Estonian Business School

**ORGANIZATIONAL CHANGES IN CHINESE COMPANIES:
CONTENT, READINESS AND PROCESS (2001-2007)**

PhD Dissertation
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LIST OF AUTHOR'S RESEARCH PUBLICATIONS AND CONFERENCE PRESENTATIONS

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PRESENTATIONS AT CONFERENCES / SEMINARS

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Alas, R., Vadi, M., Sun, W. (2008) Impact of Work-related Values upon Readiness to Change in Chinese Organizations? The third International Association for Chinese Management Research IACMR Biennial Conference, 19-22 June, Guangzhou, China.

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ABSTRACT

Wei, Sun. Organizational Changes in China: Content, Readiness and Process.Doctoral Dissertation,Estonian Business School, Tallinn 2009, 278 pages, 6 tables, 2 figures, 125 references, in English

KEYWORDS: ORGANIZATIONAL CAHNGE, CHINESE COMPANIES, IMPLEMENTATION OF CAHNGE,CONTENT, READINESS, PROCESS OF CHANGE

The objective of this dissertation is to study the implementation of organizational changes in China – a country in transition, and to provide an insight into the major elements of organisational change in China. In this dissertation, the various elements organizational changes in Chinese companies are studied, including the content of change, the employees' readiness to change and the process of change. The major influencing behaviour factors were studied, including the organizational learning, the organizational culture and employees' attitudes and values. The overview of theories about the organizational changes is presented in the first chapter. Interviews and several questionnaires were conducted in Chinese companies who have experienced changes. Eventually based on the secondary background data and primary data, the characteristics about implementation of organizational changes in Chinese Companies are identified. Conclusions are made at three levels: societal, organizational and indiidua. Lastly the author proposes suggestions to Chinese managers on how to achieve maximum efficiency in implementing changes. The author hopes the findings of the dissertation will contribute to the development in change management in China, a country in transition.

INTRODUCTION

List of Papers

This dissertation is based on the following papers, which will be referred to in the text by their respective Roman numerals.

I Alas, R., **Sun, W.** (2007) 'Organizational changes in Chinese companies: a resource-based view', Chinese Management Studies,Vol. 1, No 4, 225-242.

II Alas, R., **Sun, W.** (2008) 'Institutional Impact on Work-related Values in Chinese Organizations',Journal of Business Ethics Vol. 83, Issue 2: 297-306.

III Sun, W., Alas, R. (2007) 'Changes in Chinese Organizations from Institutional Perspective', EBS Review, 23: 36-48.

IV Alas, R., Vadi, M., **Sun, W.** (2008) 'Connections between Factors of Readiness to Change in Chinese Organizations', International Journal of Chinese Culture and management. Vol. 1, No. 2, 219-231.

V Sun,W., Alas, R. (2007) 'Process Model for Organizational Change: A Study of Chinese organizations', EBS Review, 22: 29-41.

VI Sun,W. (2008) 'A Series of Changes in A Private Training Company', in Alas, R. (Ed) Implementation of Changes in Chinese Organizations: Groping the Way through the Darkness. Chandos Publishing (Oxford) Limited. Forthcoming.

VII Alas, R., Sharifi, S., **Sun, W**. (2008) 'China and Estonia in Flux: Is This a Valid Basis for Comparison of Their Approaches to Change Management?' Academy of Management Meeting, Questions We Ask, August 8-13, Anaheim, California.

VIII Andreejeva, T., Alas, R., Vanhala, S., **Sun, W** (2008) How Applicable are Western Theories about Change in Russia, Estonia and China? Academy of Management Meeting, Questions We Ask, August 8-13, Anaheim, California.

The Relevance of the Topic

Organizations often develop and govern their work routines through accepted rules and systems (D'Aunno et al. 2000) in order to maximize their operational efficiency. Organizational change disrupts these repetitive work routines by introducing new rules and systems into the operation. Organizational change occurs in a variety of forms: it could be the introduction of new technology and procedures, new products (often for new clients), new administrative systems and processes, or anything else new to the organization (Brown and Eisenhardt 1997; Haveman 1992; Rajagopalan and Spreitzer 1996). Therefore, as structural inertia theorists such as Hannan and Freeman (1984) propose, organizational change is very difficult because the institutionalized routine activities create strong internal resistance to change.

Granovetter (1985) similarly suggests that organizational change is difficult because organizations are deeply embedded in the institutional and technical structures of their environment. Amburgey et al. (1993) further indicate that organizations strongly resist change in most cases (see also Greenwood and Hinings 1996). Today's business environment, however, is increasingly uncertain and risky. Hence, knowing

how to adapt and change successfully has become a critical and timeless challenge for any organization (Brown and Eisenhardt 1997; Feldman 2004; Pettigrew et al. 2001).

This challenge is even more intense in emerging economies, which are undergoing unprecedented transitions in their social, legal, and economic institutions that raise serious adaptation problems for enterprises (Boisot and Child 1996; Peng and Heath 1996). Because change is inevitable but organizations strongly resist change, it is important to understand what facilitates and what inhibits organizational change in emerging economies.

China as a fast developing country experienced dramatic changes. China's transition from a planned economy to a market economy began at the end of 1978. When China started the process, the government did not have a well-designed blueprint (Lin et al. 1996). The approach to reform can be characterized as piecemeal, partial, incremental, and often experimental (ibid). Some economists regard this approach as self-defeating (Murphy, Schleifer, and Vishny 1992). China's average annual rate of GDP growth has been miraculous since the beginning of the transition (Lin et al. 1996) and is the most successful of the transition economies.

In recent years, China has undergone rapid economic reform and dynamic organizational changes. Several major developments have given special momentum to those changes: China entering the WTO, opening the western regions of China, building up an information network, transforming new management systems nationwide, and encouraging innovations and entrepreneurship. (Wang 2003)

The Aim and Field of Study

The research problem of the thesis is how Chinese social-economical context influences organisational change efforts. The author aims to specifically contribute to the field for management research as well as management practice.

The author decided to research on this topic due to the lack of literature on organizational changes in China, especially during the transitional period. After doing abundant research on the previous literature that could be accessible, the author discovered that most of the authors built their work on the basis of western litereaure. Vey few of the studies were based on the research conducted by author themselves, through the tools of case study, surveys or interviews. They just discussed or analyzed the current circumstances of organizational change in Chinese companies based on the western theories about organizational change. Without the basis of results achieved from research tools, their analysis may be not reliable in representing the whole case of organizational changes. For example, the relevant information in Chinese context about the process model, the content, contextual, process and criterion research on change are not reflected in the publications available in Chinese database. So one question is raised: are the western theories on change applicable in China? Especially in the unique transition period, what could be the main

features of the organizational changes in Chinese companies? Although the findings gained from the study conducted in Estonia, anouther transitional country, may provide some information about China, they may not be applied at all considering the substantial differences between Estonia and China. Therefore, the author assume that in Chinese cutual context there should be specific feaures in content, process and readines of organzational changes. This serves as an impulse for the author, as a native Chinese, to explore the organizational change in Chinese companies on the basis of the integration of her personal experiences and knowledge about China and the reliable inforamtion gained from several research tools.

Hence, in this thesis the author makes an attempt to provide an insight into the organisational change from the perspective of content, readiness and process in China, an emerging economy, which experienced the transition from a command economy to a market economy under socialist regime. The author has accomplished a research, which reveals the features of organisational changes in Chinese organizations at micro-level. Meanwhile, the macro-level influences on the changes in a transitional society are also considered and analyzed.

The field of study is changes in Chinese organisations. However, due to the limited resources available for this doctoral thesis and the fact that organisational changes are very complex phenomena, it is not possible to explore all areas associated with changes in Chinese organisations during economic transformation in society. Hence, currently the author has limited her research to the areas which are believed to be the most relevant to this issue. The aim of the study is to explore major elements of organisational changes in Chinese organizations: content, readiness and process of change.

The first research task is to explore the main problems in the process of change implementation in Chinese companies from the perspective of human resources and to provide suggestions on human resource management practices in facilitating the success of organizational changes (Study I and V).

The second research task is to study the influence of the macro economic and social environment on Chinese people's attitudes and values during the transition. The author compares the institutional influence on values between different age groups with different socio-demographic characteristics (Study II).

The third research task is to identify the types of changes that were implemented in Chinese companies. (Study III and Study V).

The fourth research task is to analyze the readiness of changes in Chinese organizations based on a study aiming to discover the connections between organisational culture, organisational learning and employees' attitudes toward change. (Study IV and Study V)

The fifth research task is to discover the common features involved in the process of change implementation in Chinese companies and to recommend a process model. (Study III, Study IV, Study V and Study VI).

The sixth research task is to compare the organizational change in Chinese companies with change in other countries in transition: Estonia and Russia. (Study VII and Study VIII)

The seventh research task is to explore the applicability of western planned change approach in 'hard' and 'soft' organizational elements in transition countries - China, Estonia and Russia. (Study VIII)

The Methods Used in the Research

The author has carried out empirical research in Chinese organizations. The author used the following instruments in the research process:
1. Interview questions for evaluating the process of change implementation and types of changes in Chinese organisations worked out by Ruth Alas (Study I, III, V and VII).
2. A questionnaire for assessing values among employees worked out by Lembit Tunpuu (Study II).
3. A questionnaire for assessing organisational learning worked out by Ruth Alas (Study IV).
4. A questionnaire for evaluating employee attitudes toward change worked out by Ruth Alas (Study IV).
5. A questionnaire for assessing the orientation of organisational culture worked out by Maaja Vadi (Study IV)
6. A questionnaire for evaluating content, process and result of change worked out by Tatiana Andreejeva (Study VIII)

The first five instruments were designed and used in research in change managment in transition country, Estonia, in the begining of 21st century. The last instrument was designed and used in the research project in Russia before. Estonia and Russia had some similarities with China in terms of the political regimse - socialist and the economy regime – planning regime. Moreover, they all experienced dramatic social transitions. Since these tools have been already used in two tranistional countries and have produced reliable outcomes for the research, the author decided to adopt these instruments in China rather than devlop her own new tools, whose reliabilites may not be predictable. In addition, to adopt these tools used in anouther two transitional countries provides possibilities to compare the data and to analyze the differences between these three countries, e.g. the cultural influences on the the organizational changes.

However, the research couldn't have been accomplished without the author's contributions. Chinese society is very relationship-dominated and to carry out scientific research requires a lot of inter-personal resources. The surveys or questionnaires delivered to random-selected Chinese companies will be most probably rejected or ignored if the research conductor is a stranger or unkown to them, not to even mention a foreign researcher, whom they have never heard of. In order to collect data, the authr utilised all possible interpersonal resources she has in China. First of all, the author selected the areas she would focus on and then involved as many personal links as possible to get feedbacks from Chinese companies engaged in different sectors/industires. Then when coming to the analysis of the collected survey results, the author had more appropriate and accurate understandings to the

respondents' answers compared to other researchers, who are not native Chinese. Chinese culture is high-context, which means that there is always some hiddedn meanings attached to the superficial information the speaker/information giver conveys. The author as a native Chinese was more capabale in understanding the denotions of the answers, sometimes quite proctocol and vague, especially during a face-to-face interview with top managers from Chinese companies. To sum up, a foreign researcher may encounter great difficulties in conducting research in China and may be unable to deliver the interpratation of the answers. Therefore, it was the author who made such a large-scale research among Chinese companies in different areas possible and eventually successful.

In order to complete this research the author conducted the following surveys:

Structured interviews were conducted in 160 companies in several big cities in northern part of China: Beijing, Tianjin, Jinan and Zibo. They were conducted with top managers or middle managers in different companies to acquire knowledge about change in their organizations.The aim is to get information about the implementation of change in these organizations (Study I,III,V and VII).

Research in 29 Chinese companies was conducted in 2005-2006 with 1303 respondents in order to explore the work-related ethics in the context of various socio-demographic characteristics. Respondents completed **a questionnaire about attitudes toward change and a questionnaire about work-related ethics** (Study II). The questionnaire about attitudes toward change consists of 15 questions. The questionnaire about work-related ethics included 46 items (Alas et al., 2006) to evaluate 9 value groups. In order to compare different age groups with different social demographics, an ANOVA and a T-test were used.

A questionnaire about organizational learning and a questionnaire about organizatioanl culture (Study IV) were conducted in the same 29 companies among 1303 employees. The questionnaire about organizational learning consists of 20 questions asking employees to evaluate their organizations from differnt aspects in learning, such as the ability to learn, the acceptance to new ideas and culture, the willingness to train and develop employees, the committment to change process etc. Cluster analysis was used in developing the scales of organizational learning. The questionnaire about organizatioanl culture (Study IV) from 43 items developed by Vadi et al. (2002) was used in order to measure orientations of organizational culture. A principal component analysis and factor analyses with varimax rotation was completed for the 43 items. Three factors could be called task orientation (TO), disinclination (D) and relationship orientation (RO) of organizational culture.

A questionnaire for evaluating content, process and result of change (Study VIII) was sent to 73 Chinese companies and 55 feedbacks were received. In each company one person answered the questionnaire, which is consited of 45 questions. The questions firstly ask about respondents' general information and general description of the company. Then respondents are asked to assess the content of changes, change implementation process, results achieved and efficiency. Finally the respondents are asked to express their opinions and suggestions. Most of questions are close-ended, with several options given. However, there are some questions that are open-ended.

The Originality of Research and Its Practical Merit

Contemporary management literature offers numerous recommendations for managers on how to manage organizational change the best way. Many of them are based on the planned change model that was formalized several decades ago (Lewin 1951), and still dominates international practically-oriented management literature on change (Kotter 1995; Duck 2001; etc.). However, a number of recent writings criticize it and challenge its universal applicability (Marshak 1993; Burnes 1996; Hendry 1996; Weick and Quinn 1999).

For Chinese companies, the problem of managing change is doubly relevant. On the one hand, the transition to market economy urged most Chinese organizations to adapt to new environmental challenges. On the other hand, most of the literature on change management that could help Chinese managers to cope with this complex challenge is based on approaches developed abroad, which, in many cases, are being criticized in the countries where they originated. Moreover, the scope of their applicability in China has not yet been clearly determined. This is especially true for the planned change model; it is widely cited in contemporary Chinese management literature, and is used for the development of recommendations for Chinese managers without any mention of the limits of its applicability in the Chinese context. This is why we believe that Chinese companies can serve as a fertile ground for the study of applicability of the planned change model.

Research about managing organizational changes have been mostly done in well established capitalist countries. There are only few studies done in countries in transition economies which experince rapid change process. In China most of studies are case-based. The author made surveys in a large amount of Chinese companies in order to get more generalized results which may serve as the representative of the current circumstances of organizational changes in China.

The success of changes depends on several factor: on planning, scope of changes, but critical resource in change management is human factor: the people who plan the changes and people who should implement the changes, and also people affected by changes. People's attitudes are shaped by their previous experiences and their historical experience. Also cultural accounts have impacts on ways how changes are planned and on employee reactions to changes. In this dissertation the author pays special attention to human side of organziational change and the impacts of national culture on organizational change, which could be regarded as its original values. Moreover, in addition to the research in certain aspects of organizational change, the author brought in the division of hard and soft organizational elements when analyzing organizational changes, which adds unique value to the research itself.

To implement changes in transforming economies according to rules and plans, which have worked in established capitalist countries, may not give desired result: people are different. At the same time there are certainly elements, which work in all countries or could be adjusted to different conditions. There is triangular model for change worked out on bases of Western theories for using in analyzing changes in

Eastern- European organizations (Alas 2007). These countries have similarities with China: both have tried to built communism and lived in totalitarian regime, which did not allow different thinking. Therefore people of China and East Europe may have some similarities. Morevore, Russia, who experienced change from planned to market economy and socialist regime in its histroy, also shares similarities with China. The author compares change implementation in these three transition countries- China, Estonia and Russia
.

In the dissertation all these elements mentioned above were studied in order to fill the gap in the literature about change changement in China and provide insights to full pictures of various elements in change implementaion in Chinese organizations.

The writing of the dissertation based on several survey results is of great significance and has its practical merits. The dissertation is expected to have the following practical relevance.

Firstly – The author's study of organziational changes is one of the recent origin in China, which provides insights to the most recent circumstances of organizational changes in China. The study covers relatively large samples compared to those research based on case-study, so it may give more genralized information about the current circumstances of changes in Chinese organizations.

Secondly – The usage of the research findings in the managment practice in Chinese companies is the most practical feature of the authors' work.The information about the problems associated with human resource management and the shortcomings occurring in the process of change implementation will help Chinese managers to improve their knowledge and competency in handling change, for example, to improve their capacity in motivating and supporting employees. Hence these information will help managemant to adapt ot remake decisons to facilitate the success of change. This also applies to foreign managers working in China and foreign investors.

Thirdly – By using the information about the main causes of resistance among employees toward change, Chinese managers could learn the necessity and urgency to build a learning organziation in order to achieve great success in implementing change. And the author's suggestions on process model will be of great significance for them to achieve maximam efficiency and success in change implementation to achieve their companies' competitive edge.

Fourthly– The information about the values held by different age groups with different social-demographic features will enable Chinese managers to adjust their current strategies in personnel managment, in new personnel selection and to improve their current training and incentive systems in order to maximize the potentials of differnent age groups employees.

Fifthly– China is regarded as a good example in converting from command economy to market economy and in achieving great success in economic development. So China could be a benchmark for other nations which face similar circumstances. The knowledge acquired from this dissertation will be beneficial for managers in those nations in facilitating the success of implementing changes.

Sixthly– The study could serve as a basis for other academic researchers in comparing China with other countries in the aspect of change implementation. The results generated from several reliable research tools in this dissertation will enable the future cooperation with other academics from different cultures.

Seventhly- The research fills a gap in the field of change management study by taking into account that culture-related issues have to be considered as one of the factors influencing informed choices of change implementation methods.

Eighthly- The research results gained from the comparison between Estonia, Russia and China provide useful information to managers who are doing cross-border business between these countries and to Estonian and Russian managers who are operating business in China. The information will help them in managing their companies and in achieving success in implementing changes of the companies located in a strange country for them, which possesses different culture from their country and has specific features in change approach.

I THE THEORETICAL BASIS

The author starts from a broader sense to narrower sense in the theoretical section. The author first of all builds the thesis from the broader human resource perspective and later on provides detailed insights into different aspects of organizational change, e.g. the types, features and strategies of organizational changes. In recent years, resource-based theory has emerged as one of the most promising theoretical frameworks in the field of strategic management. An organization can be understood as a collection of physical capital resources, human capital resources and organisational resources (Barney, 1991). Rialp (2006) develop a resource-based model which emphasizes importance of intangible resources as human and organizational capital on success of firms. However, literature about incorporating a resource-based view into approaches to organizational change in transition economies was missing. At the same time, human relations are of crucial importance in the Chinese business world (Wong, 1996; Xin and Peace, 1996; Yang, 1994). Therefore, the resource-based view has been applied in order to study organizational changes in Chinese companies.

1.1. Incorporation of Resource-based View of the Firm into Theories of Organizational Changes

In recent years, resource-based theory has emerged as one of the most promising theoretical frameworks in the field of strategic management. The resource-based perspective argues that sustained competitive advantage is generated by the unique bundle of resources at the core of the firm (Conner and Prahalad, 1996; Barney 1991).

A firm can also be understood as a collection of physical capital resources, human capital resources and organisational resources (Barney, 1991). Resources that cannot be easily purchased, that require an extended learning process, or are a result of a particular corporate culture are more likely to be unique to the enterprise and, therefore, more difficult to imitate by competitors. It is argued that performance differentials between firms depend on having a set of unique inputs and capabilities (Conner, 1991). According to resource-based theory, competitive advantage occurs only when there is a situation of resource heterogeneity (different resources across the inability of competing firms to obtain-firms) and resource immobility resources from other firms (Barney, 1991).

Resource based theorists (Barney 1991; Grant 1991; and Peteraf 1993) contend that the assets and resources owned by companies may explain the differences in performance. Resources may be tangible or intangible and are harnessed into strengths and weaknesses by companies and in so doing lead to competitive advantage.

The resource based view of the firm (RBV) (Wernerfelt, 1984; Barney, 1991), as opposed to a relational view, has an inward focus in that it considers a firm's resources as primary sources of competitive advantage. Providing these internal

resources (products/services, capital, technology, specialised knowledge, human resources, contacts and networks, Wilkinson and Van Nguyen 2003) meet certain criteria (e.g., difficult to imitate and difficult to substitute), then they can form the basis of creating a superior competitive advantage. In essence, it argues that firms gain competitive advantage by leveraging internal resources, and that firm factors explain performance more so than industry factors.

According to resource-based theorists, firms can achieve sustainable competitive advantage from such resources as strategic planning (Michalisin et al 1997; Powell 1992) management skills (Castanis and Helft 1991), tacit knowledge (Polanyi, 1962, 1966), capital, employment of skilled personnel (Wernerfelt, 1984) among others.

Social, organizational, and human resources between firms cause a fundamental heterogeneity in their productive potential (Priem and Butler 2001). It is one of the main theoretical perspectives of HRM research (Sirmon and Hitt 2003).

The resource-based and dynamic capability perspectives also suggest that resources that are intangible, such as those that are socially complex and embedded in human capital, are most likely to "generate rents" when they are "bundled" with other resources in a complementary fashion (Barney, 1992; Teece et al., 1997). Indeed, "there is an interaction between the two kinds of resources of a firm-its personnel and material resources-which affects the productive services available from each" (Penrose, 1959: 76). Moreover, because of causal ambiguity, path dependencies, and social complexity, competitors should find it harder to duplicate an advantage when it results from a bundle of valuable, firm-specific resources (Teece et al., 1997).

According to the insights of the human resource-based view of the firm, HRM has an important and difficult task in stimulating the people involved in organizational change processes so that they will develop their unique qualities and that they will mobilize them for the success of the change effort?Doorewaard and Benschop, 2003)

The author assume that organizations implementing change may find that some individuals will be uncomfortable with the change and this will bring about resistance. If not understood and carefully dealt with, the resistance may cause a fair amount of tension and conflict undermining any positive outcome of change.

Based on the resource-based view, in order to build competitive change, intangible resources (including human resources) offer an irreplaceable value to a firm. Effective HRM practices will constitute effective patterns of communication, empowerment and participation in order to "produce" the employees' competencies and commitment required for changes. If HRM measures succeed maintaining and promoting what is unique in terms of human potential in the process of change, then changes will be effective, efficient and productivity of organizations will be achieved.

1.2. Institutional Context of Change

Institutions could be seen from both the structural and social perspective. From a structural viewpoint, institutions exist as institutionalised forms of 'external social

constraints'. From the social perspective institutions can be understood as operating to enforce a behavioural definition, which may take the form of either 'cultural accounts' or 'cultural rules'. This means that institutions are accounts of how the social world works and embody normative principles and social values (Meyer et al, 1994:24).

1.2.1 Literature on Institutional Context of Change

Institutions are the way we structure human interaction — political, social and economic — and are the incentive framework of a society (North, 2005). They are made up of formal rules (constitutions, laws and rules), informal constraints (norms, conventions and codes of conduct), and their enforcement characteristics (ibid). In this thesis, the author mainly focuses on informal constraints, which is more relevant to research and practice in the field of management, compared to fomal constraints and enforcement.

Institutionalists have stressed the importance of the institutional environment for understanding the behaviour of organizations (North, 1990).

According to Sahlins (1985), one cannot really understand certain social phenomena without understanding both the historical events and the cultural meanings attributed to these events by the relevant actors. According to the institutionalist perspective, organizations are socially embedded in a particular society (Geppert, 2003). Organizations can be described using the open-system approach, in which the organization may be seen as answering the challenges of a new environment.

Alas and Vadi (2006) pointed out that organizational changes are connected with institutional development. There are connections between the institutionalisation stages of change at the societal level and types of change in organizations (Alas, 2004a). In Estonia, an economy in transition, in 90% of organizations transformational took place (Alas and Sharifi, 2002).

Socio-economic transformation, at both macro and micro levels, could be understood as institutional change, from both the structural and social perspective, embracing both structures and social values. The elements of an institution may lose credibility and need redefining – the processes of deinstitutionalisation and reinstitutionalisation take place (Clark and Soulsby, 1999:40). During deinstitutionalisation the contingent nature of cultural accounts and rules are revealed, interrogated, contested, opposed, effectively challenged and ultimately overturned. The process may be gradual or sudden and may affect formal institutions and institutional practices at different rates. Deinstitutionalisation takes away the certainty associated with institutionalised rules, attacks the meaningfulness of the social world and thereby reduces the level of social support and motivation.

From this institutional view, social transition may be interpreted as the period between the effective demise of one institutional system and the point at which another institutional system has been established and accepted on new cognitive and normative grounds. Such circumstances create acute social and psychological problem for social actors and this period has been called social transience (Clark and Soulsby, 1999:40).

Changes in the environment necessitate that organisations modify themselves as well.

During the stable stage of institutionalisation developmental changes mostly take place (Alas, 2004a). In order to evoke transitional changes additional institutional forms could be added to established institutions. Deinstitutionalisation in society, which starts a period of social transience, calls for transformational changes in organisations. At the same time reinstitutionalisation starts. If reinstitutionalisation is completed then transitional changes start to dominate over transformational (Alas, 2004a).

1.2.2. Institutionalization in Chinese History

In order to provide socio-economic explanations, which are rooted in the historical and contemporary circumstances of societal and organizational transformation, a short description of important stages in Chinese history starting from the founding of CPC will be given. In Table 1 Chinese history has been viewed from an institutional perspective.

By the time of the First Republic in 1911, imperial China was in ruins: the social system was in collapse; central authority had evaporated; the most lucrative parts of the economy were in the hands of foreigners; and significant areas of territory had been lost (Foy and Maddison, 1999). When Communist Party of China (CPC) was founded in 1921, a new additional institution was created since CPC had totally different institutions from those of the Nationalist Party (Kuomingtang) which was the ruling party at that time. From 1921 to 1949 the situation in China became more and more chaotic, culminating in the country's military collapse under the weight of the Japanese invasion and the Second World War and the Civil War followed (ibid).

When the Chinese Communist Party came to power in 1949, it restored central control under the People's Republic. National unity with economic independence was its priority.

Table 1. Institutionalization in Chinese History from 1921

Period	Event	Institutionalization
1921	Foundation of the Communist Party of China	Creation of new additional institutions
1937-1945	Anti-Japanese War	Deinstitutionalization
1945-1949	Chinese Civil War	Deinstitutionalization
1949	Founding of the People's Republic of China	Creation of new institutions
1949-1977	Mao Zedong Era: command economy	Period of stable institutions
1978	Start of Chinese economic reforms	Deinstitutionalization
Late1970s -early-1980s	Opening trade with the outside world, instituting the household responsibility system in agriculture	Creation of new additional institutions

1980s	Creating market institutions, converting an administratively driven command economy to a price driven market economy	Social transience
1990s	Creating a viable banking system	Creation of new additional institutions
Late-1990s-early-2000s	Industrial reform, involving enterprise reform and the closing of unprofitable state-owned factories	Reinstitutionalization
2001	Entry to WTO	Continuation of Reinstitutionalization

Source : the author

Between 1949 and the eve of economic reform in 1978, China, after long years of war and revolution, experienced thirty years of peaceful reconstruction unprecedented in its modern history (Qin, 2005). It was a recovery period and substantial progress toward a return to normalcy was achieved in spite of the Sino-Soviet split and disastrous economic experiments, such as the Great Leap Forward, which were designed as short cuts to industrialization, and political errors, the most destructive of which was the Cultural Revolution (Johnson, 1998).Against this background, the old system and its "planned economy" - like the high accumulation mechanism - did play a major role in the primary accumulation in China's industrialization (Qin, 2005). From 1952 to 1978, GDP measured by value in purchasing power parities was multiplied by three, while per capita income increased by 80 per cent and the economy's structure was transformed and industry's share of GDP rose from 10 per cent to 35 per cent (Foy and Maddison, 1999).

In 1978 an ambitious reform program was launched in China. Rural economy was de-collectivized, private and semi-private enterprises mushroomed, and the state sector steadily shrank (Zhang, 2004). Reform has been accompanied by decentralization of economic control. Local governments have gained some or all of the decision-making power relinquished by the central government (Jia, 1998). The rigid monopoly of the government over foreign trade and the policy of autarky were abandoned after 1978 (Foy and Maddison, 1999).

The reform in the late 1970s and early 1980s consisted of opening trade with the outside world, instituting the household responsibility system in agriculture, by which farmers could sell their surplus crops on the open market, and the establishment of township village enterprises (Chinese Economic Reform, 2006). As well foreign trade decisions were decentralized.

