equipment manufacturing enterprises. More than 70% of them is small and medium enterprise, and 10% stable growth is seen each year. From the results provided by IT IS, it can be seen that the customers of Taiwan’s Electric Scooter in Taiwan’s medical equipment industry are respectively BT Co., Ltd., GO Co., Ltd., WS Co., Ltd., CD Co., Ltd., TE Technology, SP Technology, CP Co., Ltd. and LD group.

This study has selected four Electric Scooter manufacturers for the study. There are three
reasons for the selection: First, four case study companies include success and failure cases. For example, SP Co. Ltd. has turned from deficit into surplus. CP Co., Ltd. has encountered bankruptcy. LD group is the industry paradigm. BT Co., Ltd. is in its continuous growth. Second, the organization scale of four case study companies is different. For example, SP Co., Ltd. is a case of smaller organization scale. CP Co. Ltd., BT Co., Ltd. and LD group are cases of larger organization scale. Third, all four cases get involved in the manufacturing of Electric Scooter, and such selection is to delete influential factors such as technical difference and industrial structure. In the mean time, four enterprises include all stages of enterprise growths, for example, CP Co., Ltd. and SP Co., Ltd. are enterprises in the growth period. LD and BT are enterprises in the mature period. Hence, the cases are filled with richness and complexity which is helpful to the understanding of the relationship between Dynamic Capability and Change Strategy.

Data Collection Method

In the data collection aspect of this study, multiple data sources are adopted. In addition to direct collection of related literature and the internal data of the case study company, it is also accompanied with direct observation on the individual case from the researcher, the actual experience of participation in the real business operation (CP and SP Co., Ltd.) and more than two years of experiences of acting as consultant (LD and BT Co., Ltd.). It is hoped that data correctness and completeness can be well taken care. Therefore, five data such as the observation, the internal data within the organization, written document, the actual participation in business operation and management by the author and more than two years of experiences in acting as consultant are taken as the data sources in this research.

Data Analysis, Explanation and Deduced Conclusion

The case data analysis of this research is carried out based on “Description of case under development”. Through research analysis, the complicated relationship among cases is linked together. Therefore, this study has adopted models such as actual participation of business operation and management, consultation history and observation to collect data such as interview, observation, internal data of the organization and written document. Then according to the needed Dynamic Capability item, it is summarized and classified according to the individual case so as to make individual description on each research target. Then the analysis on each individual case has been summarized so as to get the comparison and analysis results on multiple cases.
Research Results

Change Strategy of Economic Value and Change Performance

According to four cases studied in the article, the Change Strategies of economic value are found: In the Change Strategy goal of economic value, the main focus is the shareholder value optimization. In the leader aspect, the focus is from top level to the employee. The focus of Change Strategy is emphasizing on organization structure and system. The process flow of Change Strategy is on the preparation and confirmation of the plan. In the Change Strategy reform stage aspect, the focus is on planning-implementation-evaluation and assessment-re-occurrence prevention. In the Change Strategy encouragement aspect, the focus is on financial inducement. Finally, in Change Strategy consultation application aspect is on the problem analysis and the providing of solutions (Beer & Nohria, 2000; Beer, 2001).

- CP Co., Ltd was founded in 1981. From its foundation, growth to its peak, it was a span of 20 years. However, it quickly changes within five years from booming state to decaying state. Finally, it ends up with bankruptcy. CP Co. Ltd. has its operation for 25 years and why its Change Strategy ends up to be a failure without the change of top management level? Why its original competitive advantage and capability will be lost? Why it is so fragile? From this study, it was found that CP Co., Ltd. has adopted in the past few years the Change Strategy of economic value. For example, “2001 enterprise re-construction”, 2002 new five years reform plan, and 2004 ten years reform plan. In the Change Strategy process of CP Co., Ltd., the shareholder economic value of the enterprise is emphasized. In the top management level, a top-down way from the president to general manager to bottom employee is taken to drive the enterprise reform. It emphasizes on short term performance project type reform. In the mean time, it lacks the personal and organizational learning method. Employee’s behavior and attitude is not fully engaged in the reform process, either. Finally, the business operation attitude of the top management level is affected by the risk avoidance of “organizational inertia”, the pursuit of maximal return and the hierarchic culture.