The second phase of economic reform occurred in the 1980s and was aimed at creating market institutions and converting the economy from an administratively driven command economy to a price driven market economy. This difficult task of price reform was achieved using the dual-track pricing system, in which some goods and services were allocated at state controlled prices, while others were allocated at market prices (Chinese Economic Reform, 2006). The late 1980s and early 1990s

focused on creating a pricing system and decreasing the role of the state in resource allocations. In response to the greater yielding to market forces, competition emerged, resource allocation was improved and consumer satisfaction was increased.

In the 1990s, the focus of the reform was to create a viable banking system which could control the economy via monetary policy and issue loans on the basis of profit and loss, rather than by political orders (ibid).

The persistence of state-owned enterprises and the lack of competition in trade and industry have hampered economic reform in China. The inefficiency of state enterprises has led to a vast network of subsidies, and the deficits of state enterprises have been financed to an increasing extent by bank credits (Dorn, 1989). Considering these situations, the reforms of the late 1990s focused on enterprise reform, closing unprofitable enterprises and dealing with insolvency in the banking system.

As of 2001 China became a member of WTO. It is 'a historic step in the process of reform and opening to the world' as President Jiang Zemin said (President Jiang, 2002). It presents a new stage of reform and opening to the outside world, i.e. from self designed process of reform and opening to real integration into international system. China's entry into the WTO will make China's door even more open (Chow, 2000). While it is pursuing institutional reforms in state-owned enterprises and the banking and financial sectors, it is aware that the reforms and the accompanying globalization of the Chinese economy have to proceed in an appropriate speed. Meanwhile, there was a great impact to the thinking and process of the policy making, as well as to the society and culture.

To summarize, since the 1970s, fundamental transition has transformed the economic landscape of the People's Republic of China. One of the central aims of the reform in China is to improve the performance of the economy, which ultimately boils down to performance of the firm, especially the previously inefficient state-owned enterprises (SOEs) (Tan J. and Tan D, 2003). Over the past several decades China has experienced significant changes in transforming its bureaucratic system of state planning into a more market-oriented economic regime.

1.2.3. Cultural Institution

According to Meyer (1994), institutional context is composed of structural and cultural account. Besides the analysis of influence of structural insitition on organizational change, the auhor also focuses on the impact of cultural context on change management practice in this dissertation.

National culture as an integrative phenomenon comprising traditions, norms, religious believes, etc. is an embedded institution. As every institutional environment provides lots of indicators of the most efficient practices, procedures and skills, which increase expected return on efforts and investments (North 1990), its influence on individual choices and behavior is inevitable. That is why we suppose that culture is one of important contingencies that may matter for applicability of certain change management approaches. For example, we suggest that certain dimensions

of culture may affect both the initial stage of change program, when targets are set and plans are elaborated, and the process of change implementation (for example, tolerance towards ambiguity may result in readiness or even willingness to rely on emergent events).

To anchor our discussion of cultural factor, the author has chosen to rest upon the model and findings of the GLOBE project (House et al. 2004) as it represents the most extensive up-to-date comparative study of this kind. For our analysis we used *modal values* (as opposed to *modal practices*) as a manifestation of national culture. Indicators of modal values ("What Should Be") stand for embedded beliefs and norms and can be considered more stable attributes of national culture. While the way things are done (indicators of "What Is") is constantly changing as new attitudes and values are institutionalized in the overall transition process experienced by all the three countries concerned. That is why we argue that indicators of values are more suitable proxies for national culture for the purposes of our discussion.

The author suggests that among GLOBE cultural dimensions, there are Uncertainty Avoidance, Future Orientation, and Performance Orientation that have most influence on the problems of planning and control, that is why we focus on these three dimensions only in our further discussion. Based on the conceptual essence of these dimensions, it can be expected that if the level of Uncertainty Avoidance is high for the nation in general, individuals may tend to draw up detailed and extensive plans. Cultures with low scores of Future Orientation and Performance Orientation show the capability to enjoy the moment and be spontaneous (House et al. 2004). In business context the latter can be interpreted as willingness to take emergent events as a matter of course or to play by ear. Low Performance Orientated societies do not attribute high importance to a task; they value compliance with traditions and established patterns comparatively more. People in such cultures tend to be more resistant to changes.

Here the author presents a short description of cultural background of China along three GLOBE dimensions in discussion. What are the evidences about **Chinese** culture according to the GLOBE scores?

Uncertainty Avoidance is very high (China's score 5.28 is close to the maximum observed value of 5.61), which on national level is associated with long-term orientation in organizational practices (House et al. 2004). This may result in existence of numerous common patterns and values which are rather rigid because of their immanent idea of cementing and stabilizing everyday activities. One of the instruments, which are frequently used to manage uncertainty, is planning, so in the business context one may expect lots of managerial efforts in drawing up detailed plans. High level of Uncertainty Avoidance also inhibits innovativeness as novelty introduces additional ambiguity and thus leads to resistance. So in the process of change plan implementation one may predict low level of plan execution or substantial deviation from initial plans.

Chinese Performance Orientation score (5.67) is below the mean value (5.94). It provides insights about such aspects as external adaptation and attitude towards time. Chinese people posses external locus of control, i.e. they do not attempt to

control natural forces and emphasize the value of harmony with the environment. They view time as a circular and perpetual resource and do not feel much urgency in getting things done (House et al. 2004). As a result Chinese tend to rely on natural flow of events and be tolerant to unanticipated changes.

Chinese society scores lower on Future Orientation (4.73) in comparison with the mean value (5.48) , which also illustrates attitude towards time and traditions. In Chinese culture a transitional view of changes is installed, which incorporates an idea of non-linear time and interdependence of past, present and future. Furthermore current human actions are considered to be only one of the factors influencing realization of goals (House et al. 2004). Chinese approach to change has received academic attention and was conceptualized on firm-level (e.g. Marshak 1993; Sun & Alas, 2007) and can be resumed as journey-oriented, processional and cyclical, embracing spontaneous flow of actions with low sense of urgency.

The evidences of the three dimensions of China serve as the basis to analyze the impact of national culture on organizational change in Chinese companies.

1.3. Literature of Research on Change Management

1.3.1. Division of Research on Organizational Change

Scholars usually study features of organizational change such as content, type, structure and process. Armenakis and Bedeian (1999) have divided their work on organizational change into (1) content research, (2) contextual research, (3) process research and (4) criterion research.Nutt (2003) combines structure and process. He sees the structure and process as complementary elements of organizational change and urges us to consider them both when conducting research into this area. Structural research assumes a descriptive approach, pointing out the features of organizational change such as strategy, leadership and so on. Research into process explores how organizational changess take action. While the structural research by Nutt (2003) is similar to content research (Armenakis and Bedeian, 1999), process research is a part of both approaches. Both of these contribute to the triangular model of change developed by Ruth Alas (2007). She refers to the first component as 'types of change' and the second as the 'process of change'. Although the type and process of change are both important building blocks in any model dealing with change, there is also a third crucial factor- 'the readiness to change'. There are forces for change and forces for stability in every organisation (Leana and Barry, 2000). The readiness factors is like a bridge between identifying what needs to happen and actually implementing the change. There are also sub-components for each of the three components. Three main components of 'types of change' are scope of change, duration of change and initiator of change. Three crucial elements are included in the 'change process':the trigger event, core process and support process. When analyzing 'the readiness to change', three factors should be taken into consideration – organizational learning, employee attitudes towards change and organizational culture.

Struckman and Yammarino (2003) combine types of change with the readiness to change, but they do not consider the aspect of the process. The readiness to change could be linked to criterion research, if we take this as the outcome of previous activities and changes. Similarly, contextual research could be linked to the model through the institutional environment within which the organizations operate.

In content research most theorists divide change into two types according to scope: change taking place within the given system, and change aiming to change the system itself. The most popular terms for this classification are first order change and second order change. First order change provides a method for managing stability. It helps one to manage current strategy more effectively and efficiently (Bartunek 1993). Second order change calls for innovation in order to lead the change. It searches for agreement about what the end result should be and then considers how the organisation could be changed to meet these new expectations. Second order change is difficult to carry out because information gathering in an organisation will tend to reify the rules, culture, strategy and core processes that make up its current paradigm (Nutt and Backoff 1997).

There is another model for organizational change, which is the most recent one. Jeff Hiatt (2006) explains the origin of the model and explores what drives each building block of ADKAR in his first complete text on the ADKAR model. Research shows that problems with the people dimension of change are the most commonly cited reason for project failures. In a study with 248 companies, effective change management with employees was listed as one of the top-three overall success factors for the project. Helping managers be effective sponsors of change was considered the most critical success factor overall.

Effective management of the people dimension of change requires managing five key goals that form the basis of the ADKAR model:
  • **A**wareness of the need to change
  • **D**esire to participate and support the change
  • **K**nowledge of how to change (and what the change looks like)
  • **A**bility to implement the change on a day-to-day basis
  • **R**einforcement to keep the change in place
It is important to learn how to build *awareness*, create *desire*, develop *knowledge*, foster *ability* and *reinforce* changes in an organization. The ADKAR Model is changing how people think about managing the people side of change, and provides a powerful foundation to help people succeed at change.

1.3.2. Different Process Models

There are quite few process models developed by different researchers in change management field. Among them Lewin's model is almost the most well-known. Lewin's (1989) basic model consisted of three steps: unfreezing, moving, and re-

freezing. By Schein (1986) unfreezing is an alteration of the forces acting on the individual, such that his stable-equilibrium is disturbed sufficiently to motivate him and to make him ready to change. It is creating a felt need for change by increasing motivation to change. Individuals are encouraged to abandon old behaviours and attitudes and become open to accept new ones. This can be accomplished either by increasing the pressure to change or by reducing some of the threats or resistance to change. During moving or changing phase a new organizational vision, mission, strategy, structure, and technology facilitates new directions for change. Employees start to experience changes in their attitudes and behaviours. This process occurs basically by one of two mechanisms: identification or internalization. Identification means that person learns new attitudes by identifying with and emulating some other person who holds those attitudes. Internalization means that the person learns new attitudes by being placed in a situation where new attitudes are demanded. Refreezing refers to the process by which the newly acquired attitude comes to be integrated into the target's personality and ongoing relationship. (Schein, 1986). During refreezing stage enabling employees to practice and integrate new behaviours with appropriate rewards helps to stabilize changes.

In fact before Lewin, Tichy and Devanna (1986) already published their three steps model: (1) recognizing need for change, (2) creating vision, and (3) institutionalizing change.

Then in 1989, the self-design change strategy by Mohrman and Cummings (1989) came out and is described in three stages as Lewin's model:
1. Laying the foundation. It includes acquiring knowledge, valuing and diagnosing. Valuing means determining the corporate values that will be needed to implement the corporate strategy. Diagnosing shows, what needs to be changed to enact the corporate strategy and values.
2. Designing. The board parameters of a new organization are specified. The specifics are left to be tailored to the lower levels of organization.
3. Implementing and assessing. It includes an ongoing cycle: changing structures and behaviours, assessing process, and making modifications. The implementing and assessing activities may lead back to first step.

A self-design change strategy helps a firm to gain the built-in capacity to design and implement its own organizational transformation. This approach promotes organizational learning among multiple stakeholders at all levels of the firm, providing them with the knowledge and skills needed to change organization.

In the mid of 1990s Hussey (1995) discussed three stages for the change process.

The first stage is implementation. This is the detailed planning stage, when the broad vision is converted to strategies and detailed plans; goals are defined and responsibilities assigned. In this stage we are planning not only what we must do, but how we must do it. For example, we should set strategic plans, short-term plans and budgets.

The second stage is ensuring. It is the process of monitoring and control to keep the implementation actions on track. Organizations have control systems but these

are not always adequate for monitoring change process. Ensure the control system does more than pass information along. Pay particular attention to those tasks that will delay the project if they are not performed to time. Accept things might go wrong and that quick response is therefore vital.

The third stage is recognition. This includes the following activities.Give constant recognition to the parts others play as the change process moves forward. Use opportunity to reinforce the behavior you want from others. Take opportunities to acknowledge publicly the genuine achievements of others in aiding the change process. Do not indulge in empty praise and insincere comments. Have regular personal performance reviews for people who are reporting to you so that both of you have the opportunity to develop relationships and avoid surprise.

In 1998 Kotter put up his 8 step model, which is one of most popular process models in the world. It includes eight phases in the change process as follows:

1. Establishing a sense of urgency by relating external environmental realities to real and potential crises and opportunities facing an organization.
2. Forming a powerful coalition of individuals who can rally others to support the effort. Encouraging the group to work together as a team.
3. Creating a vision to help direct the change effort and developing strategies for achieving that vision.
4. Communicating the vision through numerous communication channels.
5. Empowering others to act on the vision by changing structures, systems, and procedures that seriously undermine the vision in ways that will facilitate implementation.
6. Planning and creating short-term wins and building momentum for continued change.
7. Consolidating improvements and producing still more change. Changing such structures, systems, procedures, and policies that aren't consistent with the vision.
8. Institutionalizing the new approaches by articulating connections between the change effort and organizational success. Developing the means to ensure leadership development and succession.

After the new millenium started, another theory about the stages of change came out, which also includes three main stages (Morgan, 2005):

Stage 1: The organization articulates the challenges that are motivating it to change. It designs a response and establishes goals.

Stage 2: The actual change took place. It's in the details of this stage that the proverbial devil lurks. This stage is one of execution and adjustment to hard, practical realities.

Stage 3: The organization reviews what it has won and lost. This stage is about acceptance of limitations and adjustment to the new realities of the post-change world.

To sum up, among all the process models mentioned above, only Kotter's model is consisted of 8 steps while all others is made up of three steps. To present a clearer picture of these models, the author listed all 3-step change process models in Table 2.

Table 2. Different 3- step change process models

Name	Year	Step 1	Step 2	Step 3
Morgan	2005	Articulation of the challenges	the actual change	Reviewing what it has won and lost
Kotter	1998	establishing sense of urgency, forming a coalition, creating a vision and communicating	empowering, planning and consolidation	institutionalisation
Hussey	1995	implementation	ensuring	recognition
Mohrman's and Cummings	1989	Laying the foundation	Designing	Implementing and assessing
Lewin	1989	unfreezing	moving	refreezing
Tichy and Devanna	1986	recognizing need for change,	creating vision	institutionalizing change

Source : the author

1.3.3. "Hard" and "Soft" Organizational Elements

In this dissertation one target for study is the "hard" and "soft" organizational elements in organizational change. Here the author presents the definitions of "hard" and "soft" organizational elements.

According to Andreeva (2008), a list of key organizational elements is compiled, based on the literature analysis (Greiner 1972; Hannan and Freeman 1984; Tushman *et al.* 1986; Burke and Litwin 1992; Romanelli and Tushman 1994). The list included the following 11 elements:

• corporate mission, ideology
• business strategy
• organizational structure
• distribution of power and authority in the company
• organizational culture, key values
• management system as a whole
• key personnel in the organization
• qualitative structure of the staff (skills, knowledge, etc.)
• production technology
• operational rules and procedures
• functional systems (i.e. production, sales and marketing, finance, human resources management systems)

Andreeva divided the elements listed above into two groups according to their nature. "Hard" elements include elements connected with procedures and rules, which are usually formalized and detached from people. Compliance with these, rules is often obligatory; they guide every day functioning of enterprise organism. The following elements: strategy, structure, management system as a whole, technology, operational rules and procedures, and functional systems could be ascribed in the list of "hard" organizational elements.

The rest elements make up a group of "soft" factors, which concern people in organization (key personnel and qualitative structure of the staff) or deal with values, norms and beliefs (corporate mission, ideology, distribution of power and authority, organizational culture, key values).

It should be admitted that this division is relative, because "hard" organizational factors always include "soft" ingredients (corporate strategy is developed in consistence with ideology and individual inclinations of top-managers; technology implies tacit knowledge and personal skills, etc.). This grouping is considered a kind of tool for analysis of the applicability of planned change model. According to Andreeva (2008), the applicability of planned change model can depend on particular organizational elements that are targeted within change management program.

1.4. Literature on Change Management In China

1.4.1. Literature on Change Management from Chinese Source

Chinese researchers have done research about organizational change in China. Although very few articles wrritten by native Chinese researchers could be found in noted international jornals, a lot of papers written in Chinese language have been publsihed in Chinese academic journals. Hereby the author briefly introduced the most recent studies from Chinese source under different divisions.

Firstly, the author found some papers about the general circumstances of organizational change in China. Zhou Xuelin (2002) wrote an article-Research on Organizational Change in Chinese Companies, which provided insights to three main questions: Why do the companies need change, why do organizational changes fail and how can Chinese companies achieve the sucess of organizational change. Wang Zhi-ping (2005) analyzed the interactions and interlinks between change on managment and managment on change. In the same year Wang Pei and Kang Tinghu discussed the shortcomings in the management of organizational change and prosposed the adopting of systematic framework (2005). Huang Weizhong and Zhai Lili (2007) made an attmpt in discussing the trend of organizational change in Chinese enterprises. They pointed out that Chinese companies should constantly change along with the change in macro environment in order to achieve sustainable development. However, it didn't present a clear picture of the trend in organizational change in China. Neither was the direction of the organizational change is predicted.

Secondly, there are some Chinese researchers in change management who wrote some articles about the strategies for organizational change in China. For example, Zhang Dingkun (2000) published a paper entitled Evolutionary and Revolutionary—the Study for Organizational Change, in which he summarized the studies in recent years about organizatinal change based on the integration of several cases in practice and theories on evolutionary and revolutionary change. He proposed these two strategies should be adopted in turns during the process of company's development and he also pointed out there is internal links between these two and they can transform between each other. There are also another several Chinese researchers who studied evolutionary and revolutionary change. Yu Donghui, Huang Lihua and Shi Guanghua (2003) focoused on business process engineering and wrote an article named Implementation of Business Process Reengineering:Revolutionary Change and Evolutionary Change. They compared these two strategies and suggested several rules on how to correctly practise them.

Thirdly, the author found some studies about some specific aspects about organizational change in China. There was one study about the process model of organizational changes in China done by Chen Youxing (2004), who compared three models in thoery and practice and concluded that predication model and leading model are much more efficient and effective than passive model. Morover, there was a study about the connection between the change in organizational structure and the motivation of research staff by Wang Tieshan (2004). He stressed the importance and necessity in adjusting the organizational structure according to the needs and individual features of research staff. Through changing the elements of organizational structure, the direction and content of motivation will be improved. Furthermore, the author found another study concerned about the change in business-operating process. Yu Donghui, Fang Zhen and Huang Lihua (2005)worked out a model of factors influencing business-operating process through the analysis of difficulties involved and different influencing factors.

Lastly, some Chinese researchers studied changes in terms of the types of Chinese companies. For example, Li Guorong (2006) explored the innovation of collective-owned Chinese companies based on the western literature on the change model of transformational companies. He explained that currently the collective-owned Chinese companies and transformational companies defined by western researchers share similarities in business goal and developmental stage. Meanwhile, Shen Kun (2006) wrote a paper about the change management in small-sized companies with an aim to provide insights to small-sized companies managers about managing the drastic changes. He analyzed the strategies used by some famous private companies in China, which grew successfully from a very small size into a huge size.

To sum up, most of the change managment publications in China are based on western literature. There are also a lot of Chinese publications about change management, similar to western ones. However, in fact they are both influenced by western literature and by its own culture - which is dominated by Confucian thinking or some other religious thoughts, e.g. Buddism and Taoism (Marshak 1993).

1.4.2. Western Literature on Change Management Introduced to China

In China the translation of western literature on management into Chinese dated back to 1980s. Hicks' 'Introduction to Industrial Engineering and Management Science' was translated in 1981. Only until 1990s Chinese publishers started to bring in books on change management. For example, Peters' 'Thriving on Chaos: Handbook for a Management Revolution' was translated in 1990 and Senge's 'The art and Practice of Innovative Organization' was in 1998. These books introduced the overall aspects of managing changes, through which Chinese managers started to have some initial understandings about managing changes. Then after 2000 Chinese researchers and readers witnessed a sharp rise in the number of translated western books on change management. Hynes' 'Managerial Communication: Strategies and Applications' and Bothwell's 'Management Communication' were translated in 2006 and they equipped Chinese managers with skills and knowledge on how to communicate and empower employees. Meanwhile, Drucker's 'Managing in A Time of Great Change' and 'Innovation and Entrepreneurship Practice and Principles' were introduced to China, which taught Chinese managers strategies to cope with changes in new era. Moreover, some researchers started to analyze changes in Chinese organizations from various perspectives, for example, Sun and Alas wrote one paper on changes in Chinese companies from the institutional perspective (2007) and another paper by applying the resource based view (2007).

Besides the western books that are translated into Chinese, there are also some original English books on change managment that could be found in the largest libraries in China. The following table (Table 3) shows the relevant information about these books.

Table 3. English Books on change managment available in China

Year	Author	Title
1995	Carnall, Colin	Managing change in organizations
2000	Burnes, Bernard	Managing change: a strategic approach to organisational dynamics
2001	Thomas, Stephen, J	Successfully managing change in organizations : a user's guide
2001	Weiss, Joseph W.	Organizational behavior and change: managing diversity, cross-cultural dynamics, and ethics.
2003	Lee, William, W.	Organizing change: an inclusive, systemic approach to maintain productivity and achieve results.
2005	Rothwell, W.J. & Sullivan, R.	Practicing organization development: a guide for consultants
2006	Bradley, Gerald	Benefit realisation management: a practical guide for achieving benefits through change.

2006	Bunker, Benedict. B.	The handbook of large group methods: creating systemic change in organizations and communities
2006	Davila, Epstein. M.J., & Shelton. R.	Making innovation work: how to manage it, measure it, and profit from it.
2006	Murray, P. Poole, D. & Jones, G.	Contemporary issues in management and organisational behaviour.
2007	Moeller, Scott	Intelligent M&A: navigating the mergers and acquisitions minefield
2008	Clark, Timothy R.,	Epic change: How to lead change in a global age

Source : the author

It can be seen that new books were introduced to China almost every year or every two years, and the most recent books on change managment could be found in China.

To conclude, there are a lot of western literature on change managment availble in China and they have significant influences on the Chinese researchers in the field of change managment. From the Chinese publications, it can be seen that most of the authors built their work on the basis of western literaure. Few of the studies were based on the research conducted by author themselves, through the tools of case study, surveys or interviews. They just discussed or analyzed the current circumstances of organizational change in Chinese companies based on the western theories about organizational change. Without the basis of results achieved from research tools, their analysis may be not reliable in representing the whole case of organizational changes. For example, the author couldn't find the corresponding description of organizational change in Chinese companies with the aspects listed in the previous part (1.3.). The relevant information in Chinese context about the process model, the content, contextual, process and criterion research on change are not reflected in the publications available in Chinese database. So one question is raised: are the western theories on change applicable in China? From different resources including both foreign and domestic, it could be said that, generally speaking, they are applicable. However, there are specific feaures in Chinese context that should be considered. This serves as an impulse for the author, as a native Chinese, to explore the organizational change in Chinese companies on the basis of the integration of her personal experiences and knowledge about China and the reliable inforamtion gained from several research tools.

1.5. Organizational Change in Transition Countries

Compared to other captialist countries with stable institutions, the organizational change is more dramatic and intense in transition countries. The transition countries are undergoing unprecedented transitions in their social, legal, and economic institutions As Hoskisson et al. (2000) explain, 'enterprise strategies in emerging econo-

mies are therefore facing strong environmental pressures for change, yet this change is neither smooth, automatic, nor uniform across different markets.'

Societal and cultural change have been especially strong in so-called transition countries. It means that the problem of managing change is highly relevant in these countries, e..g Russia, China and Estonia. The transition to market economy urged most organizations in these three countries to adapt to new environmental challenges.The operating environments in Russia and Estonia have been challenging companies by their political and economic instability since the end of the1980s (Kets de Vries 2000; Aron 2002). While the general political and economic situation has stabilized in the 2000s, the recent years brought new challenges, such as, the intensification of competition in many industries or accession to the WTO in Russia (Rutherford & Tarr 2005) or entering the European Union in the case of Estonia (Alas, 2007). China initiated an experiment with private ownership and opened up to the outside world in 1978 (Waldman, 2004). Several major developments have given special momentum to those changes: China entering the WTO, the opening the western regions of China, building up an information network, transforming new management systems nationwide, and encouraging innovations, investments, and entrepreneurship (Wang, 2003).

Thus, companies have been facing a strong need for internal changes in order to adapt to external transformations (Khait *et al.* 1996; Growth Management 2001). In the beginning, the burden of this task for Russian, Estonian and Chinese managers was doubled by the fact that most of them were unfamiliar with such situation after the stable period of planned economy. They had to gain knowledge and skills in change management. So a question arose: what approaches to change management have they been adopting? The author also compared China with Estonia and Russia in organizational change in this dissertation.

To summarize the theories used in the thesis, the author created the following table in order to present a clearer picture to readers. It is certain there could be a lot of factors related with organizational changes in Chinese companies. However, due to the limited space of this thesis and the based on the previous literature, the author decided to research on three points: content, process and readiness. Firstly, the author studied the content of changee - what changed and how they changed in several papers, e.g. how institutional context influneces Changes in Chinese Organizations and chinese institutional context influences chinese people's values and attitudes to change. Secondly, the author studied the process model of organizational changes in china. Thirdly, the author specifically focused on the inter-links of three factors of the readiness to change. Then the entire thesis is able to deliver an overall information about the organziational changes in China.

Table 4. Summary of the theories used in the thesis

Author	Theory on organizational change	Brief explanations	
Armenakis and Bedeian	content research	features of organizational change such as types, strategy, leadership and so on	Two types of change according to scope: first order change and second order change
Armenakis and Bedeian	contextual research	could be linked to the model through the institutional environment within which the organizations operate	
Armenakis and Bedeian, Struckman and Yammarino	process research	how organizational changes take action	
Armenakis and Bedeian, Struckman and Yammarino	criterion research	could be linked to the **readiness to change** if we take this as the outcome of previous activities and changes	
Ruth Alas	triangular model of change	- types of change: scope, duration and initiator of change - process of change: the trigger event, core process and support process - readiness to change: organizational learning, employee attitudes towards change and organizational culture	
Different authors	Process models	Unfreezing, moving, refreezing	

Source: the author

II.THE EMPIRICAL STUDY IN CHINESE ORGANIZATTIONS

2.1. The Research Process

In this section the author first introduces triangulation and then explains the research process.

2.1.1. Triangulation

The author uses multiple forms of triangulation in these research-Multiple sources and techniques in the data gathering process were chosen to increase the credibility and trustworthiness of the study (Yin, 1994). The author's analysis is extensive, and the method compares information from different types of data sources through a technique called triangulation (Stake, 1995, p. 107). In social research, the term triangulation is used in a less literal sense – it involves the use of multiple methods and measures of an empirical phenomenon in order 'to overcome problems of bias and validity' (Blaikie, 1991, p. 115). Furthermore, Jick (1984, p. 365) argues that triangulation 'can be something other than scaling, reliability and convergent validation. It can also capture a more complete, holistic, and contextual portrayal of the unit(s) under study'. Snow and Anderson (cited in Feagin et al., 1991) asserted that triangulation can occur with data, investigators, theories and even methodologies. Denzin (1989) identified four types of triangulation: data source triangulation, when the researcher looks for when the data remains the same in different contexts; investigator triangulation, when several investigators examine the same phenomenon; theory triangulation, when investigators with different view points interpret the same results; and methodological triangulation, when one approach is followed by another, to increase confidence in the interpretation.

In this research multiple forms of triangulation were used by the author. Firstly, there is theory triangulation: the phenomenon of organizational changes is studied from different angels: types, process, readiness and values. Secondly, data triangulation with data coming from different sources, including research results from different studies, results of interviews, observations and written materials. Moreover, method triangulation is used – the data is collected and analyzed using different methods, including interviews, different questionnaires and observations.

2.1.2. Research Process

The research process started in 2005 with gathering literature concerning theoretical views on organizational changes. Literature and relevant data were gathered across books, academic journals, institutional publicity and websites. They were studied in order to acquire a deeper and more thorough understanding of this topic. These provided a sound basis for the general description of organizational changes

in China. Then empirical surveys were designed for each research task based on the research of literature. All the questionnaires and interview questions, which will be explained below, were translated from English into Chinese and then re-translated from Chinese into English by different people. Then the versions were compared to make sure all questions are the same in language. Finally a final vesion was made based on the comparison. The whole process is a long procedure.

Following presenting the theory about organizational changes, the next step will be conducting a survey to acquire deeper and more practical knowledge about the implementation of organizational changes in China.

The author adopted an interview concerning change in Chinese organizations.The questionnaire adopted in the survey was designed by Ruth Alas (professor in Estonian Business School), who is an expert in the field of change management. In 2006 interviews with top managers or members of management teams were conducted in 160 randomly selected Chinese organisations by the author. Among 160 companies, in 39.4 percent of companies, the top manager or CEO answered the questions. In 40 percent of the organizations, deputy directors or vice general managers were interviewed. The rest of the respondents were working as middle managers in different functional departments, of which 5 percent and 3.8 percent specialized in HR and marketing, respectively. The others were responsible for other departments, such as finance (3.1 percent), sales (2.5 percent), project management (2.5 percent), assistance (2.5 percent) and customer service (1.3 percent). All interviewees had experienced a recent organizational change in their organizations, and have been directly involved in strategy formulation and implementation. Apart from their knowledge and views on the questions asked, the interviewees were encouraged to elaborate on the process and complexities of the organizational changes experienced inside the companies.

The author analysed the results of these interviews in Study I, III and V. Firstly, in Study I the author studied the change management in Chinese companies from human side (first research task). Based on the research results the author identified the main problems associated with human resource and make specific recommenditions to the human resource management function in order to facilitate the success of organizational changes.

After the features associated with HR in process of change implementation were identified (first research task), the second research task arose. One cannot really understand certain social phenomena without understanding both the historical events and the cultural meanings attributed to these events by the relevant actors. The institutional environment includes two aspects: structural and cultural. Cultural institutions refer to values among people. These values have influences on the change implementation process. So in order to have a deeper understanding of change implementation in Chinese organizations, people's values should be studied. A questionnaire designed by Lembit Tünpuu from EBS, and developed further by Ruth Alas and Jaan Ennulo from EBS was used. The research was conducted in 29 Chinese companies in 2005-2006 with 1303 respondents. It aimed to evaluate the 9 value groups including organizational-legal values, social values, cultural values, personal values, specialty-related values , ethical values , values related to mode of life

, business ideological values and leadership ideological values. In study II , the author compared people (older age group) with work experience from the pre-reform period—pre-1978 China, with those who started their work life in a society that had already changed and become open to foreign investments (younger age group). The author created a model of institutionally sensitive work-related values.

After studying Chinese employees' values (part of cultural institutions), the author continued the research on the institutional influences on change under macro environment. The third research task is to identify the types of changes that were implemented in Chinese companies. Based on the in-depth interviews in 160 companies, the author studied how different environments in history have influenced changes in Chinese organizations and identified the types of change in Study III.

In order to complete a full study in change implementation in Chinese companies, it is also necessary to study the readiness to change. The organizational ability to learn decides the success of implementation of change. The employees' attitude is also a determinant in the success of change. Meanwhile, both the learning and the attitudes are affected by organisational culture. The fourth research task is to discover the connections between organisational culture, organisational learning and employees' attitudes toward change and analyze the readiness of changes in Chinese organizations (Study IV). A research was conducted in 2005-2006 in 29 companies. 1303 respondents fulfilled three questionnaires: a questionnaire about organizational learning, a questionnaire about attitudes toward changes and a questionnaire about organizational culture. First two questionnaires about learning and attitudes were developed by Ruth Alas. Questionnaire about organizational culture was developed by Maaja Vadi from University of Tartu. In Study IV the author analyzed the results of these questionnaires and found out the links between these three factors. There are specific features in organizational culture and learning in Chinese companies. The author developed a model about impact of organizational culture upon organizational learning and attitudes toward changes in Chinese organizations.

Then, the author comes to the fifth research task based on all findings revealed by the four completed research tasks . The fifth research task is to discover the common features involved in the process of change implementation in Chinese companies and to recommend a process model (Study III, Study IV, Study V and Study VI). Based on the interview question results from 160 companies, the following elements of change implementation were analyzed: types of changes and duration, initiators of change and factors that Changed, steps in change process, reactions to change, resistance to change and overcoming resistance. The author also made recommendations to the managers in Chinese organizations in paying special attention to five activities in change implementation process.

After completing the five studies explained above, the author completed a case study based on her personal observations and participations in order to give an example to show the change implementation in practice in Chinese companies. The case (Study VI) displays a series of changes that happened in a private Chinese company in a conservative innerland city in China.

Finally in order to achieve the sixth and seventh research tasks, the author and other co-authors did an another survey in China, Estonia and Russia. A questionnaire evaluating content, process and results of change was sent out in order to

collect information about the details of change implementation. The questionnaire was pilot-tested with a number of experts. The follow-up interviews with these experts indicated that the multiple choice questions included all potential options and suggested some minor improvements in questions' wordings and format to ensure that they will be properly understood. The questionnaire was initially in Russian language (Andreeva, 2008), ant it was translated to Estonian and Chinese.

In February 2007 the author sent questionnaires to 73 Chinese companies and received 55 feedbacks. In each company one person answered the questionnaire. The response rate is about 75%. The questionnaires were also sent to 59 Russian and 71 Estonian companies.

Based on the combination of the results from this questionnaire and the in-depth interviews, the author compared the features of change implementation in China with Estonia and Russia and analyzed the applicability of western planned change aproach on hard and soft organizational elements (Study VII and VIII).

2.2. The Propositions for Empirical Analysis

In this subsection the author presents the propositions for analysis and the basis for formulating them.

Considering the long history of central planning economic regime existing before the current market economy and the socialist political regime prevailing for six decades, the totalitarianism level in China could be regarded as very high in China. So the author made the first proposition as follows. More detailed theoretical basis and reasoning for this proposition is shown in Study I and V.

P1: In the process of change implementation in Chinese organizations one main characteristic is a high level of centralized authority and a low level of employees' involvement and empowerment (Study I, III, V).

The transition from a planned economy to a market economy has brought about political and cultural changes, which will naturally lead to changes in value systems (Lu and Alon, 2004). The younger generation who have grown up during economic changes period in China may hold different values with those people who have started work experience from pre-reform period. So the second proposition is constructed as follows:

P2: In China there are differences in work-related values between different age groups, i.e. older age group with work experience from the pre-reform period – pre-1978 China and younger age group who started their work life in a society that had already changed and become open to foreign investments (Study II).

The third proposition is about the types of organizational changes occurring under the context of drastic social changes in China. More detailed reasoning for this proposition is shown in study III.
P3: During social transience the deepest changes in terms of scope - transformational changes took place in Chinese organizations (Study III).

According to social scientists, behaviour is a function of the meaning of a given situation. Participants in social events bring to them prior meanings and stereotypes, which can be understood only in a historical and cultural context (Sahlins, 1985).Taking into consideration the specific cultural context and the transformation itself in China, the author assumes that there should be differences exisiting between China other western countries in organizational learning and organzational culture. Therefore the fourth proposition is constrcuted.

P4: In China organizational learning and organzational culture have specific features, which are different from those in western countries. (Study IV)

The fifth proposition is about the features of the actual steps in change implementation process in Chinese organizations. According to Ruth Alas (2004), the main focus of Estonian managers has been on initiating change and much less attention paid to assessing the process of change and making modifications and consolidating improvements. Estonia shares similarities with China in the long time experiences in socialist regime and command economy. Therefore, the author assumes that the situation in Chinese organizations is the same as that in Estonian companies in the aspect of change implementation steps.

P5: More attention was paid to planning stage than to implementing and consolidating stage (Study V).

The sixth and seventh proposition are about the impacts of national culture on organizational change. China and Estonia differ in terms of modal values. The score in uncertainty avoidance, future orientation and performance orientation for two countries are different (House et al. 2004). The differences in cultural values have influences on people's behaviours, in the case of organizational change, specifically on resistance behaviours. So the author forms the sixth proposition as follows:

P6: The resistance behaviors of Chinese employees are different from those of Estonian employees. (Study VII)

In order to develop the proposition on cultural influence on planned change model applicability, the author presents further short descriptions of cultural background of China, Estonia and Russia along three GLOBE dimensions in discussion (See Figure 1).

	Uncertainty Avoidance	Future Orientation	Performance Orientation
Russia	5.07	5.48	5.54
China	5.28	4.73	5.67
Estonia	4.31	5.04	5.68
USA*	4.00	5.31	6.14
mean value	4.62	5.48	5.94

Figure 1. GLOBE scores for Uncertainty Avoidance, Future Orientation, and Performance orientation (society values, "Should Be")

* We present USA scores as well to show the cultural background of the GLOBE research project, which was initiated by American scholars.

Source: (House et al. 2004; Alas 2006).

China: *Uncertainty Avoidance* is very high (China's score 5.28 is close to the maximum observed value of 5.61), which on national level is associated with long-term orientation in organizational practices (House et al. 2004). High level of Uncertainty Avoidance also inhibits innovativeness as novelty introduces additional ambiguity and thus leads to resistance. Chinese *Performance Orientation* score is below the mean value. As a result Chinese tend to rely on natural flow of events and be tolerant to unanticipated changes. Chinese society scores lower on *Future Orientation* in comparison with Russia and Estonia as well as with the mean value, which also illustrates attitude towards time and traditions. More detailed description about the three dimensions of China was presented in 1.2.3.

Estonia is located somewhere between Russia and China in terms of modal values in discussion. The level of *Uncertainty Avoidance* (4.32) is relatively low – lower than Russian and Chinese scores and below the GLOBE average as well. That suggests less engagement in detailed planning. The other potential outcome may arise in readiness to take risk and big amount of spontaneous change as a result of adaptation. Estonian score on *Future Orientation* is relatively low and close to the GLOBE average. So Estonian case may resemble the Russian one, when both adaptability to emergent events and accuracy in pursuing short-term goals can be expected. Consequently one can find a certain divergence from initial plans and some unanticipated outcomes after change program execution. Estonian score on *Performance Orientation* is very close to Chinese one. Similar explanations can be derived: value of the task per se is rather low and tolerance towards uncertainty prevails. So the amount of unanticipated change can be high in Estonian subsample.

Russian society can be described as not tolerant to ambiguity (see Figure 1): its *Uncertainty Avoidance* score in the GLOBE project is rather high. This may suggest strong inclination for detailed planning and unwillingness to accept deviations from initial plans from managers' point of view. If attributed to employees, Uncertainty Avoidance can result in resistance to renewal initiatives, which may on the contrary negatively affect plan execution.

Russian score for *Future Orientation* coincides with the GLOBE mean value of 5.48. This fact suggests that national culture is balanced in terms of short- and long-term priorities in goal setting. In business context it can be interpreted as managerial flexibility to sense signals from environment or within organization and to pursue new goals. So one can expect that plans (content ex ante) and results (content ex post) of change program will not match each other because change agents can redirect their efforts in order to adapt to emergent events.

Russian score for *Performance Orientation* is below the GLOBE mean value, which means that in Russian society success in adapting to external challenges is defined more through compliance with standards than through achieving results. Low Performance Orientation also indicates external locus of control, i.e. readiness to take exogenous facts for granted, which can result in tolerance towards unanticipated changes. Setting high performance targets is not inherent in such societies, so managers might accept reasonable, not ambitious goals. Thus one can expect comparatively lower deviation of results from initial plan, because goals defined ex ante are executable in principle and do not arouse much resistance.

Taking into account all these considerations, the author formulates the seventh proposition as follows:

P7: In Chinese companies the level of tolerance towards ambiguity is higher than in Estonian and Russian companies, which is demonstrated via the lowest level of preliminary change planning and via the highest level of unanticipated changes. (Study VIII).

As prior research suggested, the applicability of planned change model can depend on particular organizational elements that are targeted within change management program (Andreeva 2008). Based on this idea, it is proposed that planned change model may work best for hard organizational elements, as it seems that in such cases both initial and desired states for such elements can be completely described, and strict adherence to a plan can be regarded as key management function in this case. For the "soft" organizational elements, strongly related to human factor, it is proposed in the opposite: they would be most frequently subject to deviations from plans and thus we assumed that planned change model interventions were not suitable for changing such elements. Based on this, the author formulated the eighth proposition as follows:

P8: Planned change approach works better on "hard" elements than on "soft" elements. (Study VIII)

2.3. Methods Used in the Research

The following instruments were used for the research.

Interview for measuring types of change and their implementation

The interview questions for evaluating types of change and their implementation was developed by Ruth Alas. It was composed of 12 questions about the period of change, the types of change, the initiator of change, the content of change, changes in corporate culture during the change, people's reactions to change, resistance to change and strategies employed for overcoming these (See Appendix 1 in Study I). Most of the questions were open-ended, however, in some cases closed-ended questions were used, for example, in order to figure out the factors that had changed in the process of change. Content analysis based on theoretical models as process of change, orientations of organizational culture and others was used for analyzing interviews.

Questionnaire for measuring employees' work-related values

The author has analyzed the work-related values based on a questionnaire designed by Lembit Tünpuu from EBS, and developed further by Ruth Alas and Jaan Ennulo from EBS (Appendix 1). The questionnaire included 46 items (Alas et al., 2006) to evaluate the 9 value groups. Questions were about the respondents' expectations of society and trade unions, about feelings toward organisations and some other areas. The respondents were asked to evaluate these items on 10 point scale. The author

analyzed the work-related values of two groups according to work experience separately. A total of 862 out of 1303 respondents had no work experience from pre-reform China. We call these the 'younger age group'; 431 respondents who had this experience form the so-called 'older age group'. The questions were translated from English into Mandarin and retranslated into English. The retranslations were compared to the original English version. In order to make the questions understandable to employees at all levels of the organizations, specific management terms were not used in the questions.The author uses two methods for comparing the age groups: ranking of values and T-test. Difference in ranking should be at least 2 places in order to consider values of two groups different.

Questionnaire for measuring organizational learning (QOL)

To evaluate organizations' learning abilities the author used the measure developed by Alas and Sharifi (2002) (Appendix 2). Authors let respondents evaluate 21 indicators of organizational learning on a 10 point scale. A principal component analysis and factor analyses with varimax rotation was completed for the 21 items.The two factors received describe together 56% of initial variability. The internal consistency, or Cronbach's Alpha coefficient, are for the first and second factor .74 and .84, respectively. First factor could be called as learning environment (LE) and second as goal commitment (GC). These items form relatively clear pattern of relationships. Learning environment is about creating micro-climate which encourages learning. Goal commitment is about employees' awareness of and commitment to the business objectives and how actively they participate in decision making process.

Questionnaire for measuring employee attitudes in the process of organizational change (QEA)

The authors used a questionnaire (See Appendix 3) designed on the basis of statements about satisfaction with leadership, with the job itself and with previous changes (Alas and Vadi 2004). The entire questionnaire contains 15 items. A principal component analysis and factor analyses with varimax rotation was completed for this 15 items. The two factors received describe together 41% of initial variability. The internal consistency, or Cronbach's Alpha coefficient, is .80 for first and .53 for second scale. The first factor could be called satisfaction with position (SP) and second as belief in change (BC). Items in the first scale, satisfaction with position, addressing whether employees were satisfied with their current position, job and managers. The second scale addresses how necessary the changes were for the organization and how individuals benefit from these changes.

Questionnaire for measuring organizational culture (QOC)

A questionnaire from 43 items developed by Vadi et al. (2002) was used in order to measure orientations of organizational culture (See Appendix 4).A principal component analysis and factor analyses with varimax rotation was completed for the 43 items. The three factors received describe together 45.5% of initial variability. The

internal consistency, or Cronbach's Alpha coefficient, are between .75 and .83 for those scales. Factors could be called task orientation (TO), disinclination (D) and relationship orientation (RO) of organizational culture.The task-orientation of organizational culture reflects the extent to which all members are willing to support the achievement of common goals. A certain degree of freedom, acknowledgement for good work and the occurrence of constant positive change inspires organizational members. It makes people think more about the needs and objectives of the organization. The relationship-orientation of organizational culture indicates belongingness and the importance of interpersonal relationships within the organization. When relationship orientation is important, organizational members assist each other in work-related problems and discuss all the important topics with each other. People know how to communicate with each other and there is a strong feeling of unity in difficult situations. Disinclination indicates behaviours and attitudes which cannot be tolerated by Chinese employees, with which they disagree.

Questionnaire for evaluating content, process and result of change

The questionnaire primarily involved closed multiple choice questions and covered issues on change content (plans and results), change implementation process, and change program efficiency, as well as company and situational characteristics (See Appendix 1 in Study VIII). The total number of questions in the questionnaire is 45. It consists of six parts, each dedicated to a particular group of questions: general information about the respondents, general description of the company, content of changes, change implementation process and results achieved. The sixth part concerns the respondents' experiences in general. Most of questions are close-ended, with several options given. However, there are some questions that are open-ended.

To sum up, the author constructed the following table (Table 4) illustrating the multiple forms of triangulation used in this dissertation, which shows the connections between research tasks, articles, propositions and research methods.

Table 5. Connections between research tasks, propositions and research methods

Research task	Article	Propositions	Research method
1.To explore the main problems in the process of change implemen-tation from the perspective of hu-man resources and to provide2 sug-gestions on human re-source manage-ment practices	Study I, Study V	P1: In the process of change implementation in Chinese organizations one main characteristics is a high level of centralized authority and a low level of employees' involvement and empowerment	Interview questions for evaluating the process of change implementation and types of changes worked out by Ruth Alas
2. To study the influence of the macro economic and social environ-ment on Chinese people's attitudes and values during the transition.	Study II	P2: In China there are diffe-rences in work-related values between different age groups, i.e. older age group with work experience from the pre-reform period – pre-1978 China and youn-ger age group who started their work life in a society that had already changed	A questionnaire for assessing values among employees worked out by the Lembit Tunpuu
3. To identify the types of changes that was imple-mented in Chinese companies. (Study III and Study V)	Study III Study V	P3: During social transience the deepest changes in terms of scope - transformational changes took place in Chinese organizations	Interview questions for evaluating the process of change implementation and types of changes in worked out by Ruth Alas
4.To analyze the readiness of chan-ges in Chinese organizations based on a study aiming to discover the connections between organi-sational culture, organisational learning and employees' attitudes toward change	Study IV	P4: In China organizational learning and organzational culture have specific features, which are different from those in western countries.	A questionnaire for assessing organisa-tional learning wor-ked out by Ruth Alas, A question-naire for evaluating emp-loyee attitudes to-ward change worked out by Ruth Alas, A question-naire for assessing the orientation of organisational culture worked out by Maaja Vadi

5.To discover the common features involved in the process of change implementation in Chinese companies and to recommend a process model .	Study III, Study IV, Study V, Study VI	P5: More attention was paid to planning stage than to implementing and consolidating stage.	Interview questions for evaluating the process of change implementation and types of changes worked out by Ruth Alas (V) , Personal Observations (VI)
6.To compare the organizational change in Chinese companies with change in other countries in transition: Estonia and Russia.	Study VII, Study VIII	**P6:** The resistance behaviours of Chinese employees are different from those of Estonian employees. (Study VII) **P7:** In Chinese companies the level of tolerance towards ambiguity is higher than in Estonian and Russian companies, which is demonstrated via the lowest level of preliminary change planning and via the highest level of unanticipated changes. (Study VIII).	A Questionnaire for evaluating content, process and result of change (VIII), Interview questions for evaluating the process of change implementation and types of changes worked out by Ruth Alas (VII) ,
7. To explore the applicability of western planned change approach in 'hard' and 'soft'organizational elements in transition countries - China, Estonia and Russia.	Study VII, Study VIII	P8: Planned change approach works better on "hard" elements than on"soft"elements. (Study VIII)	A Questionnaire for evaluating content, process and result of change

Source: the author

III. PUBLICATIONS

ARTICLE 1

Alas, R., Sun, W. (2007) 'Organizational changes in Chinese companies: a resource-based view', Chinese Management Studies,Vol. 1, No 4, 225-242.

ORGANIZATIONAL CHANGES IN CHINESE COMPANIES: A RESOURCE-BASED VIEW

Abstract

Purpose-In recent years, resource-based theory has emerged as one of the most promising theoretical frameworks in the field of management. In this paper, the authors aim to explore the application of a resource-based view when implementing organizational change in Chinese organizations. The problems associated with change are explored from the perspective of human resources (HR).

Design/methodology/approach-Structured interviews were conducted with top or middle managers in 160 companies in several large cities in the northern part of China: Beijing, Tianjin, Jinan and Zibo.

Findings-From the perspective of HR, the main problems faced when implementing change in Chinese organizations include the following: bureaucratic regulations and strict orders remain the core features of the process of implementing changes in Chinese companies. Meanwhile, the intrinsic values and emotions of employees were neglected and coercion and manipulation was frequently used as a strategy to overcome resistance to change. Moreover, Chinese managers are found to lack the skill to involve employees in the change process.

Originality/value-The study provides some insights into the human side of the change management process in China. Based on the research results the authors have identified the main problems associated with HR and recommend that the human resource management function facilitate the success of organizational changes.

Keywords- Organizational change, Human resource management, China

Paper type- Research paper

Introduction

The Chinese economy, previously a relatively closed system, is on a reform path toward an open, market-driven system. Faced with fierce competition in the world economy, especially after China's entry into the WTO in 2001, Chinese companies are undergoing rapid, fundamental change processes. As one of the fastest developing countries in the world, with an annual growth rate of 8-10 percent averaged over two decades (Hampden-Turner and Trompenaars, 2002), China has constantly been an object for research in the field of change management.

During more turbulent times in society also deeper changes take place in organizations (Alas and Vadi, 2006). The challenge has been to internalize a new type of organizational behavior in order to operate successfully under unfamiliar conditions (Alas, 2007). As meanings of significant events are transmitted across generations (House and Javidan, 2004) and there are significant differences in the attitudes toward society, organizations and work, held by people in different countries (Alas and Rees, 2006), there could be also differences in reactions to change. Therefore,

organizational competency for culture and change has become popular research field in China (Zhong-Ming, 2003). According to Foo (2001) classical tools, methods, strategies and techniques effective in freer economies may be less than relevant in former communist, centrally planned economy as China.

In recent years, resource-based theory has emerged as one of the most promising theoretical frameworks in the field of strategic management. Pettus (2001) developed a resource-based perspective for predicting the sequencing of a firm resources that best provides for the growth of the firm. The resource-based view of the firm argues that organizational resources are bundled together (Carlucci and Schiuma, 2007). Rialp and Rialp (2006) develop a resource-based model which emphasizes importance of intangible resources as human and organizational capital on success of firms.

However, literature about incorporating a resource-based view into approaches to organizational change in transition economies was missing. At the same time, human relations are of crucial importance in the Chinese business world (Wong, 1996; Xin and Peace, 1996; Yang, 1994). Therefore, in this paper the resource-based view has been applied in order to study organizational changes in Chinese companies. The emphasis is on how human resources (HR) influences the implementation of change.

In the theoretical section, the author will draw on prior research on the resource-based view and organizational change. A brief overview of recent Chinese history, especially of in relation to transition and reform, is also presented as part of the theoretical framework. The empirical part of the study involves analysis of structured interviews about the implementation of organizational changes from 160 Chinese organizations. Finally, problems connected to implementing change are discussed and suggestions made for how human resource managers can improve the implementation of changes.

Theoretical framework

Resource-based view of the firm

The resource-based perspective argues that sustained competitive advantage is generated by the unique bundle of resources at the core of the firm (Conner and Prahalad, 1996). The term resources was conceived broadly as anything that can be thought of as a strength or a weakness of the firm (Wernerfelt, 1984, p. 172). The theory addresses the central issue of how superior performance can be attained relative to other firms in the same market and posits that superior performance results from acquiring and exploiting the unique resources of the firm (Wade and Hulland, 2004).

Resources that cannot be easily purchased, that require an extended learning process, or are a result of a particular corporate culture are more likely to be unique to the enterprise and, therefore, more difficult for competitors to imitate (Barney, 1991). It is argued that performance differentials between firms depend on having a set of unique inputs and capabilities (Conner, 1991).

Firms can achieve sustainable competitive advantage from such resources as management skills (Castanias and Helfat, 1991), tacit knowledge (Polanyi, 1962, 1966), capital and the employment of skilled personnel (Wernerfelt, 1984) among others. The research conducted by Smith et al. (1996) presents a model designed to incorporate the effects of organizational learning into the resource-based view. Social, organizational, and HR between firms cause a fundamental heterogeneity in their productive potential (Priem and Butler, 2001). It is one of the main theoretical perspectives of human resource management (HRM) research (Sirmon and Hitt, 2003). There is interaction between resources a firm possesses- its personnel and material resources,even more, organizational resources are bundled together (Carlucci and Schiuma, 2007).

Because of causal ambiguity, path dependencies and social complexity, competitors should find it harder to duplicate an advantage when it results from a bundle of valuable, firm-specific resources (Teece et al., 1997). HRM has an important and difficult task in stimulating the people involved in organizational change processes so that they will develop their unique qualities and mobilize them for the success of the change effort (Doorewaard and Benschop, 2003).

Theories about organizational change
Organizations operate in a local environment which includes specific economic, social and cultural contexts (House et al., 2004; Moattar-Husseini and Olrien, 2004). Also organizational changes are connected with institutional development (Alas and Vadi, 2006). There are connections between the institutionalization stages of change at the societal level and types of change in organizations (Alas, 2004). The radical and quick economic reforms in post-socialist countries created new requirements for organizations (Svetlik et al., 2007), therefore during institutional changes in society also organizational changes were needed (Alas, 2007).

Types of organizational change
There are several classifications of types of change in the literature on this topic (Alas, 2004). Burke and Litwin (1992) have developed a model for making a distinction between transactional and transformational change. They argue, that transformational change occurs as a response to the external environment and directly affects the organizational mission and strategy and the leadership and culture. Transitional change deals with psychological and organizational variables that predict and control the motivational and performance consequences of the work group climate. This type of change may require considerable amount of unlearning (Alas, 2006).

Reactions to change
Western companies have experienced difficulties when managing in China (Foo, 2001). According to Senge (1997), people do not resist change; they resist being changed.Although organizational change in emerging economies is inevitable (Zhou et al., 2006), there is still resistance to change. Most studies of organizational change have shown that employees resist social change more than technical change (though

they are not separate in practice) and the change programs which ignore psychological resistance to change are likely to fail, irrespective of the way the new desired attitudes are presented (Schein, 1986). Kotter and Schlesinger (1979) present six strategies for facilitating change and overcoming resistance. Two of these strategies-communication and employee participation have been mentioned most often by different authors (Sun and Alas, 2007).

The process of change

Lewin (1989) basic model consisted of three steps: unfreezing, moving and refreezing. One of most popular process models is Kotter's (1998) eight-step model, which includes eight phases in the change process. Organizational processes are influenced by world views, cognitive frames and mindsets of managers (Campbell, 2007), organizational culture (Alas and Vadi, 2006) and national institutional features (Geppert and Matten, 2006). Institutions can enable or constrain actions (Campbell, 2004).

Organizational culture

The failure of many corporate change processes can often be linked to a misunderstanding of the very distinct yet interrelated roles of culture within the organization (Sopow, 2006). Business performance in China relates to organizational culture (Deshpande and Farley, 2000). Pun (2001) advocates a pressing need for organizations to manage cultural influences in Chinese organizations in order to maintain a competitive edge over their rivals.

Hofstede (1991) defines culture as the collective programming of the mind, which distinguishes the member of one category of people from another.?Organizational culture influences employee attitudes within the process of organizational change by providing a reservoir of organizational meanings against which results, experience and performance data are interpreted and inquiries about changes in procedures and program technologies can proceed (Mahler, 1997). Chu (1997) adds that culture has to be internalized in the state of minds of individuals in an organization. In the context of this survey the authors see organizational culture from a functional perspective as an adaptation mechanism, which helps an organization to adapt and survive in a changing environment. Task-orientation and relation-orientation are the vital aspects of organizational culture that can influence employee attitudes (Alas and Vadi, 2006). At the same time, following national differences have been found and should be taken into consideration. Task-oriented tactics were rated more effective by western managers than by Chinese managers (Yukl et al., 2003), relationships contributed to strategy implementation in China (Ni, 2006). Western management culture typically starts with the individual and then moves to the group, whereas Chinese management culture starts with the family as the basic building block of society (Bond, 1991; Su et al., 1998).

The background to China's development

In 1978, an ambitious reform program was launched in China. The rural economy was de-collectivized, private and semi-private enterprises mushroomed, and the state sector steadily shrank (Zhang, 2004). Reform has been accompanied by decentrali-

zation of economic control ?local governments have gained some or all of the decision-making power relinquished by the central government (Jia, 1998). The reforms of the late 1990s focused on enterprise reform, closing unprofitable enterprises and dealing with insolvency in the banking system. In 2001, China became a member of the WTO (President Jiang, 2002).

To summarize, since the 1970s, a fundamental transition has transformed the economic landscape of the People's Republic of China. One of the central aims of the reform in China is to improve the performance of the economy, which ultimately boils down to performance of the firm, especially the previously inefficient state-owned enterprises (SOEs) (Tan and Tan, 2003). Over the past several decades, China has experienced significant changes in transforming its bureaucratic system of state planning into a more market-oriented economic regime.