Proposition 1: Change Strategy of economic value is adopted for a long term. The enterprise’s change performance will be lower or even a failure.
Change Strategy of Organization Development and Change Performance

According to four cases in this paper, it was found that Change Strategy of organization development has the following characteristics: The goal of change strategy of organization strategy is to incubate the organizational capability. In the strategic leadership aspect, it is to urge the participation from the bottom to the top. In the focus of Change Strategy, it is mainly to set up enterprise culture, employee’s behavior and attitude. In the process aspect of Change Strategy, it is mainly on the experiment and growth. In the change stage aspect of Change Strategy, it is mainly on de-freezing—moving—de-freezing. In the encouragement method aspect of Change Strategy, it is mainly relied on commitment and inducement. In the consultation application aspect of Change Strategy, it is mainly on consultation support management, or the self development of solutions by the enterprise itself (Beer & Nohria, 2000; Beer, 2001).

Due to bad business operation, SP Co. Ltd., in the period from 2001 to 2002, has suffered a loss of 420 million NT dollars. In 2005, how did it perform strategy change to turn from deficit into surplus and from failure to success? What should be the change process and step? Does slow or severe method need to be taken for the change process? In this study, it was found that in the past years. SP Co., Ltd. has adopted Change Strategy of organization development which is a method tends to be “E first then O”. It is focused on strategy change of short term performance. Then, the change strategy of organization development is carried on. For example, the Change Strategy of SP Co., Ltd. is done through “2001 shareholder structure and business operation layer reconstruction project”, “the introduction of quality system project in 2002”, “enterprise reconstruction (一) and (二) from 2002 to 2004”, and “enterprise reconstruction (三) from 2005 to 2007”. In the mean time, through management consultation method, the enterprise management system is set up. The growth is promoted through special project at different stage. Employees are encouraged to think in positive way for the incubation of the attitude of aggressive participation. Meanwhile, performance and salary are used as fair encouragement ways. Finally, it was turned from deficit into surplus and from a failure to a success.

Proposition 2: When change strategy of organization development is adopted (First E then O and simultaneous EO), the change performance of the enterprise will be higher. It will have short term and equivalent competitive advantage.
Continuous Change Strategy and Change Performance

According to four cases studied in this paper, it was found that the Change Strategy of continuous change has the following characteristics: The goal of Change Strategy of continuous change is on the profit of benefit related personnel. In the strategic leadership aspect, the focus is to treat the change as normal state and the need of the participation of all the employees. In the focus aspect of Change Strategy, the key is the self organization of self sensing and self decision making. Meanwhile, the process aspect of Change Strategy is on the cooperation route and the change stage aspect of Change Strategy is on freezing—new balance—de-freezing method. It is carried out through the influential power of management cycle—the application of power—embedded technology—management culture. Furthermore, the encouragement method of Change Strategy is through learning and organization inducement. The consultation application aspect of Change Strategy is that everyone is the expert (Boonstra, 2004; Weick & Quinn, 1999 & 2004).

LD group was founded in 1988, starting from 2001, it had started its strategy of diversified business operation which includes business of children’s product, business of medical assisted product and business of Electric Scooter. In 2004, it entered the medical equipment industry and became a player of the electric vehicle business. In 2007, its market strategy has been extended to Mainland China to promote its distribution channel and self brand. For LD group, in different change and growth period, what is its constructed strategy to cope with the environmental change? What is its capability development? LD group for a period of 20 years had insisted on the strategic thinking of taking Taiwan as the R&D base, and Mainland China as the manufacturing base. It had carried out strategic project of scale economy, quality operation and vertical integration for a period of 12 years to construct its market in Europe and USA. LD group has adopted continuous Change Strategy, especially its change management way which includes the utilization of influential power to promote the change, the use of power to perform actual change, the use of process and technology to perform real change, and the management of change culture to ignite continuously the change cycle: In the promotion of change through influential power as occurred in LD group, it includes the excitement of change in the employees and the shareholders, the support and promotion of network relationship, the providing and the monitoring of learning opportunity, the promotion of the carry-out of change through influential power tool and return feedback. In the aspect of change through power as occurred in LD group, it includes the leading style of the management level, the time bomb method, the strict implementation power requirement, local dialogue and
communication, the change through management level, and the providing of learning opportunity. In the process and technology application aspect in LD group, many management accreditations are promoted through management consultant, ERP system is invested, and project improvement group activity is also promoted too. In the management of change culture in LD group, creativity activity is used in the change process to set up its potential. What is important to it is the setup of creativity learning and creativity culture.