Methodology of empirical study

The empirical study was carried out in 160 companies in several large cities in the northern part of China: Beijing, Tianjin, Jinan and Zibo. Randomly selected companies represented various industries and sectors, ranging from manufacturing and technology, and banking and insurance, to those in energy and education industries.

In order to get content-rich first-hand information structured interviews were conducted with top or middle managers from different companies to acquire information about change in their organizations. The authors conducted the interviews over half a year in 2006. Among 160 companies, in 39.4 percent of companies, the top manager or CEO answered the questions. In 40 percent of the organizations, deputy directors or vice general managers were interviewed. The rest of the respondents were working as middle managers in different functional departments, of which 5 percent and 3.8 percent specialized in HR and marketing, respectively. The others were responsible for other departments, such as finance (3.1 percent), sales (2.5 percent), project management (2.5 percent), assistance (2.5 percent) and customer service (1.3 percent). All interviewees had experienced a recent organizational change in their organizations, and have been directly involved in strategy formulation and implementation. Apart from their knowledge and views on the questions asked, the interviewees were encouraged to elaborate on the process and complexities of the organizational changes experienced inside the companies.

The interview was composed of 12 questions about the period of change, the types of change, the initiator of change, the content of change, changes in corporate culture during the change, people's reactions to change, resistance to change and strategies employed for overcoming these (Appendix). Most of the questions were open-ended, however, in some cases closed-ended questions were used, for example, in order to figure out the factors that had changed in the process of change. Content analysis based on theoretical models as process of change, orientations of organizational culture and others was used for analyzing interviews.

Results analysis

In order to evaluate the types of organizational change, respondents had to answer, which transformational and transactional factors from Burke and Litwin's (1992) model were used (question 4 in Appendix). According to answers of managers 53.7 percent of changes implemented in Chinese companies were transformational. The authors analyzed different aspects of change implementation in Chinese organizations from the perspective of HR.

Organizational culture

Respondents were asked about changes in task- and relationship orientation of organizational culture during changes (question 8). According to data in Table I, 51 percent of the 160 companies did not experience any changes in organizational culture. However, according to the results, only 5 percent of the changes were developmental changes, which normally took place in one department, while 41.3 percent of the changes were transitional and 53.7 percent were transformational. Even in companies that underwent transformational change, deepest by scope, no efforts were made to change their corporate culture to help accomplish the goals of organizational change. For example, after merging two educational agencies, the companies failed to integrate the corporate cultures: new values were not clarified.

Table 1. Change in Organizational Culture in Chinese Companies

(% of companies)

Change in organizational culture	Percentage of the companies
No change	51%
Became more task-oriented	37%
Became more relationship-oriented	3%
Became more balanced	3 %
Became worse	3%
Became a learning organization	3%

In one manufacturing company where tangible resources were reallocated during the change, the roles of employees were not changed. To conclude, in many companies where transitional and transformational changes took place, there was no change in the organizational culture while some crucial factors such as strategy and leadership were transformed.

In 37 percent of the 160 Chinese organizations, organizational culture became more task-oriented. Only in 3 percent of companies did managers claim that their culture became more relationship-oriented. Most of the companies that transformed into a more task-oriented culture were SOEs that had undergone privatization. Before privatization, the culture was dominated by interpersonal relationships, which was one strong feature of collectivist enterprises in China. In order to survive the fierce market competition, SOEs were privatized or merged into larger private or foreign companies.The culture witnessed great changes from being more relationship-focused to being more task-focused. The managers in these companies did not attract appropriate people to be in charge of educating and involving employees. The most frequently used strategy in management was still the conventional way in informing and communicating. In a very small proportion of companies (3 percent), the managers claimed that their culture became more relationship-oriented. These companies were mainly private companies.

While some companies became either more relationship-oriented or more task-oriented, 3 percent of made their culture more balanced. For example, one company adopted a shift in positions among employees, which helped people to break the barriers between different departments and promote harmonious relationships.

There was also an equal number of companies (3 percent) that made their company a learning organization after the change. The managers claimed that people learned how to cope with change and a readiness to change was cultivated after the change was implemented. Lastly, it was noticeable that several managers in 3 percent of the companies admitted that the organizational culture became worse. They used the word worse and added their explanations. One manager from a private company claimed that after joining a more powerful company, the relationships between people were very intense and values became unclear. People who belonged to different companies resisted working together and the development of the newly merged company was hampered. However, during the merge, no effective strategies were used to improve the situation.

The process of change

Respondents were asked which steps were taken in the process of implementation of organizational change (question 6). In Table II, the steps in the process of change in Chinese organizations were analyzed on the basis of the steps in the most popular model of the change process by Kotter (1998), which consists from eight steps. Authors divided Kotter's steps into three groups according to Lewin's (1989) model. Research results indicate that according to Lewin's model in Chinese organizations most of the attention was paid to the unfreezing stage while re-freezing was given the least emphasis.

Table 2. Steps in Implementation of Change Process in Chinese Companies (% of companies)

Steps in change process	Percentage
Unfreezing	
Establishing sense of urgency	58.1%
Forming a coalition or team	30.6%
Creating a vision	78.1%
Communicating the vision	51.3%
Moving	
Creating a suitable climate	38.1%
Employee involvement	31.3%
Creating short-term gains	19.4%
Re-freezing	
Institutionalizing the new approaches	11.3%

Among the steps in the unfreezing stage, creating a vision is the most widely adopted step, followed by establishing a sense of urgency, which is the first step in Kotter's model. However, although 78 percent of the respondents created a vision, only half of them communicated it with employees in the organization. In addition, only one third of the respondents mentioned Kotter's second step: forming a coalition.

These results show that in the initial stage, Chinese companies created an awareness of the need for change and also created an aim for the change. Nevertheless, they were not good at communicating and educating employees, which possibly led to misunderstandings, confusion and even resistance among the employees in the later stages of the implementation of the change. Besides, teamwork was not well developed in the implementation of the changes, and the management group relied heavily on administrative order.

Regarding the steps in the moving stage, only 38 and 31 percent of the respondents mentioned creating a suitable climate and involving employees, respectively. Even a smaller percentage of the respondents created short-term gains. This reveals that in Chinese organizations, the implementation of change, to a large extent, remains part of the conventional administration. The top-down hierarchical management system still operated throughout the whole change process. It is clear that the empowerment of employees was not a popular activity or the leaders of the organizations were not motivated to empower employees. Therefore, the situation in many organizations was

that employees had no choice but to accept the change passively when they lacked adequate knowledge and motivation to be involved in the change.

The last step in Kotter's model: institutionalizing the new approaches, was the least emphasized step compared to other steps. This made the consolidation of

changes and ensuring the success of changes the least popular activity among the three main stages in the change process. To sum up, most of the Chinese organizations neglected the refreezing stage in the whole process while their main focus was on the unfreezing stage.

The readiness to change

According to answers to question 9 How did the employees react to the changes, 27.5 percent of companies experienced negative reactions to change; 15 percent of companies experienced a mixture of acceptance and opposition; and 14 percent of respondents mentioned that the employees were indifferent to the change. If their interests were not largely involved in the change, they tended to accept the decision from the top management without showing any strong response. A total of 14.4 percent of the respondents saw a gradual change in the reaction of employees from being initially unaccustomed to eventually adaptive.

Results indicate, that in Chinese organizations people experienced feelings of fear, hesitation and acceptance or opposition to change. It seems that in Chinese organizations people tended to be more accepting of changes, but in a passive way. This is due to the deep influence of socialism and collectivist thinking that has prevailed in China for about six decades. Chinese people were educated and taught to accept what is and what will be without question. Actually, in deep down they thought they were unable to change anything even though they resisted the change because traditionally it was the rule that leaders and government made all the decisions. This reflected the indelible influence of totalitarianism on the way people think in China. Although the economic system in China has changed towards a price-driven free market regime, the political system has remained unchanged and still dominates the social mentality. In this context, it is quite hard for HR managers or for people who implement changes. But people are the key to the whole process of implementing change. Only if they are actively involved in or participate in the change, can a positive outcome be achieved.

According to answers to question 10 in Table III among six causes of resistance, inertia in people's thinking was most frequently mentioned (by 26.9 percent of respondents) as the main root of resistance. Institutional inertia came from a lack of information, a lack of knowledge, social and political pressure affecting economic decisions and the simple persistence of customs and habits. Inertia explained the difficulties encountered in reforming state enterprises. Another element of inertia was the tendency to retain the old ways of doing things. In many state-enterprises, which have been changed to share-holding companies, the shareholders still elected the same governing people to the new board of directors and there was no change in the management. Meanwhile, 14 percent of respondents demonstrated that the resistance came from fear and concern about the future after the change. In some organizations facing bankruptcy, while the employees were positive to changes that may help the company survive, some middle managers were against it as they were afraid of losing their current positions. Furthermore, 7 percent of respondents found that the employees were worried about being laid-off and becoming jobless, and therefore, had very strong negative attitudes to change. There was an almost equal

percentage of respondents (about 5 percent) who regarded the resistance as a reaction to overly quick and unclear changes and the lack of information and knowledge about the change. It frequently happened in Chinese organizations that changes were implemented as a command from the top management with manipulation and insufficient information sharing. This is a unique feature of the socialist system: people are just informed what to do without being told why. In addition, about 4 percent of the respondents mentioned an unwillingness to do additional work. Before vital social transformations took place in China, a job was regarded as an Iron ice bowl to many people's mind, and there was a lack of an effective incentive system in many organizations. When confronting by more challenging and efficient systems, people, being used to routine tasks, were not willing to devote more time and energy to work. From the above results, it can be concluded that the main causes of resistance to change can be as follows: people may feel that there is no need for the change, that it is too risky, or that the process is being handled poorly and so there is no confidence in it. There may also be a lack of trust in the process itself, especially if the change goes against their previous values. For example, when a SOE is acquired by a foreign company, Chinese employees feel no sense of security as they know the whole new system including reward and HR will be different from what it had been in the collectivist enterprise. However, they have no confidence about how to cope with such a scenario.

Table 3. Resistance to Change in Chinese Organizations (% of companies)

Resistance to change	Percentage of the companies
Inertia in the thinking	27%
Fear of the unknown	14%
Unwillingness to do additional work	4%
Planned redundancies	7%
Reaction to overly quick and unclear changes	6%
Information Blockades	5%

Strategies for overcoming resistance

Respondents were asked what company did to overcome resistance to change (question 11). In content analysis six strategies for overcoming resistance presented by Kotter and Schlesinger (1979) were used. The results of interviews indicate that the

most frequently used and the most effective strategy for overcoming resistance to change among employees was communication and education. However, to interpret it more specifically, in China communication may not mean involving the employees in planning the change or collecting the employees' opinions. It may simply mean informing the employees about the change before starting to unfreeze. Another noticeable feature in change implementation in China is that coercion or manipulation was frequently used and was acceptable. This may result in strong negative feelings towards those implementing the change in the initial stages; however, people eventually accepted the change since there is a long tradition of people following commands in this socialist country. Even though the economy was gradually being converted to a free-market economy, the management style and the old style of thinking still prevailed or dominated under the socialist regime, especially in the northern part of China. The results also reveal that employee involvement was rarely used due to the incompetence of managers to empower their employees.

Conclusions and implications

Interviews in 160 Chinese companies indicate the following problems in implementing organizational changes in Chinese companies from the perspective of HR.

Firstly, the process of implementing change is characterized by bureaucratic regulations in Chinese companies. Bureaucratic regulations consist of strict orders, contractual arrangements and the manipulation of the employee's autonomy. This approach tends to neglect the emotional consequences. On the rare occasions that this approach pays attention to the emotions of employees, it tends to convert these into controllable objects. For example, almost all changes were initiated by top managers or administrative agencies, and the decision to initiate change was passed down from the top. This top-to-down hierarchical managing system still operates throughout the entire change process, just as with everything that happens in the daily running of the business. Even though some companies did create a vision for the change before implementation, this vision was not well communicated or explained to the employees. And in the process of change, little attention was paid to creating a suitable climate.

Secondly, coercion and manipulation was used too much in the change process and thus, the intrinsic values and emotions of the employees were neglected. Coercion and manipulation ignore individual emotions and responses to the change. In the short-term, coercion may work and people seem to accept the change. However, in the long run, the doubts and feeling of uncertainty and even rejections still exist internally. For example, the biggest obstacle in change implementation in Chinese organizations is inertia in people's thinking. However, managers tend to resort to external force to make people to accept change. The strategy for reducing resistance was simply coercion. When adopting coercion and controlling, the implementers of change may lack respect for the employees, which may result in employees feeling insulted or having even more hostile feelings toward the changes and even toward the leaders and implementers of the changes. In the long-term, this will have negative effects on the productivity of the whole company.

Thirdly, the employees were not properly empowered and involved in the change. As mentioned above, only a very small proportion of the changes were initiated from low-level employees. The employees' opinions were not valued. During the planning stage, managers rarely involve employees in deciding how to handle changes. During implementation, the most common strategy used to motivate people is communication, which is the management's conventional approach. Few training courses were offered to employees on how to behave during the change process. Moreover, no effective incentive system was created for those people who were afraid of the future after the change and who were unwilling to do more work to help them maintain confidence about the change. Some of these problems with use of intangible resources in Chinese organizations are partly similar to findings from East-European former socialist countries: leadership in countries with socialist past has also been seen as more autocratic than participative (Alt et al., 2003; Lang et al., 2006). Although the recent study indicates some movement to 'softer' cooperation-based style (Alas et al., 2007), research about organizational changes in transition economy indicates importance of changing the traditional management style when implementing changes (Sun and Alas, 2007).

According to Wade and Hulland (2004) more productive use of firm's valuable, rear and appropriate resources could create short-term competitive advantage, which is the bases for sustainability of firm. Carlucci and Schiuma (2007) found that organizational resources are bundled together and suggest to use relationships for handling resources better. Ongoing measurement of the effectiveness of manager communication has been pointed out (Sinickas, 2007) and rising role of employee communication has been emphasized as a competitive advantage for companies (McKenzie, 2006/2007; Roach, 2006/2007). In order to support corporate success better, corporate communication should be closely linked to a company's overall strategy (Argenti, 2003), which during transformational changes could also be change strategy.

Many multinationals interested in developing manufacturing in China are unfamiliar with conditions inside this emerging market (Foo, 2001). Although there has been significant body of operations management research (Rungtusanatham et al., 2003), have been only few articles exploring soft issues of manufacturing (Fang and Wang, 2006). As human resource managers have key role in dealing with intangible resources, the authors developed some implications for human resource managers of Chinese enterprises.

Implications for human resource managers

It is understandable that organizations implementing change may find that some individuals will be uncomfortable with change and this will bring about resistance. If not understood and carefully dealt with, the resistance may cause a fair amount of tension and conflict undermining the positive outcome of the change. Based on the resource-based view, in order to build a competitive change, intangible resources (including HR) represent irreplaceable value for a firm. Effective HRM practices

will constitute effective patterns of communication, empowerment and participation in order to produce and lift employee competencies and commitment for the changes. If HRM measures succeed in maintaining and promoting what is unique in terms of human potential in the change process, then changes will be effective, efficient and the productive organizations will be achieved.

Based on the results and discussions, the authors make the following recommendations to HR managers and staff in Chinese companies.

Firstly, HR management should help company managers or those implementing the change to avoid using coercion. It is important for managers to pay attention to the implicit role of emotions in organizational change. HR personnel should help company managers to develop and cultivate a respectful and attentive understanding of the intrinsic value of everyone involved in organizational change; that is, the set of ideas, norms and values that steer the mobilization of employees' capacities. It is a basic human need to feel a sense of worth. In the change process, feelings are a part of the process. However, coercion and manipulation neglect the individual's intrinsic emotions towards the change. In order to avoid this situation, HR personnel should organize training courses to help line managers to take a different approach to their staff instead of relying on coercion and manipulation. In the training course, communication and education skills can be taught to line managers to improve their communication competency. For example, training managers to learn to use two-way communication to revitalize people, giving them chance to take on new ideas as well as update them during the organizational change process. Through such training programs, managers, line mangers and anyone implementing the change are encouraged to spend time with their teams, listening and coaching. The training program can also include how to effectively support the employees in the process of change and facilitate negotiation between managers and employees. Besides, HR managers can cooperate with internal communication managers to organize newsletters or company magazines to educate employees about change and therefore help reduce the resistance to change.

Secondly, HR personnel should help the managers in the company to consider the emotions and needs of employees. HR personnel in Chinese companies should make an effort to understand the feelings of employees, then satisfy their needs and motivate them. The motivation for accepting change involves facts, beliefs, values, and the entire thinking process. Most importantly, if the transition to change is to be successful, individual needs must be considered and met. Helping oneself and others adapt to change can be a challenge, but by everyone participating in the process and all "lightening up" change will be more easily accepted. Considering informing employees about the facts, the vision and reasons for change should be thoroughly communicated to employees by those implementing the change or with the help of the HR personnel. This can be done through traditional methods, for example, collective meetings and gatherings. Additional measures will be more effective; for example, HR staff can organize discussions in groups within the company where employees have the opportunity to talk and exchange ideas. HR staff should also record information from the

discussions. Another way to gather information about people's attitudes to change and the reasons behind these is carrying out surveys in the company. In Chinese companies people are not used to doing questionnaires as they doubt whether their opinions will be valued by leaders in the company, and they are not used to expressing their real and deeply held views. Here, the authors suggest the questionnaires should be carried out anonymously. The employees can get the questionnaire from one box and put it back by themselves without noting down their names. The questionnaires should not be distributed in the usual organized way (i.e. they are distributed and collected from top mangers to second managers and then to lower levels). When the usual approach is used, employees do not dare express their authentic feelings and opinions for fear of being revealed to their superiors.

Thirdly, HR staff should create a compensation and incentive system to facilitate the change. The managers in Chinese organizations have very weak competency in achieving employee motivation and empowerment in the process of change. The following are a few basic tips to HR personnel on how to build an incentive and compensation system. HR personnel should, first of all, carry out an occasional emotional audit to get information about how people are feeling and what is bothering them. They should be proactive and make a positive difference on some of these issues. Then it is necessary to review workloads and cut out unnecessary work for employees. Watch for signs of stress and be prepared to introduce flexible working for those who want it. The chance to break established patterns and set new standards comes when the change takes place. Under new standards, poor performance issues should be handled. People who are innovative and flexible in the change should be rewarded. Anther suggestion is to provide outstanding performers with new challenges; for example, involve them in leading change projects and hold them up as good examples to influence other employees. If some people lose their jobs as a result of the change, make sure they are treated well. For those people who resist changes, always welcome them back after they change their ideas and return to their group. Lastly, HR personnel should remember to give feedback and recognition all the time. When the change is complete, organize the whole company to celebrate the success.

Fourthly, HR personnel can help to build an organizational culture to enhance employee commitment to the change. Suggest top managers to rebuild goals and values. HR staff should help top managers make a clear connection between these two. The new values should support the goals and the change. HR personnel should take some measures to make sure the employees are fully aware of these new values. Simply informing people about it is inadequate. More importantly, HR personnel should help employees to know how to use the values in decision-making and how to integrate the values into their daily decisions and work. This goal can be achieved through the training program where case studies can be organized to illustrate how to apply this in practice. Once the desired organizational culture is established as part of the process of change, it will serve as an agent to bring synergy in the organization.

Fifthly, HR staff should make a commitment to management development in the company. The results in the study indicated that Chinese managers rarely involve people and lack the proper skills to manage changes. Actually, change managers should display role-making as opposed to role-taking behavior, and should have the ability to see the big picture and integrate themselves within the dynamics of the change. HR staff should make efforts to help managers to become more qualified change managers. For example, HR personnel can organize training sessions for managers to show them how to manage changes effectively. Detailed suggestions could be proposed to managers, for example, a champion of change should be established when implementing the change, and material rewards should also be given to these champions. Taking into account the fact that Chinese culture is collectivist instead of individualist, it is better to offer a reward or bonus to a whole department, unit or team for their good performance, instead of to individuals. Besides, the names of the champions of change should be put on the wall of the office to promote them and thus motivate others to improve their performance.

To sum up, the human resource-based view of the firm argues that the chance for an organization to obtain and retain sustainable competitive advantage largely depends on the degree of exclusivity found in the competencies and skills of its employees. The more unique, irreplaceable and inimitable these competencies and skills are, the higher their contribution to the achievement of organizational goals should be. What is true for the strategic goals of an organization in general also holds for the objectives of organizational change. Hence, when applied to the field of organizational change, the resource-based view of the firm stresses the unique contribution HR can make to organizational change processes. In light of this theory, HRM should provide the conditions under which such a contribution can be made.

According this study, from the perspective of HR, the main problems in change implementation in Chinese organizations include the following issues. Bureaucratic regulation and strict orders remain the core feature in implementing changes in Chinese companies. Meanwhile, the intrinsic values and emotions of employees are neglected and coercion and manipulation frequently used as a strategy to overcome resistance to change.

Moreover, Chinese managers are found to lack the ability to involve employees in the change process. Considering the general context of change implementation and the problems mentioned above, the authors put forward several suggestions for HR management to improve the competitiveness of the HR of the firm and to facilitate the change. First of all, HR management should help those implementing the change to avoid using coercion by offering them training courses to equip them with appropriate skills to overcome the resistance. HR personnel should also help the managers in the company to consider the emotions and needs of employees. Furthermore, HR staff should create a compensation and incentive system and help build the values and organizational culture to facilitate the change. Lastly, the HR management should make efforts to help managers become more qualified change managers.

Further research

In this study, interviews were carried out with top or senior managers in Chinese companies. In the future, a study can be conducted among HR managers in Chinese organizations undergoing changes. The questions can focus on how HR managers function during the change process and the outcome of their efforts. It will be helpful to ask them to clarify whether their efforts are successful or not in implementing the changes, and to explain the reasons behind the success or lack of success. Besides, their evaluations of their work in the process of change implementation and their own opinions on how to improve and what to improve in HR management will contribute to implications for all HR managers on how to facilitate organizational changes.

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Further reading

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Appendix.
Interview questions

1. When did the change take place and how long was it initially planned to last for? How long did it actually last?

2. What created the need for change? Is it possible to bring out the ground reasons and a certain event that initiated the process of change?

3. Who initiated the process of change? Was the process of change initiated by the management or may it be considered to have started from the lower levels of company hierarchy?

4. What exactly was changed, please mark with '+' in following table:

Factor	'+'
Strategy	
Mission	
Culture	

Leadership

Structure

Task requirements

Individual skills

Systems

Management practices

5. Did the process of change involve the whole company or only one department?

6. How did the implementation of organizational changes take place? Which steps were taken in the process of implementation of organizational change? Please describe in as much detail as possible. With each activity specify if it occurred as a result of some earlier event or constantly during the whole process of change.

7. How was the process of change managed? Who handled it, was there a specially formed task force to manage the process? Did the management style differ from the ordinary management style or not? Did it change within the process of change?

8. How would you describe the organizational culture before-, during- and after the process of change? Please evaluate the corporate culture according to its task and relationship orientation. Did these orientations remain the same or changed, which way?

9. How did the employees react to the changes? How did their reactions changed during the process of change?

10. Did you meet resistance to change? How this resistance appeared? Please describe it.

11. What did your company do to overcome resistance to change? What did the management originally do to eliminate resistance? What did it do to overcome the existing resistance? Which management activities were the most efficient ones?

12. How do you evaluate success of the implemented changes in your company on a five-point scale (five is the highest mark and one the lowest).

13. Which were the most difficult issues during the implementation of changes?

14. What did you learn from implementation of these changes? What would you do differently in the future?

ARTICLE 2

Alas, R., **Sun, W.** *(2008) 'Institutional Impact on Work-related Values in Chinese Organizations',Journal of Business Ethics Vol. 83, Issue 2: 297-306.*

INSTITUTIONAL IMPACT ON WORK-RELATED VALUES IN CHINESE ORGANIZATIONS

Abstract

This study in 29 Chinese organizations contributes to our understanding about work-related values in China. Empirical research in Chinese organizations indicates differences in work-related values between different age groups. The authors compared people (older age group) with work experience from the pre-reform period––pre-1978 China, with those who started their work life in a society that had already changed and become open to foreign investments (younger age group). The authors created a model of institutionally sensitive work-related values. The results could help multinational companies achieve competitive advantage.

Keywords: China, work- related values, ethics, institutionalism

Introduction

In 1978, China initiated an experiment with private ownership and opened up to the outside world (Waldman, 2004). Although China is one of the fastest developing countries in the world, with an 8–10 per cent annual growth rate averaged over two decades (Hampden-Turner and Trompenaars, 2002), and has become the second largest economy in the world, when measured in terms of purchasing power parity and gross domestic product (Alon, 2003), sustaining this growth is presenting China with quite a challenge (Fulin, 2000).

Through changes in the macro environment, the challenge has been to internalize a new type of organizational behavior in order to operate successfully under unfamiliar conditions. Therefore, the focus of the change process has shifted from product innovation and technological change to behavioral aspects of change and to attitudes about change (Bergquist, 1993). The organizations' ability to adapt to change depends on individual employees and how they react to changes, since organizational change has been seen as an individual-level phenomenon, because it occurs only when the majority of individuals change their behavior or attitudes (Whelan-Berry et al., 2003).

Sahlins (1985) argues that one cannot really understand certain social phenomena without understanding both the historical events and the cultural meanings attributed to these events by the actors involved. This study therefore investigates how a country's institutional framework influences work-related attitudes. The transition from a planned economy to a market economy has brought political and cultural changes, which will naturally lead to changes in value systems (Lu and Alon, 2004). The aim of this paper is to study the work-related values in Chinese organizations. As a whole generation of employees has grown up during economic changes in China, the research question is whether there are differences in work-related values between different age groups. The authors aim to compare people who have

no work experience from a planned economy with older people who started their working life already in pre-1978 China. By finding out the values of these groups of managers, it is possible to choose the most appropriate way to approach the people in both groups.

In this article the authors will first present the theoretical framework for studying work-related values. Next, empirical data collected from Chinese companies will be analyzed and finally, based on the empirical findings, a model will be provided and suggestions developed for managing Chinese companies.

The Theoretical Framework of the study – The institutional impact on values

In order to take advantage of the economic opportunities offered by the rapid growth in the Asian region, Tung (2002) suggests understanding the mindset of the people. The future success of any organization has been connected with employee attitudes (Hurst, 1995). The strength of these attitudes depends on the extent to which they are related to each person's own deeply held philosophical and political values and are of concern to the person's social group (Boninger et al., 1995). According to Lang and Steger (2002), problems that East-European companies, operating in another rapidly developing region, have is adopting Western practices stem from national and organizational cultures. Therefore values can be related to institutional and cultural context.

Institutional developments in China

Institutionalists stress the importance of the institutional environment in order to understand behavior (North, 1990). According to the institutionalist perspective, organizations are socially embedded in a particular society (Geppert, 2003). Organizations can be described using the open-system approach, in which the organization may be seen as answering the challenges of a new environment.

Institutions could be seen from both the structural and social perspective. From the structural viewpoint, institutions exist as institutionalized forms of 'external social constraints'. From the social perspective, institutions can be understood as operating to enforce behavioral definitions, which may take the form of either 'cultural accounts' or 'cultural rules'. This means that institutions are accounts of how the social world works and embody normative principles and social values (Meyer et al., 1994). Socio-economic transformation, at both macro and micro levels, could be understood as institutional change and periods of such change have been referred to as periods of social transience (Clark and Soulsby, 1999: 40).

The Chinese economy, previously a relatively closed system is on a reform path toward an open, market-driven system. After the war and revolution China experienced thirty years of recovery period from 1949 to 1978 (Qin, 2005). In 1978 an ambitious reform program was launched in China. Rural economy was de-collectivized, private and semi-private enterprises mushroomed, and the state sector steadily

shrank (Zhang, 2004). Reform has been accompanied by decentralization of economic control. The rigid monopoly of the government over foreign trade and the policy of autarky were abandoned (Foy and Maddison 1999).

Chen (2002) connects value consciousness in China with the economic system. During a planned economy, value consciousness is group rather than individual oriented and based on ethics and politics. A market economy arouses individual awareness in one's value consciousness, becoming re-oriented toward material benefits. Lu and Alon (2004) found a new social group growing during the new economic developments in China.

To summarize, over the past several decades China has experienced significant changes in transforming its bureaucratic system of state planning into a more market-oriented economic regime.

Values and Culture

House and Javidan (2004: 15) define culture as shared motives, values, beliefs, identities, and interpretations of or meanings attributed to significant events that result from the common experiences of members of collectives that are transmitted across generations. Values, representing the deepest level of culture, are broad feelings, often unconscious and not discussible, about what is good and what is evil, beautiful or ugly, rational or irrational, normal or abnormal, natural or paradoxical, decent or indecent (Pucik et al., 1993). Values have a motivational characteristic (Parsons, 1951) by influencing and directing our choices and actions (Gini, 2004). Values are shaped by personal beliefs and developed through study, inspection and consultation with others and a lifetime of experience (George, 2003). A population's cultural values are typically an essential element behind the ways work is organized in companies (Head and Sorensen, 2005).

Many studies have described the impact of national culture on management practices and organizational behaviors, but very few have specifically addressed cross-cultural differences in work values among labor forces (Strong and Nicholson, 1998: 76).

Ashkanasy et al. (2000) writes that one issue of major focus in values literature has to do with the distinction between values in the general sense and **work-related values** — a concept that implies the existence of particular sets of values that govern employee work behavior in all of its forms. Most conceptions and definitions of work values are consistent with most general definitions of values in the broader sense, but they focus on work, work behavior and work related outcomes.

As business values define how the organization and its people function (Lebow, & Simon, 1997), these are the principles upon which everyone in the organization operates.

Alas, Ennulo and Türnpuu (2006) differentiate between 9 work-related values: business ideological values, leadership ideological values, social values, specialty-related values, cultural values, personal values, values related to the mode of life, organizational-legal values and ethical values. Their study in Estonia and Finland indicates connections between work-related values and stages of institutional devel-

opment. By comparing values in country in transition and established capitalist country a model of value hierarchies in relation to institutional development has been developed (Figure 1).

The transition China was making has similarities with the Estonian transition. Estonia has experienced socialism and made a successful transition from a centrally planned economy to a free market economy (Alas and Edwards, 2005). Therefore, the authors found a model and a measure developed by these authors suitable for investigating institutional impact on work-related values in Chinese organizations.

To conclude, work-related values can be regarded as the outcome of the intricate interaction of a number of factors, which include institutional context and the national culture.

1. **Business ideological values**	1. Social values
2. Social values	2. **Leadership ideological values**
3. **Speciality-related values**	3. **Personal values**
4. **Leadership ideological values**	4. **Ethical values**
5. **Organizational-legal values**	5. **Business ideological values**
6. **Personal values**	6. Cultural values
7. Cultural values	7. **Speciality-related values**
8. **Ethical values**	8. Values related to the mode of life
9. Values related to the mode of life	9. **Organizational-legal values**
Social transience	Stable institutions

Figure 1. A model of value hierarchies in relation to institutional development
Note: The positions of each value in two rankings are compared. The values, which ranks in two rankings differ more than 2 positions, are made bold.

Hypotheses for empirical study

The authors develop nine pairs of hypotheses for predicting the ranking of 9 work-related values in Chinese organizations.

The first proposition in each pair is based on previous studies conducted in China. The authors mainly rely on the following studies: the GLOBE Project, which identified 9 cultural dimensions in 62 countries including China (House et al., 2004); a study of preferences in organization development interventions in China conducted by Head, Gong, Sorensen and Yaeger (2006); and Lewis's (1996) superior Chinese values.

The second proposition in each pair is based on a model of value hierarchies in relation to institutional development (Alas et al., 2006). Empirical research in Estonian organizations has indicated that employee attitudes toward change depend on the level of institutional development at the time that people commenced their work-

ing life (Alas and Vadi, 2006). Therefore, the authors take also the previous work experience into consideration. The authors assume that the values of older people, who started their working life already in pre-1978 China and experienced the social transience in China at the end of the seventies and the beginning of the eighties, could show some tendency toward value hierarchy during social transience in the model in Figure 1. The value estimates of younger people, who have no work experience of working in a planned economy, could be more similar to those estimates made during a period of stable institutions.

A difference in rankings of values more than 1 place has been considered relevant.

Organizational-legal values involve the staff's understanding of the company's objectives, the existence of professional directions being followed and the management's supervision of staff activities. As the Chinese put emphasis on long-term orientation (Lewis, 1996: 280) and Management by Objectives (MBO) was clearly regarded as the most acceptable organization development intervention in China (Head et al., 2006: 33), the objectives of the company are important for Chinese employees. The high level of respect for hierarchy among the Chinese (Lewis, 1996: 275) places great importance on supervision. Therefore, the hypotheses are as follows:

Hypothesis 1a: Chinese employees rank Organizational-legal values as one of highest.

Hypothesis 1b: Younger Chinese rank Organizational-legal values lower than older Chinese.

Social values include good relationships among the staff and between superiors and subordinates, a lack of conflict within the staff group and a lack of conflict between the young and the old. Taking into consideration the high score for Team Building among organizational development interventions in China (Head et al., 2006: 33), the high level of In-Group Collectivism according to the GLOBE study (House et al., 2004) and also the ideal Chinese corporate culture, which is humanistic/helpful and affiliate (Head et al., 2006: 30), the authors have developed the following hypotheses:

Hypothesis 2a: Chinese employees rank Social values highly.

Hypothesis 2b: Younger and older Chinese employees rank Social values similarly.

Cultural values involve the "our" feeling and established standards of professional behavior in the company and the similarity of professional evaluation criteria for the personnel. Very strong collectivism, enhanced by the teachings of Confucius (Lewis, 1996: 277) together with loyalty and harmony toward all (Lewis, 1996: 275) and putting relationships over tasks (Lewis, 1996: 280), indicates the high importance of the "ours" feeling among the Chinese. Perfectionism as one element of the ideal Chinese corporate culture (Head et al., 2006: 30) results in high standards and evaluation criteria. The authors assume:

Hypothesis 3a: Chinese employees rank Cultural values highly.

Hypothesis 3b: Younger and older Chinese employees rank Cultural values similarly.

Personal values comprise the leader's imagination (the speed of thought and openness to new ideas), his or her enterprising spirit and creativity in setting up and solving problems and the manager's skills and life experience. This indicates the role of the individual in the organization. According to the Globe study (House et al., 2004); China holds the 7th position in the world in terms of institutional collectivism and 9th in terms of in-group collectivism. In Chinese organizations collective rather than individual endeavors are emphasized and good interpersonal relationships are valued rather than individual rights (Noronha, 2002). As individualism is in opposition to collectivism and considered a taboo in China (Lewis, 1996: 280), the authors made the following hypotheses:

Hypothesis 4a: Chinese employees rank Personal values among the least important.

Hypothesis 4b: Younger Chinese rank Personal values higher than older Chinese.

Specialty-related values relate to an employee's professional education and the acknowledgement of an employee as a specialist in his/her field. The knowledge that the ideal Chinese corporate culture could be characterized as having a high level of self-actualization (Head et al., 2006: 30), and career development is perceived as an effective organizational development intervention in China (Head et al., 2006: 33) brings us to the following assumption:

Hypothesis 5a: Chinese employees rank specialty-related values highly.

Hypothesis 5b: Younger Chinese rank specialty-related values lower than older Chinese.

Ethical values include honesty as an ethical value, self-respect and the preservation of self-respect in all situations and democratic management. As behaving in a virtuous manner toward others is expected (Lewis, 1996: 276), and humanistic culture is desired by Chinese (Head et al., 2006: 30), the authors assume:

Hypothesis 6a: Chinese employees rank ethical values highly.

Hypothesis 6b: Younger Chinese rank ethical values higher than older Chinese.

Values related to the mode of life consist of an assessment of the relevance of contemporary office equipment and sufficient computers in the company and the good condition of the buildings—all ensuring the company's activities. As there is some contradiction in Chinese evaluations—quality of work life was perceived as a highly effective organizational development intervention in China, at the same time paying more attention to physical settings was perceived as less effective than average (Head et al., 2006: 33) — the authors assume:

Hypothesis 7a: Chinese employees rank values related to mode of life near average.

Hypothesis 7b: Younger and older Chinese employees rank values related to mode of life similarly.

Business ideological values or economic values involve the regular analysis of a company's economic activities, the quality of the company's products and services and investments into the company's future at the expense of the present wealth. Although perfectionism is important for the Chinese (Head et al., 2006: 30), at the same time, according to the GLOBE study, future orientation practices were lower than the Globe average (House et al., 2004), and therefore:

Hypothesis 8a: Chinese employees rank business ideological values as average.

Hypothesis 8b: Younger Chinese rank business ideological values lower than older Chinese.

Leadership ideological values gauge the staff's personal interest in the quality of the company's products and services, their participation in the development of the company's strategy and readiness and ability for independent decision-making in their sector of activity. As perfectionism and high power distance are both elements of the ideal Chinese corporate culture (Head et al., 2006: 30), evaluations of this dimension could be biased in China. The impact of traditional Chinese paternalistic leadership based on Confucian traits (Noronha, 2002) as estimated by different shows contradictory results: as both positive (Jenner et al., 1998) and negative for TQM (Lo, 1998). Therefore, the authors have the following assumption:

Hypothesis 9a: Chinese employees rank Leadership ideological values near average.

Hypothesis 9b: Younger Chinese employees rank Leadership ideological values higher than older Chinese.

Empirical Study

The sample

Research in 29 Chinese companies was conducted in 2005-2006 with 1303 respondents. The companies were from two areas: Peking and Jinan. From among the respondents, 46.4% were from production companies, 7.2% from consulting companies, 5.2% from the retail and wholesale industry, 2.1% from telecommunications, 1.2% from transportation and the rest were from the service sector, including hotels and insurance companies. According to size, 11.5% of companies had less than 100 employees, 44.3% had from 100 to 500 employees, 27.6% from 500 to 5000 and 16.6% more than 5000.

If we look at the sample, 53.2% of respondents were men and 46.8% women; 64.5% were younger than 36 years and 35.5% older than 35 years; 2.9% were top managers, 5.7% belonged to top management teams, 13.9% were middle managers, 5.4% were first-line managers and 71.5% did not have a management position.

The authors have analyzed the work-related values of two groups according to work experience separately. A total of 862 out of 1303 respondents had no work experience from pre-reform China. We call these the 'younger age group'; 431 respondents who had this experience form the so-called 'older age group'.

The respondents filled in a questionnaire about work related values. The questionnaire included 46 items (Alas et al., 2006) to evaluate the 9 value groups previously described in this paper.

The questions were translated from English into Mandarin and retranslated into English. The retranslations were compared to the original English version. In order to make the questions understandable to employees at all levels of the organizations, specific management terms were not used in the questions.

The authors use two methods for comparing the age groups: ranking of values and T-test. Difference in ranking should be at least 2 places in order to consider values of two groups different.

Manifestation of work-related values

We propose that work-related values vary between different groups within an organization. The line between the two groups is drawn by 1970 as the year of birth: respondents in the younger age group are younger than 36 and those in the older group older than 35 years. Differences in attitudes and values according to the two age groups are shown in Table 1.

Table 1. The manifestation of attitudes and organisational culture

	Age group	N	Mean	Std. Dev.	Sig. (2-tailed)
Values related to the mode of life	Younger	862	4.44	1.21	.000*
	Older	440	4.27	1.13	
Business ideological values	Younger	862	4.85	.96	.122
	Older	440	4.80	.97	
Ethical values	Younger	862	4.92	1.03	.000*
	Older	440	4.74	.92	
Leadership ideological values	Younger	862	4.98	.91	.072*
	Older	440	4.82	.90	
Social values	Younger	862	4.93	.99	.002*
	Older	440	4.76	.92	
Personal values	Younger	862	4.91	1.00	.006*
	Older	440	4.73	.91	
Speciality-related values	Younger	862	4.82	.94	.049*
	Older	440	4.86	.93	
Organizational-legal values	Younger	862	4.94	1.01	.569
	Older	439	4.82	.98	
Cultural values	Younger	862	4.90	.89	.572
	Older	440	4.82	.85	

Note: * indicates statistically significant difference. P< .050

Results of the T-test indicate differences between the two age groups in 5 work-related values. The younger age group found Ethical values, Leadership ideological values, Social values, Values related to the mode of life and Personal values more important than their older colleagues. Specialty-related values were higher in older age group.

A comparison of the *value rankings* of the two age groups is given on Table 2.

Table 2. Comparison of Chinese values in different age groups.

Ranking of values during stable institutions – Younger Chinese group	Ranking of values during social transience - Older Chinese group
1. Leadership ideological values	**1. Speciality-related values**
2. Organisational-legal values	**2. Cultural values**
3. Social values	3. Organisational-legal values
4. Ethical values	**4. Leadership ideological values**
5. Personal values	5. Business ideological values
6. Cultural values	**6. Social values**
7. Business ideological values	7. Personal values
8. Speciality-related values	**8. Ethical values**
9. Values related to the mode of life	9. Values related to the mode of life

Note: *The values here ranked separately, are marked in bold if they are more than two places apart.*

Results in connection with the hypotheses

Hypothesis 1a is almost supported: younger age group ranked Organizational-legal values as second and older as third. Hypothesis 1b is not supported: there were no statistically significant differences according to T-test between younger and older Chinese employees in evaluating in Organizational-legal values. Also ranking of Organizational-legal values among other values differentiated only one place in both groups.

Hypothesis 2a is partly supported: although the younger group ranked social values as 3rd, older age group ranked Social values only as 6th, and this does not support the hypothesis. Hypothesis 2b is not supported either: according to T-test, that younger group evaluated social values statistically significantly higher. Therefore, younger and older Chinese employees did not rank Social values similarly as stated in the hypothesis.

Hypothesis 3a is only partly supported: although older groups ranked cultural values as 2nd, younger group ranked this only as 6th. Hypothesis 3b is only partly supported: although there are no significant differences according to T-test, there is a difference in rankings of cultural values between two groups.

Hypothesis 4a is only partly supported: Although personal values are ranked one before last in older groups, younger group ranks this value as average. Hypothesis 4b is supported: Younger Chinese rank Personal values higher than older Chinese. Also T-test indicates, that younger group ranks personal values higher than older group.

Hypothesis 5a is only partly supported: Specialty-related values are ranked first by older people but only one before last by younger people. This was the biggest

difference in ranking. Hypothesis 5b is supported: according to T-test older employees evaluated specialty-related values higher than younger.

Hypothesis 6a is partly supported: only the younger generation ranked Ethics as 4th, older group considered ethics only one before last. Hypothesis 6b was supported according to rankings and T-test.

Hypothesis 7a is not supported: Values related to the mode of life were ranked last by both groups. Hypothesis 7b is partly supported: despite the significant difference according to of T-test, younger and older Chinese employees ranked values related to the mode of life similarly.

Hypothesis 8a is partly supported: the older group ranked Business ideological values as exactly average and this supports the hypothesis. The younger group ranked these values lower than average: only as 3rd from the end. Hypothesis 8b is partly supported: although there are no differences according to T-test, there is difference in ranking.

Hypothesis 9a is only partly supported: although older group ranked Leadership ideological values 4th, this is slightly above average, younger group ranks Leadership ideological values as most important. According to rankings and T-test Hypothesis 9b is supported.

Conclusions and discussion

This study in 29 Chinese organizations contributes to our understanding about work related values in China. Empirical research in Chinese organizations indicates differences in work related values between different age groups. The authors compared people (older age group) with work experience from the pre-reform period - pre-1978 China, with those who started their work life in a society that had already changed and become open to foreign investments (younger age group).

Hypotheses were partly supported. Hypotheses based on cultural dimensions (House et al., 2004) were more often true for older age group than for younger. Most of the hypotheses developed based on the model of value hierarchies in relation to institutional development (Alas et al., 2006: 276) were supported according to ranking of Chinese work-related.

The biggest differences between age groups were in rankings of Leadership ideological values, Ethical values, Specialty-related values, Social values and Cultural values. The older age group ranked Specialty-related values and Cultural values higher than younger group. The younger group ranked Leadership ideological values, Ethical values, and Social values higher than older group.

Comparison of Chinese values on Table 2 with rankings of values in institutional model on Figure 1 indicates, that the value estimates of the younger Chinese group are more similar to values during a period of stable institutions and values of the older Chinese respondents are more similar to values during social transience. The older Chinese group lived through the transition from a centrally planned closed economy to the more open economy with foreign capital and joint ventures, which started at the end of 1970s (Jingwen, 2000). When members of the younger Chi-

nese group entered the work force, the major transition was already over and institutions were stable again.

If we focus on how specific work-related values have been ranked in the four blocks of values presented in Figure 1 and Table 2, and compare how these values have moved during different institutional developments in the different countries, we get some regularity.

The first two groups are formed from values that had changed in similar directions in all countries along with the institutional changes. Specialty-related values and Business ideological values are more important during social transience than in stable environments. We may call this fist group of values 'economic' values. It is opposite to Ethical values, Personal values, Social values and Leadership ideological values: in a stable society these values have higher importance than during social transience. We may label this second group as 'social' values. During fundamental changes on macro level economic values start to dominate. After gaining stability social values take over. Both these groups of work-related values are sensitive to radical institutional changes in society.

The third group is formed from values that change, but not in the same way as values in the first two groups. Organizational-legal values and Cultural values have changed differently in European sample and Chinese sample. In case of Finnish and Estonian respondents Organizational-legal values belonged to group of 'economic' values and lost the importance during stable institutions. In China both groups ranked Organizational-legal values among the first three. It was opposite to Cultural values, which lost value during stable institutions in China, but moved one place higher in European sample. To take into account the character of Cultural values and direction of change in European ranking Cultural values could belong to group of 'social' values. These two values need further investigation and could be called 'country specific' values.

The authors provide model for institutionally sensitive work-related values (Figure 2).
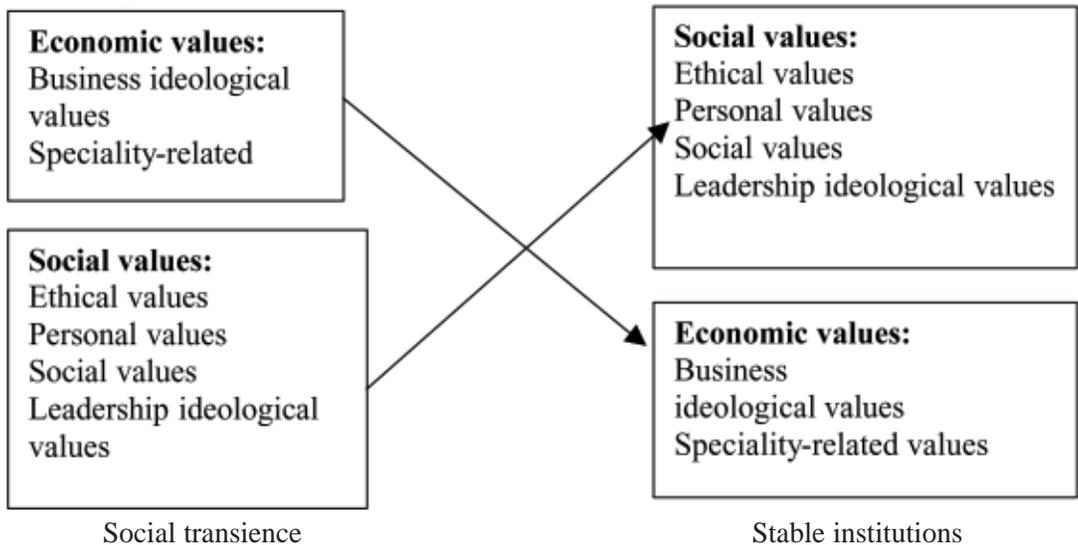
Figure 2. Model of institutionally sensitive work-related values.

Implications for managers

From these findings, the authors have developed some implications for managers of Chinese organizations and also for foreign managers in multinational corporations in China.

A comparison with Europeans reveals that Chinese employees value Organizational-legal higher. Therefore, for Chinese people clear job descriptions, rules and procedure are more important than for Europeans. The job instructions given by managers should be very clear and the rules should be similar for all employees. This has some similarities with Weber's (1947) organization, which could be managed on an impersonal, rational basis. Weber believed that an organization based on rational authority would be more efficient and adaptable to change because continuity would be less dependent on a particular person who might leave. Although in today's western organizations, this type of organization, called bureaucratic, has acquired a negative meaning, there are some elements, which could be useful even in the 21st century. Rules provide standards, which have helped even western organizations (for example UPS) to become extremely efficient (Daft, 2006, p. 48).

The older group would find these kinds of rules especially useful. This could improve the evaluation of the quality of the company's production and service, and the regular analysis of the company's economic activities, which were both more important to this group than to the younger employees. This impersonality and regulation could also help the staff to develop a similar vision of the company's future, which is more important for the older than the younger group.

There should be some differences in dealing with people born after 1970. They put greater emphasis on humanity, democratic leadership styles, freedom of thought and speech in the company, the people's faith in the strength of the collective, good relationships between superiors and subordinates, good teamwork with the subordinates and the manager's skills and life experience. They also emphasized the importance of contemporary office equipment and means of communication, sufficient numbers of computers in the company and the importance of the facade and foyer of the company premises. This group wants to know more information about the company's condition.

Limitations and suggestions for further research

Although some useful conclusions and implications are drawn, this study has limitations and requires follow-up studies. Conducting this study in several other countries could help to test the model of institutionally sensitive work-related values and country specific work-related values in the other former socialist countries. Testing the model also in countries, which have not experienced socialism, could contribute to obtaining more information about combined impact of cultural background and institutional developments on country specific work-related values. In order to take into account impact of religion, a study could be conducted in countries with stronger religion attitudes than China, Estonia and Finland. Case studies and in-depth inter-

views could be useful tools for further research for finding basic assumptions behind country specific work-related values.

To conclude, this study emphasizes the importance of knowing the work-related values of employees from different age groups and the role of historical and economic developments in shaping values. In addition to rankings of work-related values in different age groups in China the authors developed a model of institutionally sensitive work related values. This knowledge could help multinational companies to achieve a competitive advantage.

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ARTICLE 3

Sun, W., Alas, R. (2007) *'Changes in Chinese Organizations from Institutional Perspective', EBS Review, 23: 36-48.*

CHANGES IN CHINESE ORGANIZATIONS FROM INSTITUTIONAL PERSPECTIVE

Abstract

This paper is an attempt to study how different environments in history have influenced change in Chinese organizations and to identify the types of change. The research is based on 160 in-depth qualitative interviews with senior managers or middle managers from Chinese companies selected from various industries, ranging from manufacturing and technology, banking and insurance organizations, to those in energy and education industries. The paper carries out an analysis of organizational change in China from the institutional perspective according to historical stages. The findings suggest that Chinese organizations have been going through a continuous change process and a large proportion of these changes were transformational, which are by scope substantially more profound than transitional and developmental changes. Meanwhile, a considerable proportion of the changes could be considered re-creation, the deepest strategic change by scope compared to reorientation, adaptation and tuning. An understanding of change in Chinese organizations in the institutional context could help managers of Chinese companies gain a better understanding of the whole situation and make more appropriate decisions when implementing change.

Keywords: organizational change, institutional context, types of change

Introduction

In recent years, China has undergone rapid economic reform and dynamic organizational change. The economic reforms Deng Xiaoping started in 1978 have increasingly introduced market forces into the socialist system. Several major developments have given special momentum to those changes: China entering the WTO, opening the western regions of China, building up an information network, transforming new management systems nationwide and encouraging innovations and entrepreneurship (Wang, 2003).

Currently economic reforms in China have come to the stage of reforming and restructuring its enterprises (Wei, 2003). This is a key step towards the final success of the entire economic reform process, which has been made clear by the Chinese leadership (ibid). The dominance of state enterprise is one of the major distinguishing features of the Chinese economy between 1952 and 1975 (Bian, 2005). Even today, under the context of entry into the WTO, the reform of unprofitable state-owned enterprises is still one of the keys to the fate of China's economic reform in the twenty-first century (ibid). All these provide a national, cultural and institutional context for understanding organizational changes in China.

At the same time many multinationals interested in developing manufacturing in China are unfamiliar with conditions inside this emerging market (Foo, 2001). This

paper is an attempt to analyze changes in Chinese organizations. The research question is, which types of changes have taken place during the changes at the societal level. The authors use an institutionalist approach in order to explain changes in Chinese organizations. The authors assume that during deep changes at the macro level, deep changes also take place at the micro level, this means within the organizations. To test this hypothesis in-depth interviews were conducted in 160 Chinese organizations.

In this paper, the authors first present a brief overview of institutionalism and theories of change. Then the main stages in recent Chinese history are briefly described from the institutional perspective. Following that, the results of the interviews are analyzed and discussed.

Literature Review

Institutional Context of Change

Sahlins (1985) argues that one cannot really understand certain social phenomena without understanding both the historical events and the cultural meanings attributed to these events by the relevant actors. Institutionalists have stressed the importance of the institutional environment for understanding the behaviour of organizations (North, 1990).

According to the institutionalist perspective, organizations are socially embedded in a particular society (Geppert, 2003). Organizations can be described using the open-system approach, in which the organization may be seen as answering the challenges of a new environment.

Institutions could be seen from both the structural and social perspective. From a structural viewpoint, institutions exist as institutionalised forms of 'external social constraints'. From the social perspective institutions can be understood as operating to enforce a behavioural definition, which may take the form of either 'cultural accounts' or 'cultural rules'. This means that institutions are accounts of how the social world works and embody normative principles and social values (Meyer et al, 1994:24).

Socio-economic transformation, at both macro and micro levels, could be understood as institutional change from both the structural and social perspective, embracing both structures and social values. The elements of an institution may lose credibility and need redefining – the processes of deinstitutionalisation and reinstitutionalisation take place.

During deinstitutionalisation, the contingent nature of cultural accounts and rules are revealed, interrogated, contested, opposed, effectively challenged and ultimately overturned. The process may be gradual or sudden and may affect formal institutions and institutional practices at different rates. Deinstitutionalisation takes away the certainty associated with institutionalised rules, attacks the meaningfulness of the social world and thereby reduces the level of social support and motivation. Reinstitutionalisation involves the construction of new formal institutions and the

realisation of new social practices. During this process, patterns and activities are redefined on the basis of values that differ from the values previously taken for granted. New social practices evolve slowly because the values and their underlying logic take time to become reproduced unquestioningly as part of routine conduct (Clark and Soulsby, 1999: 40).

From this institutional view, social transition may be interpreted as the period between the effective demise of one institutional system and the point at which another institutional system has been established and accepted on new cognitive and normative grounds. Such circumstances create acute social and psychological problems for social actors, and this period has been called social transience (Clark and Soulsby, 1999:40).

Changes in the environment necessitate that organisations modify themselves as well. Therefore, the authors suppose that during social transience deep changes take place in organizations.

Types of Changes
Looking at the different types of changes raises a number of questions: what has been changed, by whom and how quickly.

Types of change in terms of scope
In content research, most theorists divide change into two types according to scope: change taking place within the given system and change aimed at modifying the system itself. The most popular terms for this classification are first order change and second order change. First order change provides a method for managing stability. It helps one to manage current strategy more effectively and efficiently (Bartunek, 1993). This type of change proceeds via a sequential step-by-step assessment, guided by a specific objective, making systematic and rational evaluations of an organization and its environment. A first order change cannot produce transformation because it lacks the creativity to discover new strategic ideas (Hurst, 1986).

Second order change calls for innovation in order to lead the change. It searches for agreement about what the end result should be and then considers how an organization could be changed to meet these new expectations. Second order change is difficult to carry out because information gathering in an organization will tend to reify the rules, culture, strategy and core processes that make up its current paradigm (Nutt and Backoff, 1997).

Van de Ven and Poole (1995) describe change in organisations using the terms **prescribed change** and **constructive change.** The prescribed mode of change creates change within an existing framework thereby producing variations on a theme. It can be compared to first-order change. A constructive mode of change generates unpredictable novel forms that have no continuity with the past. This is similar to second-order change.

Nadler and Tushman (1989) divide change according to two criteria: the scope of change and the positioning of change in relation to key external events. Accord-

ing to scope, change can be divided into **incremental change** and **strategic change**. This division describes the changing of the subsystems of the organisation versus the changing of the entire system. Strategic change addresses the whole company and helps an organisation develop a completely new configuration. Incremental change focuses upon some components of the organisation with the goal of maintaining or regaining congruence.

According to the positioning of change in relation to key external events, change can be divided into **reactive changes** and **anticipatory changes** (Nadler and Tushman, 1989). Reactive change is the response to an external event or series of events. Anticipatory change is initiated in anticipation of events that may occur. When these two dimensions are combined four types of change are discovered:

- Tuning is incremental change made in anticipation of future events
- Adaptation is incremental change made in response to external events
- Reorientation is strategic change made in anticipation of future events
- Re-creation is strategic change necessitated by external events

The most difficult change to manage is strategic organisational change.