- BT Co., Ltd., ever since its foundation in 1983, is always a paradigm in business operation scale and market share in Electric Scooter industry. Among top ten exporters of Taiwan’s Electric Scooter, BT Co. Ltd. is usually the top one. How BT Co., Ltd. makes such a great success? How it manages the company? How it makes its reputation as the top one player in the Electric Scooter industry? How its continuous competitive advantage is set up through Change Strategy? It was found from this study that BT Co., Ltd. also adopted continuous Change Strategy which is especially true in the strategy change method of BT Co., Ltd., including the setup of the change awareness and the leader team, the technical innovation positioning, the promotion of innovative spirit, good use of change tool, capability development and the fulfillment of implementation power. The most important feature of BT Co., Ltd. is “Far-reached goal, efficient operation procedure, high performance and return enterprise culture”, as well as its focus on setting up an organization of continuous change.

Proposition 3: When Change Strategy of continuous change is adopted, the change performance of an enterprise will be higher. The enterprise will have more competitive advantage.

Conclusions and Suggestions

Major Research Conclusions

This research tries to have its study based on the relationship between Change Strategy and Performance through literature review and the comparison analysis of cases of four representative enterprises of Taiwan’s Electric Scooter industry. It was found that: When the Change Strategy is different, enterprise’s performance will also be different. Major conclusions are as follows:

- Proposition 1: When Change Strategy of economic value is adopted for a long term, then the change performance of the enterprise will be lower or even it
will be a final failure.

- Proposition 2: When change strategy of organization development (First E then O, simultaneous EO) is adopted, then the change performance of the enterprise will be higher. The enterprise will then have temporary or equivalent competitive advantage.

- Proposition 3: When Change Strategy of continuous change is adopted, then the change performance of the enterprise will be higher. The enterprise will have higher competitive advantage.

**Practice Meaning**

Strategy change is the change of an organization, to cope with environmental change, in terms of its form, characteristic and status along with the progress of time (Van de Ven & Poole, 1995). When the Change Strategy is different, enterprise’s performance will also be different. The finings are (1) When Change Strategy of continuous change is adopted, the change performance of the enterprise will be higher. The enterprise will then have competitive advantage. (2)When change strategy of organization development (First E then O, simultaneous EO) is adopted, the enterprise’s performance will be higher. The enterprise will then have temporary or equivalent competitive advantage. (3)When Change Strategy of economic value is adopted, the change performance of the enterprise will be lower or the final result will even be a failure.

**Future Research Direction**

Although this research tries to take stringent attitude, there are still lots of insufficiencies and difficulties to be surmounted. If the subsequent researchers can continue the research aiming at this, the research results is for sure to be more complete and mature. Hence, the following two suggestions are proposed for the subsequent researchers: First, about the classification of the strategy change is based on CEO point of view. However, different classification perspectives were proposed by the scholars. For example, Wischnevsky & Damanpour (2006) stood on the rational, ecological and institutional perspectives to explore the relationship between organizational transformation and performance. Dufour & Steane (2006) in accordance with configurational theory proposed four kinds of way to distinguish strategic change including the rationality, contingency, behavior and politics. Therefore, the strategic change is more than one dimension and cross-level research project to establish the point of view of real multivariate model of coexistence of corporate strategic change. Second, this paper is to explore different cases of strategic change. However, companies in the different life cycle adopted different strategic change. Due to different operators, the external
environment change and various organizational culture are worth for further exploration.

References