Another typology dividing change into three types puts forward **Alpha, Beta, and Gamma change.** Alpha change is behavioural change, beta change refers to scale calibration and gamma change is about concept redefinition (Armenakis, 1988). Alpha change involves a certain variation in the degree of some existential state, given a constantly calibrated measuring instrument that taps a constant conceptual domain. Beta change involves a variation in the degree of some existential state, complicated by the recalibration of some portion of the intervals of the measurement continuum associated with a relatively constant conceptual domain. Gamma change involves a basic redefinition or reconceptualisation of a certain domain; a radical restructuring of perceived reality that generates differences in state.

Beta change occurs when the standard of measurement used by a subject to assess a stimulus changes from one testing period to another (Armenakis, 1988). Gamma change involves discontinuous shifts in mental or organisational frameworks (Golembiewski et al., 1975). According to gamma change, a subject's understanding of the criterion being measured changes from one testing period to the next. If behavioural change must be considered, then gamma and beta change cannot account for the change on a measurement scale (Armenakis, 1988).

Ackerman (1986) has developed a model describing three types of organisational change – developmental change, transitional change and transformational change. These types of changes, with examples and suggestions, are in Table 1. Developmental change is the least threatening and easiest to manage. Transformational change is the opposite and is the most threatening, difficult to control, profound and dramatic. Where the future stage in a transformational change is largely unknown until it evolves, in a transitional change, each future stage is consciously chosen as a specific goal or end point. However, you may not know how to get there. This makes it somewhat threatening.

Table 1. Types of changes with examples and suggestions

	Definition	Examples	Suggestions
Developmental	Improving what already exists	Technical expertise Team building Expanding market	Enable ideas for change to originate and develop from the individuals affected
Transitional	Achieving a new stage, which requires introduction of new ways of operating	Reorganization New products and services New methods and procedures New techniques	Effective two-way communication: identify similarities and differences between current and new ways; report regularly the status of change. Indicate milestones to measure success, if not met, communicate the reasons and revise plans
Transformational	Achieving a new stage, requiring a dramatic shift in organisational vision and strategy	Mergers and acquisitions Major shift in product line(s) Major restructuring effort	Educate people what transformational change is, why they feel the way they do and why you may not be able to answer all questions they may have. This builds a foundation of understanding and trust from which to move forward

In order to compare the different typologies, the author has presented types of changes according to different theorists in Table 2.

Burke and Litwin (1992) have developed a model for distinguishing between two types of deeper change. They argue that transformational change occurs as a response to the external environment and directly affects transformational factors: organisational mission, strategy, leadership and culture. The transformational factors deal with areas that require new employee behaviour as a consequence of external and internal environmental pressures. Transactional change deals with psychological and organisational variables that predict and control the motivational and

performance consequences of the work group climate. These include management practices, structure, systems, task requirements and individual skills. Transformational and transactional factors together affect motivation, which, in turn, affects performance.

Transitional change could be compared with transactional in Burke and Litwin's (1992) terminology. They make a distinction between transformational and transactional changes according to the factors changed. During transformational changes, strategy, mission, organizational culture or leadership style are changed. Transactional factors include structure, task requirements, individual skills, systems and management practices. Because of these lists of factors, the authors of this paper found this typology the most suitable for analyzing changes in Chinese companies.

Table 2. A comparison of change grouped according to scope

	Growth	Development	Transformation
Ackerman (1986)	Developmental change	Transactional change	Transformational change
Armenakis (1988)	Alpha change	Beta change	Gamma change
Watzlawick et al (1974)	First-order change		Second-order change
Watzlawick et al (1974)	Linear change		Breakthrough change
Watzlawick et al (1974)	Incremental change		Radical change
Greiner (1975)	Evolutionary change		Revolutionary change
Weick and Quinn (1999)	Episodic change	Continuous change	
Van de Ven and Poole (1995)	Prescribed		Constructive
Nadler and Tushman (1989)	Reactive change	Anticipatory change	
Nadler and Tushman (1989)	Incremental change		Strategic change

Types of change in terms of initiative

Methods for initiating change are grouped as planned and unplanned, self-initiated and imposed, management-driven and participatory changes. Planned changes can be looked at as self-initiated changes, management-driven or participatory. Imposed changes may be planned also, but by somebody else.

Unplanned change is usually spontaneous and random (Jick, 1993). It can be beneficial or disruptive, but, more often than not, unplanned changes are disruptive. Planned change is a rationally controlled, orderly process (Cummings and Worley, 1997). It is usually triggered by the failure of people to create continuously adaptive change (Dunphy, 1996). The need for planned change can come from external or internal sources or both. Both external and internal planned change can produce resistance in people, or it can increase their energy and productivity. Planned change is intentional and thus occurs as a result of thoughtful efforts and interventions, often with the help of change agents.

Dirks, Cummings, and Pierce (1996) have made a difference between self-initiated and imposed changes. A self-initiated change means that individuals make changes as a result of their own initiative and volition. An imposed change is change initiated by others so that the individual is forced to act.

Management-driven change is typically executed by managers employing a variety of techniques and personal styles ranging from authoritarian to participative, depending on their preferences and the nature of the situation. But the primary importance in management-driven change is that most, if not all, of the power remains with the management (Bruce & Wyman, 1998). Participatory change, on the other hand, is based on the premise that there is a genuine sharing of power and responsibility for change between employees and the management (ibid).

Duration of change

In a change event categorization scheme, Struckman and Yammarino (2003) differentiate between short-term and long-term change, where both could provide radical or continuous improvement.

Recent Chinese History from the Institutional Perspective

In Table 3, Chinese history starting from 1949, when the Chinese Communist Party came to power, has been presented from an institutional perspective.

Table 3. Institutionalization in Chinese History from 1949

Period	Event	Institutionalization
1949	Founding of the People's Republic of China	Creation of new institutions
1949-1977	Mao Zedong Era: command economy	Period of stable institutions

1978	Start of Chinese economic reforms	Deinstitutionalizatio n
Late1970s –early1980s	Opening trade with the outside world, instituting the household responsibility system in agriculture	Creation of new additional institutions
1980s	Creating market institutions, converting an administratively driven command economy to a price driven market economy	Social transience
1990s	Creating a viable banking system	Creation of new additional institutions
Late-1990s- early-2000s	Industrial reform, involving enterprise reform and the closing of unprofitable state-owned factories	Reinstitutionalizatio n
2001	Entry to WTO	Continuation of Reinstitutionalizatio n

Notes: Deinstitutionalisation – the period when the contingent nature of cultural accounts and rules are revealed, interrogated, contested, opposed, effectively challenged and ultimately overturned.

Reinstitutionalisation – the period then the construction of new formal institutions and the realisation of new social practices takes place.

As China had been at war since 1937, deinstitutionalization already took place during the war (Sun and Alas, 2007) and to implement change in the system in 1949, new additional institutions for establishing the socialist order were created.

After many years of war and revolution there was a period of relative stability with stable institutions in China between 1949 and 1978 (Qin, 2005).

Deinstitutionalization started in 1978 when economic reforms started by opening trade with the outside world (Zhang, 2004): the government gave up its rigid monopoly over foreign trade (Foy and Maddison, 1999). The central government started to give some or all of the decision-making power to local governments (Jia, 1998). To this end, additional institutions were created.

In the 1980s, converting an administratively driven command economy to a price driven market economy ushered in the second phase of economic reform. On embarking upon this difficult task social transience started in society. Old institutions common in more closed planned economies had to be replaced with new institutions needed in a market economy. As this new system was not known to the Chinese

people, this stage was not familiar for them. They did not know how this new system should function.

In the late 1990s, there was the need for reforms in the banking system (Chinese Economic Reform, 2006). New additional institutions were needed to implement this reform.

The reforms of the late 1990s focused on closing enterprises that had become unprofitable due to the inefficiencies of the state, inefficiencies that had ultimately led to increasingly financing state enterprises via bank credits (Dorn, 1989). This created the need to reinstitutionalize.

An important step for China, which made the Chinese economy more open, was becoming a member of WTO in 2001 (Chow, 2000). While China is pursuing institutional reforms in state-owned enterprises and the banking and financial sectors, it is also aware that the reforms continue.

Institutional Changes and Organizational Changes

The authors argue that there are connections between the institutionalisation stage at the societal level and the types of change in organisations – they combined the institutional stages at the societal level with the classifications of the types of change developed by Ackerman (1986). According to a recent study of Estonian organizations in Eastern Europe, developmental changes mostly take place during the stable stage of institutionalisation (Alas 2004). Therefore the authors hypothesise:

- Hypothesis: During social transience, transformational changes took place in Chinese organizations.

To summarize the theoretical framework for the current study, changes are most often classified according to scope and the way the changes are initiated. In transforming economies, the changes differ from changes occurring in established capitalist countries, not only in terms of scope, but also in terms of the time limit for implementing the changes. Changes with the same scope should be achieved in a much shorter time in order to survive. Therefore, the duration of change is important in understanding change.

Methodology

In 2006, interviews were carried out in 160 companies in several large cities in the northern part of China: Beijing, Tianjin, Jinan and Zibo. Structured interviews were conducted with top managers or middle managers from different companies to acquire information about change in their organizations. All the interviewees have experienced recent organizational change at work, and have been directly involved in strategy formulation and implementation. Apart from their knowledge and views on the questions asked, the interviewees were encouraged to elaborate on the process and complexities of the organizational changes experienced inside the companies. The characteristics of the respondents according to position are given in Table 4.

Table 4. Characteristics of respondents according to position

Position	Percentage
Top manager or CEO	39.4
Deputy directors or vice general manager	40
Middle managers specialized in HR	5
Middle managers specialized in marketing	3.8
Middle managers specialized in finance	3.1
Project managers	2.5
Assistant	2.5
Customer service	1.3

The companies involved represented various industries and sectors. Characteristics of the sample according to the industry are as follows: 28.1% of the companies are production firms and 21.9% are service firms; 17.5% deal with education and 6.3% with consultation and training; 13.8% with telecommunication, 2.5% with the entertainment industry and 1.3% in banking. Government agencies and trade companies both form 4.4% of current sample.

The questions in the interview were adopted from a survey conducted in Estonian organizations (Alas and Sharifi, 2002). Most questions were open-ended, however, in some cases closed-ended questions were used, for example, in order to figure out those factors that had changed during the changes. The interviews were first analyzed individually to identify issues relating to organizational change and then compared and summarized.

Results analysis

The reasons behind the change varied a lot due to the differences in size, sector and the age of the 160 companies. The two main reasons were to increase profit and keep up with the trend of national macro development; 18.8 percent of companies implemented change either to save the enterprise from bankruptcy or improve profits in order to survive under the market economy; 18.1% of companies initiated change just to be in line with the nationwide economic reform and enterprise reform or follow the new requirements or rules of the new economic regime. The next two most important reasons were quality improvement and market expansion mentioned by 16.3 and 15 percent of companies respectively. Due to the impact of the liberalization of the economy and accession to the WTO, a considerable percentage of companies realized the necessity to increase the quality of their products or services, and explore new approaches to expand market share. Meanwhile, 11.9 percent of companies started some change as a result of the influence of benchmark companies in the same industry. The managers in these companies learned about successful change experiences from the market leaders and determined to trial a new management style or produc-

tion model hoping to improve the efficiency of the whole company. Despite the fact that quite a large proportion of Chinese companies had implemented change on their own initiative, there were still a certain number of companies (11.3%) emphasizing that the change was driven by an administrative command from a local authority or government. Finally, the least mentioned reasons were motivating employees, adjusting HR management and becoming listed on the exchange market.

Initiators of change
Changes were started from the top. Twenty per cent were initiated by local government or authorities – for example, the government decided to sell the shares of one plant to foreign investors or to privatize some state-owned enterprises. Top leaders of the organization initiated 72.5 per cent of changes, 2.5 per cent were initiated by middle managers and 5 per cent by lower-level employees. At the same time, changes initiated from the lower levels were only developmental changes, which took place in a certain department or in a specific aspect of management. Transformational and transactional changes were initiated from the top.

Duration of change
With regards to the duration, the most common planned timeframe was from 4 to 12 months. The range of time planned for changes was from 1 month to 4 years. Among the 160 respondents, about half of them mentioned that changes in their organizations were finished on time. However, 28.1 per cent of the organizations didn't manage to complete the changes within the planned timeframe. Meanwhile, 15.6 per cent of the organizations witnessed a faster pace in accomplishing changes: completing them earlier than planned. This is due to the Chinese polychronic culture. Chinese people normally prefer to plan a longer time than they think will actually be needed. As Chinese organizations normally have quite a large number of employees, it is common that changes are not likely to be finished within a short period. Some enterprises with several thousand employees have to spend several years to complete a dramatic transformation.

Change in terms of scope
One classification from Nadler and Tushman (1989) takes into account timing and scope, and divides changes into four types: Tuning, Adaptation, Reorientation and Re-creation.

Based on the analysis of the reason and context of changes, the authors found that most of the companies underwent reorientation and recreation. Reorientation, where strategic changes were made in anticipation of future events, was experienced by 26.9 percent of companies – for example, in order to survive when more foreign companies flooded into the Chinese market within a period of several years, some organizations started to change their mission, strategy or entire quality inspection systems. According to 64.3 percent of interviewees, the changes were necessitated by external events, such as the threat of bankruptcy, enterprise reform policy or increasing demand from clients about quality. The strategy and mission along with the principal managerial elements were also changed. So they clearly experienced drastic strategic change, which can be seen as re-creation.

Tuning and adaptation were discovered in only 8.8 percent of the organizations: in 3.8 percent of organizations incremental changes were made in anticipation of future events and in 5 percent of organizations incremental changes took place in response to external events.

To carry out a deeper analysis on the basis of the scope of change in Chinese organizations, Ackerman's (1986) model was deemed suitable. The model classified change into three categories: developmental change, transitional change and transformational change. In order to distinguish between two types of deeper change, Burke and Litwin's (1992) model were taken as the basis. They divided the change into two types: transformational and transactional change according to the factors changed. Transformational factors deal with areas that require different employee behaviour as the consequence of external and internal environmental pressures. Transactional factors deal with psychological and organizational variables that predict and control the motivational and performance outcomes of the climate of the work group.

The list of factors was presented to respondents and they had to indicate, which factors were changed in their company (Table 5).

The following analysis is based on data presented in Table 5.

In the process of change, transformational and transitional factors were changed. Changes in strategy were experienced by 83.8 per cent of organizations, 77.5 per cent and 74.4 per cent changed their leadership and management practice. While, in 72 per cent and 71 per cent of organizations, there were changes in structure and systems respectively. Then 70 per cent and 65 per cent of respondents mentioned they changed mission and culture respectively. For example, in some organizations the corporate culture changed from being relationship-oriented to more task-oriented. Compared to the above factors, the factor that was changed the least was individual skills, which was mentioned by only 42 per cent of respondents. This shows that changes in most organizations tended to be organization-level oriented, while individual skills were rather ignored. This can partly be attributed to the situation that managers in Chinese organizations lack the competence to handle change and employees lack the knowledge and skills to accept and adjust to change.

There were more changes in the production sector compared to other sectors, including services, education, etc. Strategy was changed by 91 percent of production plants, while 76.4 percent of companies in other sectors experienced a change in strategy. Meanwhile almost all production companies (96 percent) changed their leadership, while only 60 percent of companies in other sectors witnessed changes in leadership. The percentage of production companies that changed structure is twice that of firms engaged in other sectors (86% vs. 43%). Moreover, there are a larger proportion of production companies than companies in other sectors undergoing changes in individual skills (46% vs. 37%) and systems (84% vs. 58%). The percentage of companies in the production sector and other sectors changing management practices is almost equal.

When analyzing these results, another fact should be taken into consideration – that is, Chinese companies, especially some large production plants, were quite old with a long history of several decades or even longer. The authors compared the

Table 5. Changes in Chinese organizations based on the Burke-Litwin model

	All sample	Sector-Production	Others	Established Before 1978	After 1978
%	100	28.1	71.9	31.3	68.8
Transformational factors					
Strategy	83.8	91.1	76.4	90.0	77.5
Mission	69.4	73.3	65.4	78.0	60.8
Culture	65.0	75.6	54.4	74.0	56.0
Leadership	77.5	95.6	59.4	80.0	75.0
Transactional factors					
Structure	65.0	86.7	43.3	70.0	60.0
Task requirements	65.6	71.1	60.1	62.0	69.3
Individual skills	41.9	46.7	37.1	42.0	41.8
Systems	71.3	84.4	58.1	78.0	64.5
Management practices	74.4	75.6	73.2	78.0	70.8

companies founded before and after the economic reform in 1978 (See Table 5). All the companies founded before the economic reform were state-owned or collective enterprises. Among the nine factors, companies founded before the economic reform experienced more changes in eight of them (except task-requirement) than those established later on. In 90% of the companies established before the economic reform began, strategy changed. In 80% of these companies, leadership changed. Along with the national economic reform, the government realized how urgent it was to change the previously centralized decision-making towards a more democratic leadership style in state-owned enterprises, and so they made efforts to create a suitable environment for the cultivation of this new style. In 78 percent of the older companies, mission, systems and management practices were changed. Even organizational culture, normally regarded as an element hard to change, changed in 74% of the enterprises founded before 1978. This is mainly associated with the

change of the whole system and management style. Under the planned economy their job was lifelong and regarded as an "iron rice bowl". Under the new system, where the salary was calculated on the basis of the quality of work and a competitive system, employees were more motivated and dedicated to their job.

In the younger companies, less change took place compared to the older companies; however, the changes were still significant. Faced with a market economy and the enterprise reform, companies founded after 1978 were also active in implementing change. Strategy was changed in 77% of companies, although the percentage is less than that of older companies, it nevertheless indicated that great efforts had been made to adjust to the market economy and survive in a fiercer environment of competition after accession to the WTO. Accompanying the changes in the transformational factors, all transactional factors also changed in organizations established after 1978, of which task requirements were changed in 69% of companies, having changed in only 62% of the older group of companies. It can be seen that under the new price-driven market economy, younger companies were aware of the great importance of implementing change in order to survive, retain their competitive advantage and increase profits.

Changes were analysed in terms of the size of the companies in Table 6.

Table 6. Changes in Chinese organizations in terms of the size of the company

Number of employees	All sample	-100	101-500	501-1000	1001-3000	3001-5000	5001-
%	100	23.1	37.5	9.4	11.9	8.1	10.0
Transformational factors							
Strategy	83.8	75.7	88.5	73.3	84.2	76.9	93.8
Mission	69.4	67.6	70.5	60.0	68.4	76.9	75.0
Culture	65.0	51.4	70.5	60.0	63.2	69.2	81.3
Leadership	77.5	64.9	78.7	73.3	84.2	84.6	93.8
Transactional factors							
Structure	65.0	56.8	70.5	66.7	89.5	84.6	87.5
Task requirements	65.6	56.8	65.6	53.3	78.9	46.2	93.8
Individual skills	41.9	32.4	36.1	33.3	73.7	46.2	56.3
Systems	71.3	70.3	67.2	73.3	78.9	69.2	81.3
Management practices	74.4	70.3	70.5	73.3	89.5	61.5	93.8

In terms of size, the largest companies underwent more changes in all transformational and transactional factors. There was an especially sharp contrast in changes in strategy, culture, structure and task requirements if we compare the largest companies with the other smaller companies. The results indicated that the larger the company, the more drastic changes taking place and the more factors were changed.

Based on these results and the subsequent analysis, it could be concluded that only 5 per cent of the changes were developmental changes, which normally took place in one department. For example, the introduction of new software into the IT department or adjusting new systems within one department. Meanwhile, 41.3% of the changes were transitional and 53.7% were transformational. As the Chinese economy is still transferring to a market economy from a planned economy, half of the organizations in the survey experienced dramatic changes in ownership, especially after the enterprise reform was launched. For example, some state-owned enterprises experienced the change to a private limited company, some small state-owned enterprises were merged to become a large one and some enterprises were acquired by private owners. Some government agencies under the planned economy even became independently run companies or affiliates of local authorities.

Conclusions and Discussion

The authors are of the opinion that organizations cannot be understood in isolation from social contexts. The main context for this study was the social transience in China during the change from a command economy with a centralized control system to a free-market economy with a price-driven system under a socialist political regime. The Chinese government's commitment to replacing the planned regime with free-market mechanisms provided the dominant institutional context for organizational change in China. Importantly, since the economic reform, the reform of Chinese state-owned enterprises has been an integral part of the economic reform in China. In addition, the globalization of markets has added to the urgency with which companies in China needed to implement organizational changes in order to deal with the increased competition.

Interviews in 160 Chinese companies indicate that deeper organizational changes, where transformational factors were changed, were initiated from the top and only a few developmental changes were initiated from lower levels.

Our research results supported the hypothesis: during social transience transformational changes took place in Chinese organizations. Table 7 summarises the changes in Chinese organizations within the institutional framework.

Table 7. Changes in Chinese organizations within the institutional framework

Period	Institutionalization	Types of organisational changes
1949-1977	Period of stable institutions	Developmental changes
1978	Deinstitutionalization	Transformational changes

Late 1970s **–early 1980s**	Creation of new additional institutions	Transitional changes
1980s	Social transience	Transformational changes
1990s	Creation of new additional institutions	Transitional changes
Late 1990s **–early 2000s**	Reinstitutionalization	Transformational changes
2001	Continuation of reinstitutionalization	Transformational changes, Transitional changes

In the era ruled by Mao Zedong in China, only some developmental changes were allowed to take place. Then after the economic reform program was launched, drastic and strategic changes started to take place.

A comparison of the changes in different industries revealed that more changes took place in the production sector than other sectors. Changes were also much less profound in the services sector. A possible reason for this is that conventional wisdom regards China as a strong low-cost manufacturing base, and the Chinese government has been reluctant to open its services sector to international competition, because of its weak competitive position.

Analysis of change in terms of the size of the organizations showed that the larger organizations experienced more drastic changes than the smaller ones. In terms of age, younger companies, although experiencing less change due to adopting a less profound approach to change than the older companies established before the economic reform started, were still found to be quite active in implementing change.

To summarize, the results indicate that Chinese organizations have been in a continuous change process and a large proportion of the changes were transformational, which are much deeper and more profound than transitional and development changes in terms of scope. Based on Nadler and Tushman's model, almost two thirds of the changes could be considered re-creation – the deepest strategic change in terms of scope compared to reorientation, adaptation and tuning. These could be explained more explicitly in the institutional context. During the social transience and reinstitutionalization stage, the deepest changes in terms of scope took place.

Further Research Proposal

This study was based on interviews conducted with top or senior managers in Chinese companies from several areas. The research results could be more generalized if a larger number of companies from more cities or areas were included. Another option for future research is that the same interviews could be conducted

again after some years in order to obtain dynamic knowledge about the types of changes from the institutional perspective.

The finding that transformational changes took place during social transience in Chinese organizations is consistent with research results obtained by Alas and Vadi (2006) in Estonian organizations during social transience in Estonian society. Therefore, the authors can already start to make broader generalizations on the basis of these conclusions about organizational change in two countries in transition – Estonia and China – and assume that transformational changes are also likely to take place in organizations in other countries undergoing economic transition. But this assumption should be checked by observing other countries, such as the Ukraine or Russia, which have not been so successful in their reforms.

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ARTICLE 4

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CONNECTIONS BETWEEN FACTORS OF READINESS TO CHANGE IN CHINESE ORGANIZATIONS

Abstract

This study in 29 Chinese organizations contributes to our understanding of readiness to change Study reveals the importance task and relationship orientation of organizational culture for organizational learning and employee attitudes toward change in Chinese organizations. There are differences in China compared to countries in Europe: two important components of learning organization are not acceptable in China: Chinese employees are afraid of making mistakes and they do not want to reduce status symbol to the minimum. The model about impact of organizational culture upon organizational learning and attitudes toward changes in Chinese organizations has been developed.

Keywords: attitudes toward change, organizational change, organizational learning, organizational culture, China,

Introduction

China is one of fastest developing countries in the world. During changes in the macro environment the challenge has been to internalize a new type of organizational behavior in order to operate successfully under unfamiliar conditions (Sun and Alas 2007). Learning, both institutional and individual, has become a prerequisite for the success and survival of organizations (Alas 2007a).

According to Lang and Steger (2002), problems in the other fast developing region, in East-European companies have in adopting Western practices stem from national and organizational cultures. Resistance to learning may stem from the culture and structure of the organization (Salaman and Butler 1999) and the past organizational experiences of the members of the organization enable or hinder the 'learning process' equally (Alas 2006).

Therefore the focus of the change process has shifted from product innovation and technological change to behavioral aspects of change and to attitudes about change (Bergquist 1993). Organizational change has been seen as an individual-level phenomenon, because it occurs only when the majority of individuals change their behavior or attitudes (Whelan-Berry et al. 2003).

The aim of this paper is to study the connection between factors of readiness to change: how orientations of organizational culture predict attitudes concerning change and organizational learning in Chinese organizations.

In this paper the author will first present the theoretical framework for studying the behavioral factors that indicate a readiness for change. Next, empirical data collected from Chinese companies is analysed. The model about impact of organizational culture upon organizational learning and attitudes toward changes in Chi-

nese organizations has been developed. Finally, based on empirical findings, guidelines for managing Chinese companies are developed.

The theoretical framework

The readiness factors act like a bridge between identifying what needs to happen and the activity of implementing the change (Struckman and Yammarino 2003). Porras and Robertson (1987) have criticized organizational change theory for using too many manipulative variables. In this article the author focuses on a limited number of behavioral readiness factors.

The ability to adapt to change is enhanced through learning organization, the antithesis of the traditional bureaucratic organization (Driver 2002). A learning organization is good at creating new solutions and good at sharing knowledge with other members who may need it (Sugarman 2001).

Learning does not take place solely in the minds of individuals, but rather stems from the participation of individuals in social activities (Gherardi and Nicolini 2001). The central concept of research into organizational learning is the concept of 'organizational culture', because it highlights the context within which learning occurs, and it provides the framework for understanding how the outcomes of past learning become ingrained in organizational norms and routines (Alas 2006). Shared cognition has been argued to play an important role in understanding organizational issues (Cannon-Bowers and Salas 2001). It has been stated that creating lasting organizational change is inextricably linked with culture change (Manring 2003).

Employee attitudes are considered an indicator of the future success of an organization (Hurst 1995). In the context of organizational change, attitudes to change—the benefits of the change and the competence of managers to implement these changes—become important (Alas and Vadi 2006). When seeking the information employees need for decision-making, they focus on information consistent with their attitudes (Frey 1986).

As change requires learning new skills, behaviors and attitudes, it demands a certain effort from employees (Alas 2007b). In order to use their energies for this purpose, employees should be motivated to maintain their position and membership in a certain organization. Two constructs, commitment and satisfaction, have both been considered as indicators of whether individuals are effectively connected to an institution or might quit (Holton and Russell 1999). Attitude strength depends on the extent to which these attitudes are related to each person's own deeply held philosophical and political values and are of concern to the person's social group (Boninger et al. 1995).

In connection with organizational change, the authors view organizational culture from a functional perspective as an adaptation mechanism, which helps an organization to adapt and survive in a changing environment. Schein (1992) sees organizational culture as a deep-rooted phenomenon, which cannot be changed easily – a pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and integral inte-

gration. The task-orientation and relationship-orientation of organizational culture have been highlighted by several theorists: Cooke and Lafferty (1986) focus on people versus task; Goffee and Jones (2001) separate sociability, which is similar to relationship-orientation and solidarity, and similar to task-orientation; Harrison (1995) distinguishes between power culture, role culture, achievement culture and support culture. In the context of organizational change, task-orientation could influence people's attitudes by establishing clear goals and developing values, which could help the achievement of these goals at all levels of the organization (Alas and Vadi 2006).

To conclude, when analyzing readiness to change, the impact of organizational culture upon organizational learning and employee attitudes towards change should be taken into consideration. The theoretical framework of the study is on Figure 1.

FIGURE 1
The theoretical framework of the study

Empirical study

The sample
Research in 29 Chinese companies was conducted in 2005-2006. Research in 29 Chinese companies was conducted in 2005-2006 with 1303 respondents. The companies were from two areas: Peking and Jinan. From among the respondents, 46.4% were from production companies, 7.2% from consulting companies, 5.2% from the retail and wholesale industry, 2.1% from telecommunications, 1.2% from transportation and the rest were from the service sector, including hotels and insurance companies. According to size, 11.5% of companies had less than 100 employees, 44.3% had from 100 to 500 employees, 27.6% from 500 to 5000 and 16.6% more than 5000.

If we look at the sample, 53.2% of respondents were men and 46.8% women; 64.5% were younger than 36 years and 35.5% older than 35 years; 2.9% were top managers, 5.7% belonged to top management teams, 13.9% were middle managers, 5.4% were first-line managers and 71.5% did not have a management position.

The authors have compared results of two groups according to work experience separately. A total of 862 out of 1303 respondents had no work experience from pre-reform China. We call these the 'younger age group'; 431 respondents who had this experience form the so-called 'older age group'.

The questions were translated from English into Mandarin and retranslated into English. The retranslations were compared to the original English version. In order to make the questions understandable to employees at all levels of the organizations, specific management terms were not used in the questions.

Respondents filled out three questionnaires: questionnaire about organizational learning, questionnaire about attitudes toward changes and questionnaire about organizational culture.

A principal component analysis and factor analyses with varimax rotation was completed for all three questionnaires. In order to develop subscales for measuring all those phenomenon, items were selected with a factor load in this particular factor above [0.30] and the same load in other factors below [0.30]. Linear regression analysis was performed for finding connections between scales of different questionnaires.

Method

Questionnaire for measuring organizational learning (QOL)

To evaluate organizations' learning abilities the author used the measure developed by Alas and Sharifi (2002). Authors let respondents evaluate 21 indicators of organizational learning on a 10 point scale. A principal component analysis and factor analyses with varimax rotation was completed for the 21 items. (Table 1). The two factors received describe together 56% of initial variability. The internal consistency, or Cronbach's Alpha coefficient, are for the first and second factor .74 and .84, respectively.

Table 1. Items and factor loadings in the QOL.

Item	Factor 1	Factor 2
An open-minded and positive attitude towards risk-taking	**0,70**	0,04
Learning by mistakes	**0,71**	0,17
The acceptance of a new operational culture	**0,71**	0,24
Willingness to make initiatives	**0,66**	0,28
Encouraging activeness in one's work	**0,71**	0,24

Removal of distress amongst the personnel	**0,69**	0,20
Awareness of business objectives	0,22	**0,81**
Commitment to objectives	0,17	**0,88**
Active participation in decision making	0,26	**0,72**
Open information flow	**0,62**	0,16
A business oriented operational culture	**0,63**	0,24

First factor could be called as learning environment (LE) and second as goal com-mitment (GC). These items form relatively clear pattern of relationships (Figure 2).

FIGURE 2
The factors reflecting organizational learning: the pattern of iteme. Note: GC –
Goal commit-ment; LE- learning environment.
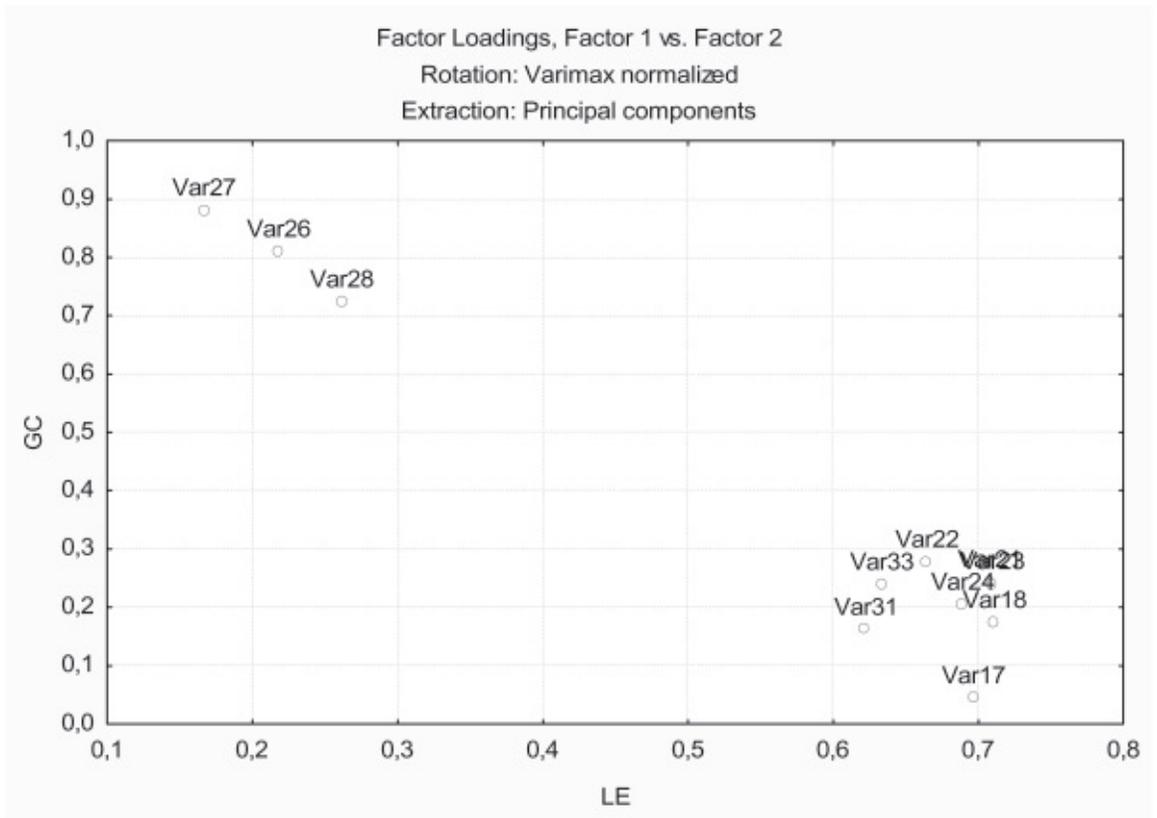
Factor Loadings, Factor 1 vs. Factor 2
Rotation: Varimax normalized
Extraction: Principal components

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Learning environment is about creating micro-climate which encourages learning. Goal commitment is about employees' awareness of and commitment to the business objectives and how actively they participate in decision making process.

A tool for measuring employee attitudes in the process of organizational change (QEA)

The authors used a questionnaire designed on the basis of statements about satisfaction with leadership, with the job itself and with previous changes (Alas and Vadi 2004). The entire questionnaire contains of 15 items. A principal component analysis and factor analyses with varimax rotation was completed for this 15 items (Table 2). The two factors received describe together 41% of initial variability. The internal consistency, or Cronbach's Alpha coefficient, is .80 for first and .53 for second scale. Indicators were grouped indicators into two clusters.

Table 2. Items and factor loadings in the QEA.

Item	Factor 1	Factor 2
1. Do you usually come to work with pleasure?	**0,66**	-0,03
2. How much are your future plans connected with this organisation?	**0,62**	0,10
3. How satisfied are you with your present position in this organisation?	**0,72**	-0,08
4. How satisfied are you with your present work in this organisation?	**0,56**	0,28
5. How necessary in your opinion are the changes in the organisation?	-0,01	**0,51**
6. Do you believe that the planned reforms influence the performance of the organisation positively?	0,08	**0,72**
8. Will your work conditions be improved after the changes?	0,19	**0,70**
10. How satisfied are you with the top managers of your company?	**0,57**	0,17
11. Do you trust the management and think that their decisions are the best for the organisation?	**0,62**	0,13
12. Have the general objectives and development plans of your organisation been explained?	**0,58**	0,14
13. Were you informed about the changes before their initiation?	**0,52**	0,29
14. Do you have enough information about the reasons, content and objectives of the changes?	**0,58**	0,26
15. How much are you included in the implementation of the changes?	0,37	**0,49**

The first factor could be called satisfaction with position (SP) and second as belief in change (BC). Items in the first scale, satisfaction with position, addressing whether employees were satisfied with their current position, job and managers. The second scale addresses how necessary the changes were for the organization and how individuals benefit from these changes.

Questionnaire for measuring organizational culture (QOC)
A questionnaire from 43 items developed by Vadi et al. (2002) was used in order to measure orientations of organizational culture.

A principal component analysis and factor analyses with varimax rotation was completed for the 43 items (Table 3). The three factors received describe together 45.5% of initial variability. The internal consistency, or Cronbach's Alpha coefficient, are between .75 and .83 for those scales.

Table 3. Items and factor loadings in the QOC.

Item	Factor 1	Factor 2	Factor 3
Entertainment programmes are offered.	-0,00	0,16	**0,56**
Employees are proud of the own organisation	**0,66**	0,03	0,23
Employees are aware of the competition	**0,65**	-0,03	0,15
Employees are recognised for their good work	**0,78**	-0,03	0,11
Employees have good interpersonal skills	**0,72**	0,08	0,08
Traditions have high importance	**0,48**	0,19	0,26
All employees are evaluated	0,18	0,17	**0,55**
Employees act cohesively when confronting challenges	**0,57**	0,04	0,26
People are not afraid of making mistakes.	0,13	**0,68**	-0,01
The status symbol is reduced to the minimum	0,08	**0,68**	0,10
Employees' personal needs take priority over corporate goals	-0,24	**0,64**	0,09
Those, having good rapport with the management, are recognised	0,02	0,07	**0,56**
Employees are aware of each other's pastime activities	0,22	0,65	0,10

People communicate politely with each other	0,15	-0,22	0,63
People feel embarrassed when talking about their job	0,06	0,68	0,07
People feel reluctant toward their work	0,02	0,79	-0,23
Good mood is appreciated	0,15	-0,23	0,64
All the important issues are discussed openly	0,25	0,06	0,51
Issues of employees' welfare receive high priority	0,65	0,10	-0,02
Many people have been working together for a long time	0,25	0,03	0,63

Factors could be called task orientation (TO), disinclination (D) and relationship orientation (RO) of organizational culture.

The task-orientation of organizational culture reflects the extent to which all members are willing to support the achievement of common goals. A certain degree of freedom, acknowledgement for good work and the occurrence of constant positive change inspires organizational members. It makes people think more about the needs and objectives of the organization.

The relationship-orientation of organizational culture indicates belongingness and the importance of interpersonal relationships within the organization. When relationship orientation is important, organizational members assist each other in work-related problems and discuss all the important topics with each other. People know how to communicate with each other and there is a strong feeling of unity in difficult situations.

Disinclination indicates behaviours and attitudes which cannot be tolerated by Chinese employees, with which they disagree.

Connections between organizational culture, organizational learning and attitudes toward change

Different groups may have a different understanding and perspective concerning the process of change. Our main purpose was to evaluate the influence of scales of organisational culture on the variability of our attitude scales and organizational learning scales. The authors analysed these relationships between the scales by using the linear regression analysis.

In the first analyses attitudes were taken as a dependent and scales of orientations of organisational culture as independent variables (Table 4). We calculated a standardised regression coefficient Beta (ß), which enabled us to predict how strongly orientations of organisational culture forecast attitudes toward change. Analysis was applied separately with every dependent variable. More than one fifth of the variability in the perceived satisfaction with position can be explained by reference to task- and relationship-orientation of organisational culture: $R^2 = .20$, $F (2, 419) = 50, 96$, $p < .000$.

Table 4. Connections between attitudes and orientations of organisational culture (according to standardised regression coefficient Beta).

Dependent variable		Orientation of organisational culture	Beta
Attitude 1: Satisfaction with position			
n=422	R^2=0.20, F(2,419)=50.96, p<0.00	TO	0,38*
		RO	0,12*
Attitude 2: Belief in change			
n=421	R^2=0.02, F(2,418)=4,14 p<0.017	TO	0,06
		RO	0,1
Learning environment			
n=422	R^2=0.31, F(2,419)=95.11, p<0.00	TO	0,49*
		RO	0,14*
Goal commitment			
n=422	R^2=0.19, F(3,418)=33, 20, p<0.00	TO	0,32*
		RO	0,19*
		D	-0,06

Notes. * - coefficient statistically significant, p< .05

TO – Task-orientation of organisational culture
D - Disinclination
RO – Relationship-orientation of organisational culture

Organizational culture orientation tells very little about the second attitude (belief in change) — only somewhat 2 per cent. Organizational culture predicts goal commitment 19 per cent, while the highest is prediction of organizational culture in regard with learning environment: 31 per cent. Figure 3 illustrates that those organizational members who access task orientation of organizational culture highly, consider also learning environment important.

FIGURE 3
Prediction of importance of learning environment by task orientation of organizational culture. Note: TO – Task-orientation of organisational culture; LE-learning environment.
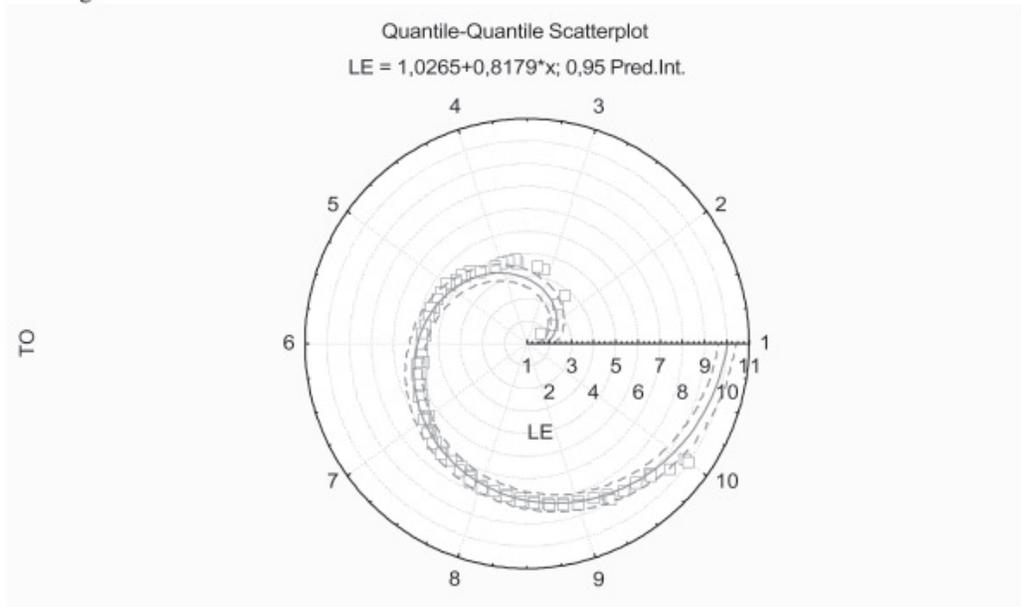
All in all, according to the linear regression analysis results task-orientation of organisational culture (TO) predicts attitudes towards change and organizational learning better than relationship orientation. The third orientation, disinclination is not related to the attitudes and organizational learning.

Conclusions

This study contributes to our understanding about readiness to change in Chinese organizations. The authors examine the influence of organizational culture on attitudes toward change and organizational learning. Empirical research in Chinese organizations indicates connections between organizational culture, attitudes toward change, and organizational learning in Chinese organizations.

A principal component analysis and factor analyses with varimax rotation gave following scales: organizational culture could be expressed by using task orientation

(TO), relationship orientation (RO) and disinclination (D). Organizational learning could seen as learning environment (LE) and goal commitment (CG); attitudes connected with organizational changes are satisfaction with position (SP) and belief in change (BC).

One of the most important findings of our study is that the process of change is related to the organizational culture in various respects. The potential positive role of organizational culture is validated by the finding that so-called disinclination was not important in regard with changes. Task and relationship orientations play substantial part in the organizational changes. It resembles to the findings from the other transitional countries (Alas and Vadi 2006), that task and relationship orientation of organizational culture predict employees' attitudes toward the benefits of change and toward organizational learning (Alas and Vadi 2003). The other side of the picture is that the pattern of relationships between organizational culture and attitudes toward change differs from those countries. It could be influenced by local trends (i.e. culture, traditions etc). This issue needs more exploration in future because the understanding of processes in the Chinese organizations may open more general picture about the developments in China.

Our results expose some issues that have implications on the behaviour in Chinese organisations. The model about impact of organizational culture upon organizational learning and attitudes toward changes in Chinese organizations has been developed (Figure 4).

FIGURE 4
Impact of organizational culture upon organizational learning and attitudes toward changes in Chinese organizations.
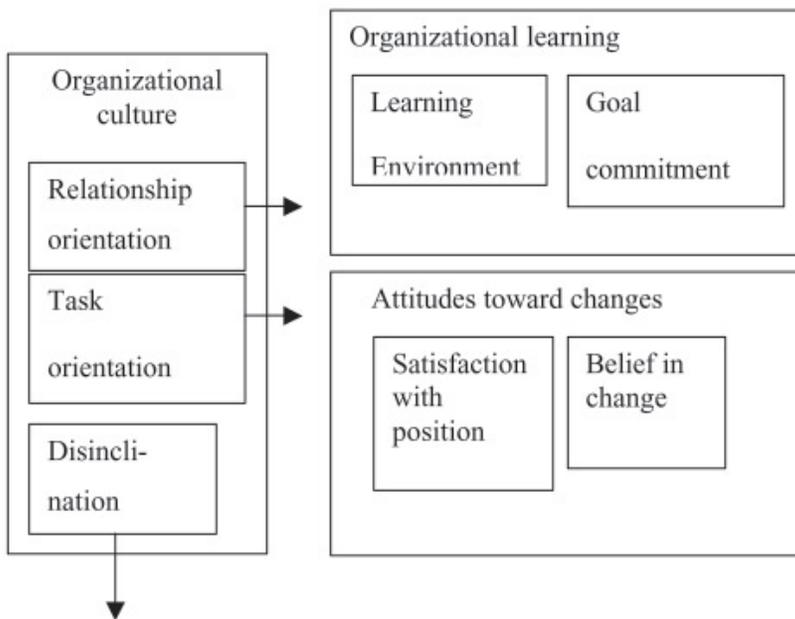
First, the impact of organizational culture on attitudes toward change and on organizational learning should be emphasized. Task orientation and relationship orientation of organizational culture are positively connected with learning environment in organization, with employees' goal commitment and satisfaction with position. Also, how much employees believe in change is connected with task orientation and relationship orientations with organizational culture.

Second, there are differences in China in evaluating organizational culture compared to countries in Europe (Alas and Vadi 2004). In China authors found also the third factor, called Disinclination, which indicates behaviours and attitudes which cannot be tolerated by Chinese employees, with which they disagree. Chinese employees are afraid of making mistakes and they do not want to reduce status symbol to the minimum. So, two important components of learning organization are not acceptable in China. Also, employees' personal needs cannot take priority over corporate goals. This could be explained by the high level of collectivism in Chinese society. According to the Globe study (House et al. 2004), China holds 7th position in the world in terms of institutional collectivism and 9th in terms of in-group collectivism. This leads us to collectivistic traditions of China and societal processes taking place form mid of the former century.

From our findings we have developed some implications for managers of Chinese organisations. As orientations of organisational culture predict employee attitudes toward changes and learning, managers of Chinese organisations should make cultural considerations part of the organisation's strategy and monitor the development of the organisational culture and periodically repeat a diagnosis of task- and relationship-orientations. In order to achieve a more task-oriented culture the method used to create and communicate the vision for the organisation to every employee and also the method for discussing the employees' own perspectives in the company after the changes, start to be crucial for the successful implementation of change. For developing relationship orientation of organisational culture managers could preserve some practices that people valued in the past in order to emphasise that the well being of people is important to management. Managers could encourage people to get to know each other better by organising space and work in this way, that these people have the possibility to communicate more. Special time and space could be planned for tee breaks.

To conclude, this study reveals the importance of task orientation and relationship orientation of organizational culture for organizational learning and employee attitudes toward change in Chinese organizations. The challenge is to develop learning organization in an atmosphere, where people are afraid of make mistakes and differences between subordinates and superiors are accentuated.

Limitations

There is a certain constraint that comes from the research process itself as well as the interpretation of the studied phenomenon. Although the measurement tools were construed in accordance with traditions and rules for developing scales, there could some cultural issues that are not included to the research. Seemingly, power and authority are much more important in the Chinese than in the European countries.

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ARTICLE 5

Sun,W., *Alas, R. (2007) 'Process Model for Organizational Change: A Study of Chinese organizations', EBS Review, 22: 29-41.*

PROCESS MODEL FOR ORGANIZATIONAL CHANGE: A STUDY OF CHINESE ORGANIZATIONS

Abstract

This paper draws on prior research on organizational change, including theories about change, models of the change process and resistance to change and overcoming resistance. The authors carried out a survey covering 160 Chinese companies in northern part of China, selected from various industries, ranging from manufacturing and technology, banking and insurance organizations, to those in energy and education industries. Interviews about changes in their organizations were conducted with top managers, senior or middle managers. The research provides an understanding of the current situation of the implementation of organizational changes in China and examines the relevance of the existing literature concerning the implementation of changes in countries in transition. According to the study, almost all changes in Chinese organizations are initiated by the top managers or even governmental agencies and the lower-level employees are rarely involved. Much attention has been paid to planning the change; however, evaluating the process of change and making modifications are ignored. Moreover, although employees sometimes appear indifferent and show no strong response to changes, some resistance to change has been identified. However, few efforts have been made to overcome the resistance and consolidate the improvements. Finally, based on the survey results, the authors propose suggestions to managers in Chinese companies on how to implement changes more efficiently.

Keywords: Chinese company, implement change, organizational change, process of change, resistance to change, type of change.

Abbreviations
CPC - Communist Party of China
SOEs - State-owned Enterprises

Introduction

The authors study organizational changes in an emerging economy, China. Organizational change in emerging economies, although difficult, is inevitable (Zhou et al., 2006). The Chinese economy, previously a relatively closed system is on a reform path toward an open, market-driven system. Faced with fierce competition in worldwide economy, especially after China's entry into the World Trade Organization in 2001, Chinese companies are undergoing fast-paced, fundamental change processes. The Communist Party of China (CPC) has led the PRC under a one-party system since the country's establishment in 1949. Despite this, nearly half of the PRC's economy has been privatized in the past three decades under "Socialism with Chinese characteristics" (People's Republic of China, 2006). During the 1980s, Chinese economic reforms helped lift millions of people out of poverty. However, due to the mixing of market and planned economies, China as a country itself and all Chinese organizations underwent great difficulties in the process of reform.

The controlled process of change in China has attracted growing attention from around the world due to its significance for theory and practice. What has been missing in the literature is the temporal dimension, i.e., the change performance

implications, since Chinese reform officially began in 1978. Taking a dynamic systems perspective and drawing literature from organizational study, the authors study the current situation of implementation of changes in China, especially the steps of the change process and resistance to change based on a survey conducted in 160 Chinese organizations.

The main aim of the study is to examine the relevance of the existing literature concerning the implementation of changes in countries in transition and to put forward suggestions on how to implement changes more effectively and efficiently in Chinese organizations.

Here the authors would also emphasize that the target of the study is the companies from northern part of China. Southern part of China, where Chinese Economic Reform first started, is a region with more developed economy and more open ideology. In contrast, northern part of China has a long tradition of heavy industry and is a base for many large-scale and significant state-owned enterprises. Therefore, it is more difficult and slower to implement changes in northern part of China. The authors particularly study this area and put forward recommendations hoping to contribute to the development of change management in the organizations located in North China.

Literature Review

Change, one type of event, is an empirical observation of difference in form, quality, or state over time in an organizational entity. The entity may be an individual's job, a work group, an organizational strategy, a program, a product, or the overall organization (Ven-Poole et al., 1995). The following part presents the prior literature about organizational change.

Types of Organizational Changes

Ackerman (1986) has described three types of organisational change: (1) developmental change, (2) transitional change, and (3) transformational change. Developmental change improves what already exists through the improvement of skills, methods, or conditions. Transitional change replaces current ways of doing things with something new over a controlled period of time. Transformational change means the emergence of a new state, unknown until it takes shape, out of the remains of the chaotic death of the old state.

Burke and Litwin (1992) have developed a model for making a distinction between transactional and transformational change. They argue that transformational change occurs as a response to the external environment and directly affects the organisational mission and strategy and the leadership and culture (Burke and Litwin,1992). Transactional change could be compared with transitional in Ackerman's terminology.

Moreover, organizational changes are connected with institutional development (Alas and Vadi, 2006). There are connections between the institutionalisation stages of change at the societal level and types of change in organizations (Alas, 2004a). In Estonia, an economy in transition, in 90% of organizations transformational took place (Alas and Sharifi, 2002).

Resistance to Change and Strategies for Overcoming Resistance to Change
Woodward's' (1954) empirical study of British manufacturing firms indicated that no matter how carefully and slowly the idea of change was introduced, the immediate reaction from lower supervisors and operators was to resist it. According to Senge (1997), people do not resist change; they resist being changed. Most studies of organizational change have shown that employees resist social change more than technical change, (though they are not separate in practice) and the change programs which ignore psychological resistance to change are likely to fail, irrespective of the way the new desired attitudes are presented (Schein, 1986). Alas (2002) pointed out in Estonian organizations resistance was mainly attributed to inertia in the thinking of employees.

As Greenwood and Hinings note, "Radical change cannot occur without the organization's having sufficient understanding of the new conceptual destination, its having the skills and competencies required to function in that new destination, and its having the ability to manage how to get to that destination" (1996: 1039-1040). Senge (1997) suggests not pushing harder to overcome resistance, but discerning the source of the resistance. Kotter and Schlesinger (1979) present six strategies for facilitating change and overcoming resistance: employee participation and involvement, education and communication, facilitation and support, negotiation and agreement, manipulation and co-optation and finally explicit and implicit coercion.

Process of Change
Lewin's (1989) basic model consisted of three steps: unfreezing, moving, and refreezing. Tichy and Devanna (1986) have also used three steps: Recognizing the need for change, Creating vision and Institutionalizing the change.

One of most popular process models is Kotter's (1998) 8 step model, which includes eight phases in the change process:
1. Establishing a sense of urgency by relating external environmental realities to real and potential crises and opportunities facing an organization.
2. Forming a powerful coalition of individuals who can rally others to support the effort. Encouraging the group to work together as a team.
3. Creating a vision to help direct the change effort and developing strategies for achieving that vision.
4. Communicating the vision through numerous communication channels.
5. Empowering others to act on the vision by changing structures, systems, and procedures that seriously undermine the vision in ways that will facilitate implementation.
6. Planning and creating short-term wins and building momentum for continued change.
7. Consolidating improvements and producing still more change. Changing such structures, systems, procedures, and policies that aren't consistent with the vision.
8. Institutionalizing the new approaches by articulating connections between the change effort and organizational success. Developing the means to ensure leadership development and succession.

One process model has been developed based on a survey, conducted in 137 Estonian companies, especially for change implementation in Estonia (Alas, 2004b). This model consists of four steps. The Lewin's (1989) first step has been divided into two parts and added emphasis to the need for unlearning past practices and changing attitudes. The new steps in the change model for Estonian companies are: (1) Determining the need for change and unlearning followed by creating a vision; and (2) Determining the obstacles to change and unlearning, followed by gaining the participation of organisational members. These steps are followed by (3) the implementation of unlearning and the implementation of change; and (4) consolidating improvements and institutionalising the change. In this paper the authors will find pout whether this process model worked out for economy in transition in East-Europe is also suitable for studying changes in another economy in transition- in China.

Institutional Changes and Organizational Changes
Socio-economic transformation, at both macro and micro levels, could be understood as institutional change, from both the structural and social perspective, embracing both structures and social values. The elements of an institution may lose credibility and need redefining – the processes of deinstitutionalisation and reinstitutionalisation take place (Clark and Soulsby, 1999:40). During deinstitutionalisation the contingent nature of cultural accounts and rules are revealed, interrogated, contested, opposed, effectively challenged and ultimately overturned. The process may be gradual or sudden and may affect formal institutions and institutional practices at different rates. Deinstitutionalisation takes away the certainty associated with institutionalised rules, attacks the meaningfulness of the social world and thereby reduces the level of social support and motivation.

From this institutional view, social transition may be interpreted as the period between the effective demise of one institutional system and the point at which another institutional system has been established and accepted on new cognitive and normative grounds. Such circumstances create acute social and psychological problem for social actors and this period has been called social transience (Clark and Soulsby, 1999:40).

Changes in the environment necessitate that organisations modify themselves as well.

During the stable stage of institutionalisation developmental changes mostly take place (Alas, 2004a). In order to evoke transitional changes additional institutional forms could be added to established institutions. Deinstitutionalisation in society, which starts a period of social transience, calls for transformational changes in organisations. At the same time reinstitutionalisation starts. If reinstitutionalisation is completed then transitional changes start to dominate over transformational (Alas, 2004a).

Chinese History from Institutional Perspective
In order to provide socio-economic explanations, which are rooted in the historical and contemporary circumstances of societal and organizational transformation, a short description of important stages in Chinese history starting from the founding of Communist Party of China (CPC) will be given.

In Table 1 Chinese history has been viewed from an institutional perspective (See appendix).

By the time of the First Republic in 1911, imperial China was in ruins: the social system was in collapse; central authority had evaporated; the most lucrative parts of the economy were in the hands of foreigners; and significant areas of territory had been lost (Foy and Maddison 1999). When Communist Party of China (CPC) was founded in 1921, a new additional institution was created since CPC had totally different institutions from those of the Nationalist Party (Kuomingtang) which was the ruling party at that time. From 1921 to 1949 the situation in China became more and more chaotic, culminating in the country's military collapse under the weight of the Japanese invasion and the Second World War and the Civil War followed (ibid).

When the Chinese Communist Party came to power in 1949, it restored central control under the People's Republic. National unity with economic independence was its priority.

Between 1949 and the eve of economic reform in 1978, China, after long years of war and revolution, experienced thirty years of peaceful reconstruction unprecedented in its modern history (Qin, 2005). It was a recovery period and substantial progress toward a return to normalcy was achieved in spite of the Sino-Soviet split and disastrous economic experiments, such as the Great Leap Forward, which were designed as short cuts to industrialization, and political errors, the most destructive of which was the Cultural Revolution (Johnson, 1998).Against this background, the old system and its "planned economy" - like the high accumulation mechanism - did play a major role in the primary accumulation in China's industrialization (Qin, 2005). From 1952 to 1978, GDP measured by value in purchasing power parities was multiplied by three, while per capita income increased by 80 per cent and the economy's structure was transformed and industry's share of GDP rose from 10 per cent to 35 per cent (Foy and Maddison, 1999).

In 1978 an ambitious reform program was launched in China. Rural economy was de-collectivized, private and semi-private enterprises mushroomed, and the state sector steadily shrank (Zhang, 2004). Reform has been accompanied by decentralization of economic control. Local governments have gained some or all of the decision-making power relinquished by the central government (Jia, 1998). The rigid monopoly of the government over foreign trade and the policy of autarky were abandoned after 1978 (Foy and Maddison, 1999).

The reform in the late 1970s and early 1980s consisted of opening trade with the outside world, instituting the household responsibility system in agriculture, by which farmers could sell their surplus crops on the open market, and the establishment of township village enterprises (Chinese Economic Reform, 2006). As well foreign trade decisions were decentralized.

The second phase of economic reform occurred in the 1980s and was aimed at creating market institutions and converting the economy from an administratively driven command economy to a price driven market economy. This difficult task of price reform was achieved using the dual-track pricing system, in which some goods and services were allocated at state controlled prices, while others were allocated at market prices (Chinese Economic Reform, 2006). The late 1980s and early 1990s

focused on creating a pricing system and decreasing the role of the state in resource allocations. In response to the greater yielding to market forces, competition emerged, resource allocation was improved and consumer satisfaction was increased.

In the 1990s, the focus of the reform was to create a viable banking system which could control the economy via monetary policy and issue loans on the basis of profit and loss, rather than by political orders (ibid).

The persistence of state-owned enterprises and the lack of competition in trade and industry have hampered economic reform in China. The inefficiency of state enterprises has led to a vast network of subsidies, and the deficits of state enterprises have been financed to an increasing extent by bank credits (Dorn, 1989). Considering these situations, the reforms of the late 1990s focused on closing unprofitable enterprises and dealing with insolvency in the banking system.

As of 2001 China became a member of WTO. It is 'a historic step in the process of reform and opening to the world' as President Jiang Zemin said (President Jiang, 2002). It presents a new stage of reform and opening to the outside world, i.e. from self designed process of reform and opening to real integration into international system. China's entry into the WTO will make China's door even more open (Chow 2000). While it is pursuing institutional reforms in state-owned enterprises and the banking and financial sectors, it is aware that the reforms and the accompanying globalization of the Chinese economy have to proceed in an appropriate speed. Meanwhile, there was a great impact to the thinking and process of the policy making, as well as to the society and culture.

To summarize, since the 1970s, fundamental transition has transformed the economic landscape of the People's Republic of China. One of the central aims of the reform in China is to improve the performance of the economy, which ultimately boils down to performance of the firm, especially the previously inefficient state-owned enterprises (SOEs) (Tan J. and Tan, 2003). During the transition, as the state gradually relinquishes its role in policing economic exchanges, state firms are granted more and more autonomy; the government is increasingly tolerating more private ownership of private and collective firms that are outside the state sector (Peng and Heath, 1996). In a word, over the past several decades China has experienced significant changes in transforming its bureaucratic system of state planning into a more market-oriented economic regime.

Methodology

A survey was carried out in 160 companies in several big cities in northern part of China: Beijing, Tianjin, Jinan and Zibo. Structured interviews were conducted with top managers or middle managers from different companies to acquire about change in their organizations. The questions in the interview were adopted from the survey conducted in Estonian organizations (Alas and Sharifi, 2002). The companies involved represented various industries and sectors. Characteristics of the sample according to the industry and size of the companies are respectively shown in Table 2 and Table 3 (See appendix).

Among 160 companies, in 39.4 per cent of companies, the top manager or CEO answered the questions. In 40 per cent of the organizations, deputy directors or vice general manager were interviewed. The rest of the respondents are working as

middle managers in different functional departments, of which 5 per cent and 3.8 per cent were respectively specialized in HR and marketing. The others were responsible for other departments, such as finance (3.1 per cent), sales (2.5 per cent), project management (2.5 per cent), assistance (2.5 per cent) and customer service (1.3 per cent). All interviewees have experienced the recent organizational change in their organizations, and have been directly involved in strategy formulation and implementation. Apart from their knowledge and views on the questions asked, the interviewees were encouraged to elaborate on the process and complexities of the organizational changes experienced inside the companies.

Most questions were open-ended, however, in some cases closed-ended questions were used, for example, in order to figure out the factors which had changed in the process of changes. The interviews were first analyzed individually to identify issues relating to organizational change and then compared and summarized.

Results Analysis

Types of Changes and Duration
According to the survey, only 5 per cent of the changes were developmental changes, which normally took place in one department. The examples can be the introduction of new software into the technological department or adjusting new systems within one department. Meanwhile, 41.3 per cent of the changes were transitional and 53.7 per cent were transformational. As Chinese economy is still on the way towards transferring to market economy from planning economy, half of the organizations in the survey experienced dramatic changes in ownership transforming or business state transforming. For example, some state-owned enterprises experienced the transforming to a private limited company; some small state-owned enterprises were merged into a large-scale one, or some enterprises were acquired by private owners. Even some governmental agencies under the planning economy system were transformed to independently-run companies or affiliates of local authorities.

With regards to the duration, the survey results reveal that the duration planned for changes ranged from 1 month to 4 years. The most common planned timeframe was from 4 to 12 months. As Chinese organizations normally have a quite large number of employees, it is common that changes are not likely to be finished within a short period. Some enterprises with several thousand employees have to spend several years in dramatic transformation. Among 160 respondents about half of them mentioned that changes in their organizations were finished in time. However, 28.1 per cent of the organizations didn't manage to complete the changes within the planned timeframe and spent longer time. Meanwhile, 15.6 per cent of the organizations witnessed a faster pace in accomplishing changes: the actual time is less than what was planned. This is due to Chinese polychronic culture. Chinese people normally prefer to plan longer time than what they think will be actually needed.

Initiators of Change and Factors That Changed
The respondents also were asked about the initiators of changes. 72.5 per cent of changes were initiated by the top leaders of the organization. 20 per cent were

initiated by local government or authorities, for example, government decided to privatize some state-owned enterprises or sell shares of one plant to foreign investors. This is a special feature of changes in transition economies, especially in China. Under Chinese administration system only a very small proportion of changes were proposed from low level. Only 2.5 per cent and 5 per cent of changes were initiated by middle managers and lower-level employees respectively. However?the changes proposed by them are normally developmental changes which take place in a certain department or in a specific aspect of management. Revolutionary or strategic changes were started and had to be started according to the decision from the government or top management group.

In the process of changes, some factors were changed. 83.8 per cent of organizations experienced changes in strategy. 77.5 per cent and 74.4 per cent changed their leadership and management practice. Meanwhile, in 72 per cent and 71 per cent of organizations, structure and systems experienced changes respectively in the change process. Then 70 per cent and 65 per cent of respondents mentioned they changed mission and culture respectively in the implementation of change. For example, in some organizations the corporate culture turned from being relationship-oriented to task-oriented. Compared to the above factors, the least changed factor was individual skills, which was mentioned by only 42 per cent of respondents. This shows that changes in most organizations tended to be organization-level oriented while individual skills were rather ignored. This partly attributed to the situation that managers in Chinese organizations lack competency in handling changes and employees lack knowledge and skills to accept and adjust to the changes.

The respondents were also asked about whether there was a specially formed task force to manage the process. 36.3 per cent of organizations established a task force or specialized body to handle changes, which was normally composed of the top managers or members of the board. The others elaborated that without creating any specialized team, the general manager or the manager in related department were normally in charge of the implementation of changes. Furthermore, a quarter of the companies experienced changes in management style in the process of change. For example, in those organizations being privatized, the decision-making group became more independent of local authority. And in some companies the process of decision-making was to some extent getting more simplified and more transparent.

Steps in Change Process

The steps in the process of change in Chinese organizations were analyzed on the basis of the steps in the most popular model of change process, Kotter's (1998) model and it was presented in Table 4.

Table 4 (See appendix) indicates that most of the attention was paid to unfreezing stage while re-freezing was given the least emphasis.

Among the steps in unfreezing stage in Kotter's model, creating a vision (the third step in Kotter's model) is the most widely-adopted step, followed by establishing the sense of urgency, which is the first step in Kotter's model. However, although 78.1 per cent of the respondents created a vision, only half of them communicated it with employees in the organization. In addition, only one third of the re-

spondents mentioned Kotter's second step: forming a coalition. These results show that in the initial stage Chinese companies created an awareness of the need for change and also created an aim for the change. Nevertheless, they were not good at communicating and educating employees, which possibly led to misunderstandings, confusion and even resistance among the employees in the later stages of the implementation of the change. Besides, teamwork was not well-developed in the implementation of changes. Management group relies much on administrative order. As I have mentioned in the previous part, most of the changes in Chinese companies were initiated by top managers or even government. Thus Chinese companies lack the awareness and skills to well inform the employees about the need and vision of the change. Some companies only pass the decision as an administrative order to the lower-level workers of the organizations without adequate explanation and information sharing.

Regarding the steps in moving stage (the second stage in Kotter's model), only 38.1 per cent and 31.3 per cent of the respondents respectively mentioned creating a suitable climate and involving employees. Even a smaller percentage of the respondents created short-term gains, which is Kotter's seventh step. This reveals that in Chinese organizations, implementation of change, to a large extent, still remained part of the conventional administration. The top-to-down hierarchical managing system still worked in the whole process of changing as what happens in the daily running of the business. It is clear that the empowerment of employees was not a popular activity or even the leaders of the organizations were not motivated to empower employees. Therefore, the situation in many organizations was that employees had no choice but to accept the change passively when they lacked adequate knowledge and motivation to be involved in the change.

The table also indicates that the last step in Kotter's model: institutionalizing the new approaches was the least emphasized step compared with other steps. This made the consolidation of changes and ensuring of the succession of changes fall into the least popular activity among the three main stages in change process.

To sum up, most of the Chinese organizations neglected the refreezing stage in the whole process while main focus was placed on unfreezing stage.

Reactions to Change

According to the survey, in 26.3 per cent of the organizations the employees held positive attitudes to change. An almost equal percentage of companies (27.5 per cent) experienced negative reactions to change. 15 per cent of respondents explained that there was a mixture of reactions in their organizations: acceptance and opposition. There were 14 per cent of respondents who mentioned that the employees were indifferent to the change. If their interests were not largely involved in the change, they inclined to accept the decision from the top management without showing any strong response. Without specifying positive or negative attitude, 3.1 per cent of the respondents said that the employees showed an attempt to adapt to the change. The authors would take it as positive attitude. Finally 14.4 per cent of the respondents saw a gradual change in the reaction of employees from being initially unaccustomed to eventually adaptive.

Resistance to Change and Overcoming Resistance

The common resistance in the process of change and the strategies used to overcome resistance are shown in Table 5 (See appendix).

According to the survey, 26.3 per cent of respondents claimed that there were no resistances in the process of change. The others stated they encountered difficulties. Among six causes of resistance, inertia in the thinking was most frequently mentioned (by 26.9 per cent of respondents) as the main root of resistance. Institutional inertia came from lack of information, lack of knowledge, social and political pressure affecting economic decisions and simply persistence of customs and habits. Inertia explained the difficulties encountered in reforming the state enterprises. Another element of inertia was the tendency to retain the old ways of doing things. In many state-enterprises which have been changed to share-holding companies, the share holders still elected the same governing people to the new board of directors and there was no change in management. Meanwhile, there were 14 per cent of respondents who demonstrated that the resistance came from the fear and worries about the future after the change. In some organizations confronting bankruptcy, while the employees are positive to changes which may help the company survive, some middle managers were against it as they were afraid of losing their current positions. Furthermore, 7 per cent of respondents found that the employees were worried about being laid-off and becoming jobless and therefore had very strong negative attitudes to change. There was an almost equal percentage of respondents (about 5 per cent) who regarded the resistance as a reaction to overly quick and unclear changes and the lack of information and knowledge about the change. It frequently happened in Chinese organizations that changes were implemented as a command from the top management with manipulation and insufficient information sharing. That's a unique feature in the socialist system: people are just informed what to do without being told why to do. In addition, about 4 per cent of the respondents mentioned the unwillingness to do additional work. Before vital social transformations took place in China, job was regarded as "iron ice bowl" to many people's mind, and there was a lack of effective incentive system in many organizations. When confronting with more challenging and efficient systems, people, being used to routine tasks, were not willing to devote more time and energy to work.

The survey indicates that the most frequently used and the most effective strategy to overcome the resistance was communication and education. However, to interpret it more specifically, in China communication may not mean involving the employees in planning the change or collecting the employees' opinions. It may simply mean informing the employees about the change before starting to unfreeze. Another noticeable feature in change implementation in China is that coercion or manipulation was frequently used and was acceptable. This may result in strong negative feelings to the implementer in the initial stage; however, people eventually accepted it since there was a long tradition for people to follow command in a socialist country. Even though the economy was gradually converted to free-market economy, the management style and the old thinking style still prevailed or dominated under the socialism regime, especially in northern part of China. The result also reveals that the employee involvement was rarely used due to the incompetence of managers to empower the employees.

Discussion and Conclusions

Based on the survey, the authors identified the main issues associated with changes in Chinese organizations, such as the types of changes, the steps of change, the resistances and strategies overcoming them in implementation of changes.

Organizational change that takes place in the transitional economies-China, is a result of government commitment to replace a planning regime with market mechanisms. After a decade of economic disruption and chaos in the period of the Cultural Revolution (1966-1976), Chinese people longed for resurrection of the economic order. Therefore, when Deng Xiaoping launched the economic reform, the people expected this action could bring about economic prosperity. Although they were eager to change the disruption of economy, they had to strive hard to get rid of the old thinking style prevailing in the Cultural Revolution. As of the early stage of 21st century, a considerable percentage of Chinese organizations are still experiencing transformational changes, deepest by scope. Under the impact of entry to WTO, there were also a significant percentage of Chinese organizations struggling to improve the enterprises' performance and experiencing transitional changes.

The findings of the survey revealed that change in Chinese organizations seemed not to be a smooth process because of institutional and cultural complexities in China. Government was still playing a vital role in initiating and regulating the changes. Moreover, most of changes were initiated from the top management while the lower-level employees were rarely involved.

Regarding the process of change, much attention has been paid to planning the change. However, assessing the process of change and making improvements were ignored. Moreover, although employees sometimes appeared indifferent and showed no strong response to changes, some resistance to change were identified.

The most significant resistance in implementation of change was the inertia in the thinking of employees. It was hard for them to change their habits and thinking style previously formed under a command economy regime. This finding corresponds to one of the results of the study done in a huge and progressive enterprise – Haier Group by Yeung and DeWoskin (2001), which stated that the major barriers of change in China are related to the ownership structure of Chinese enterprises, traditional mindset of Chinese people and the lack of good visionary leaders. The second biggest source of resistance was the fear of unknown. Even though some employees didn't hold completely negative attitude to the changes, they had some doubts about the new regime where economic decisions were still affected by political and social pressure. Some other resistance was associated with redundancies which was a noticeable feature during the reform. A very large proportion of Chinese enterprises were tough in downsizing since they had suffered from the big size and inefficiency of staff in the previous command economy stage.

One point the authors would emphasize is that managers in Chinese organizations underestimated the resistance and the significance of employees' attitudes. They were actually aware of the persistence of employees in the previous thinking and behaving style inherited from the command economy regime. Nevertheless, they didn't have strong incentives to help them to change the attitudes. The mostly commonly used strategy was to educate and communicate the plans and importance of the change to employees. However, there was rare involvement of employees in planning the change

in the initial stage. Some managers were even of the opinion that coercion was the easiest approach to control the reform. The findings indicated that in transition period in practice the tools of management were still to some extent bureaucratic and entrenched due to the profound influences from the pre-reform stage.

Comparing this study and the prior research about organizational changes conducted in Estonia by Ruth Alas, the authors make conclusions on the similarities and differences in the pace of changes between Estonia and China. Regarding the types of changes, one significant similarity is that a large proportion of companies in both countries experienced transformational changes- deepest by scope. In social transience, companies underwent dramatic changes in strategy, culture, leadership and values. However, in more stable institutions in Estonia and China, they experienced more transitional changes instead of transformational. In terms of people's attitudes to change, Chinese organizations encountered mixed reactions to change. In contrast, Estonian companies encountered two extreme responses- support and opposition. With regard to the resistance to change, in both two countries inertia in people's thinking is the biggest obstacle. Regarding the strategy overcoming resistance, in Chinese organizations more coercion was used due to the deep influence of totalitarianism. Finally, from the perspective of process of change implementation, both Chinese and Estonian managers paid more attention to starting change but much less to consolidating changes. The difference is that Estonian managers attached more importance to motivating and involving employees.

Based on the survey results mainly on the steps that were currently adopted in change process, the authors finally put forward the following suggestions on how to implement changes more effectively and efficiently in Chinese organizations. The managers in Chinese companies are recommended to pay special attention to the following activities.

Firstly, managers in Chinese organizations should establish the need for change on the basis of the study of the current situation in the company. The need for change may derive form the fierce market competition or the serious problems in the internal structure. Benchmarking may be recommended by some researchers, however, the authors are of the opinion that it doesn't always apply in the practice since the companies in China differ a lot in size, development history and cultural context. The actions in the leading companies may not perform properly and effectively in other companies. Then a new vision is developed. The managers should then carefully diagnose and analyse the current situation in order to identify the gap between the existing situation and the favourable future state.

Secondly, managers should predict the possible obstacles and resistances. According to the survey results, managers in Chinese companies just relied on administrative order and tended to ignore the employees' attitudes to the change when starting the change. Actually, in order to get more accurate understandings about the employees' reactions to change, some consultations or meetings with employee representatives will be greatly crucial and beneficial. Then a plan should be created concerning how to minimize the resistance and remove obstacles. Currently most of managers lacked the awareness and skills to involve employees in change. The authors propose that the representatives of employees should be involved in planning, which helps to gain trust and understandings of employees. In the meantime,

managers should develop more open and democratic management style.

Thirdly, the vision for change should be communicated to employees. The authors particularly emphasize the importance of this activity. Adequate communication will greatly help to avoid the negative consequences caused by the low level of transparency in information, which still prevails in many companies in North China. The relevant information about the change and the significance of change should be elaborated in great details to employees. Chinese companies normally have a large size, which makes informing every employee individually over time-consuming and impractical. The appropriate way is to educate and share information with the mass in the form of meeting. However, the meetings and other education forms should be planned, prepared and organized very well in advance. This will contribute to creating a suitable climate before implementing changes.

Fourthly, in the process of implementing change according to the plans, negotiation and support are more preferable than manipulation and coercion. At present the combination of education and coercion was main strategy adopted by many Chinese organizations. However, manipulation and coercion discouraged the employees to actively participate the change implementation and even led to psychological resistance to change. So always leave the coercion as the last resort. This also requires managers in charge of implementation of changes to equip themselves with skills to empower and develop the employees. When necessary, HR staff should organize training courses to improve the skills of employees to help them adjust to new changes.

Lastly, the authors suggest that managers in Chinese organizations should assess the change results and institutionalize new approaches. Although this step is of great significances, the mangers in Chinese organizations were not conscious of its crucial role in consolidating and reinforcing the change. Therefore in order to make change implementation more successful, it is extremely urgent and necessary for managers in Chinese organizations to analyze and reinforce the results of change. This includes the following aspects. The goals that were not achieved should be identified and the reasons should be found out. The remedy measures should be taken to improve the factors inconsistent with the vision. After adjustment the successful processes in change should be made into new rules and be institutionalized. Meanwhile the successful experiences should be recorded and shared among managers, which will help the managers to improve their competence in handling changes.

In summary the authors highly recommend that the managers in Chinese organizations pay special attention to the following activities: (1) establishing the need for change and developing a vision; (2) predicting the obstacles to change and involving employees in planning; (3) communicating the change to employees in a well-organized approach; (4) avoiding coercing employees in the process of implementing change and (5) reinforcing and institutionalising the change.

To conclude?managers in Chinese organizations should be aware of the importance of changing the traditional management style in the implementation of change. Managers should place more emphasis on fostering support and participation among employees rather than simply relying on the mixed approach of communication and coercion. Unlearning the habit of the employees and also of themselves should be a priority task in the process of changes in Chinese organizations, especially those located in North China.

As mentioned in the introduction section, the target of this paper is organizations in northern part of China. In the future the authors will carry out the same survey in southern area in China and compare the characteristics of implementation of changes in these two main areas in China
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Further Research Proposal

This study was based on interviews conducted with top or senior managers in Chinese companies. In the future a research could be done among first-level employees. The same questions in this study can be asked from employees and the answers from managers and employees could be compared and analyzed. In this way a whole picture about organizational change Chinese companies can be created and presented to researchers and managers. Another option for future research is that the same study will be done after some years in order to get knowledge about what Chinese managers learn and what they do differently during the implementation of changes in Chinese companies.

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Appendices

Table 1. Institutionalization in Chinese History from 1921

Period	Event	Institutionalization
1921	Foundation of the Communist Party of China	Creation of new additional institutions
1937-1945	Anti-Japanese War	Deinstitutionalization
1945-1949	Chinese Civil War	Deinstitutionalization
1949	Founding of the People's Republic of China	Creation of new institutions
1949-1977	Mao Zedong Era: command economy	Period of stable institutions
1978	Start of Chinese economic reforms	Deinstitutionalization
Late1970s -early- 1980s	Opening trade with the outside world, instituting the household responsibility system in agriculture	Creation of new additional institutions
1980s	Creating market institutions, converting an administratively driven command economy to a price driven market economy	Social transience
1990s	Creating a viable banking system	Creation of new additional institutions
Late-1990s- early-2000s	Industrial reform, involving the closing of unprofitable state-owned factories	Reinstitutionalization
2001	Entry to WTO	Continuation of Reinstitutionalization

Source: The authors

Table 2. Size of Chinese Organizations in the Survey

Number of employees	Percentage
less than 100	23.1%
100-500	31.9%
501-1000	11.3%
1001-3000	13.8%
3001-5000	4.4%
more than 5000	15.6%

Source: The authors

Table 3. Categories of Industry of the Sample

Industry	Percentage
Production	28.1%
Trade	4.4%
Consultation and training	6.3%
Banking	1.3%
Telecommunication	13.8%
Entertaining	2.5%
Education	17.5%
Service:hospital,transport,sale,insurance	21.9%
Governmental agencies	4.4%

Source: The authors

Table 4. Steps in Implementation of Change Process in Chinese Companies
(% of companies)

Steps in change process	Percentage
Unfreezing	
Establishing sense of urgency	58.1%
Forming a coalition or team	30.6%
Creating a vision	78.1%
Communicating the vision	51.3%
Moving	
Creating a suitable climate	38.1%
Employee involvement	31.3%
Creating short-term gains	19.4%
Re-freezing	
Institutionalizing the new approaches	11.3%

Source: The authors

Table 5. Resistance to Change and Strategies for Overcoming Resistance in
Chinese Organizations

Resistance to change	% of answers	Strategies for overcoming resistance	% of answers
Inertia in the thinking	26.9%	Education and communication	33.8%
Fear of the unknown	14.4%	Employee participation and involvement	5.0%
Unwillingness to do additional work	3.8%	Facilitation and support	9.4%
Planned redundancies	6.9%	Negotiation	3.8%
Reaction to overly quick and unclear changes	5.6%	Manipulation and cooptation	8.1%
Information Blockades	5.0%	Explicit and implicit coercion	10.6%

Source: The authors

ARTICLE 6

Sun,W. *(2008) 'A Series of Changes in A Private Training Company', in Alas, R. (Ed) Implementation of Changes in Chinese Organizations: Groping the Way through the Darkness. Chandos Publishing (Oxford) Limited. Forthcoming.*

A SERIES OF CHANGES IN A PRIVATE TRAINING COMPANY

Abstract

T Company is a medium-sized company in China, established in 1997. It is situated in a fairly traditional city in China, where people are still quite conservative in their thinking. This case described the main changes that took place in this company in the past few years. The changes included the change in the ownership of the company, changes in organizational structure, change in strategy, and change in company's location. The analysis of changes was based on the frame of Lewin and Kotter's theories on change management. The case gave a detailed description of the implementation of the changes e.g. the processes of each change (including how they were initiated, managed and implemented), the employees' reactions to changes and the results of the change. Among these changes, the initiator and implementer of the changes adopted coercion as the main strategy while participation and involvement of employees were rarely used. Meanwhile, they did not paid adequate attention to the responses of the employees in the process of change implementation. As a result, most of the changes were not successful. The author hope this case could serve as the representative example which reflected the reality of change implementation in the medium-sized young organizations located in the relatively conservative regions in China.

1. Backgrounds

T Company is a medium-sized company with three-tiered management system. Its main business activities are providing English language training and services to help people to study overseas. T company is established in 1997, the first and largest professional IELTS and foreign languages training institution in Shandong, one of the first 68 licensed overseas study agencies approved by Ministry of Education of P.R. China, a licensed application center for Australian student E-visa authorized by the Australian Embassy and DIMIA, IELTS Test Center authorized by the British Council, and an affiliate of Shandong University. In 2000 it started training courses but only in a very small scale. In a quite long period the leader of the company put more energy on the overseas department since it earns the largest portion of profits. But actually the training department began to grow rapidly and has become a major source of profit up to now. The number of employees in this company is about 40 excluding the part-time teachers.

The company is in a fairly traditional conservative city of Jinan located in Shandong province. The city lies in one of the most traditional places in China near to the birth of Confucius and his teachings. The city is developing and has mixings of both modern and new lagging behind other eastern cities. The people are still very conservative in their thinking and change is slow.

2. Main Changes

In this part I will analyze the changes that took place in T Company in the past few years.

2.1 change in the ownership of company

Before the summer in 2002, the company has been attached to the academic exchange Center of SD University. The official name of the company has been overseas service department attached to SD University academic exchange center. Also the head of the company is entitled as dean of overseas service department. And he had a bigger structure above him. Another important fact is that due to the ownership of the company, the university shared profits and losses with company T. The company had to pay certain proportion of its annual profits to SD University. In the meanwhile, SD University was responsible of covering part of the losses.

Then in May 2002 the company was separate from SD University and became a private registered company. In this case the leader of the company, the same person, was entitled as General Director, and he became the legal person of this individual entity. The company had more freedom to run the company whereas it had to take more responsibility for all cost and losses, for example, income tax payment had to be covered by itself. Another result brought by this change is that the relational changes between the official agencies and offices and the company.

The change was initiated and operated by the very top management. The staff had no ideas about the process of this change and the possible consequences along with this change as no one was informed about this change until the last moment. One day a small meeting was held and the leader announced this change. Besides, we were not informed about the rise of personal tax payment. One month later all teachers found a decrease in their pay without specified reasons. Some of them went to the leaders to ask for reasons and they were then told the tax had to be cut from the teaching salary since SD university stopped covering the tax expenses owing to the privatization.

Actually this change should be a radical change. However, it was implemented in a strange way. The top managerial people did not explain the essence of change to employees in great details. There were information blockades and no recreation of mission and vision. So the core process of changes was improperly implemented. To make it worse, the supporting process was not done at all. The emotional issues involved were not handled. During the change process, the reactions of the employees were mostly negative.In the beginning they were indifferent about the change in ownership. Later when they heard the salary level may be affected due to the rise of personal tax payment, they started to be worried. Then when this was done without any explanations, all the employees were very unhappy. Actually they thought the leaders of the company were not reliable any one. To summarize, the implementation of this change was not successful.

2.2 change in organizational structure

Company T experienced the changes in organizational structure several times in the past few years.

In June of 2003 the top leader of company T implemented a big change in the structure. He promoted the marketing manager to the position of vice general manager. While the vice general manager has to take responsibility for every day activities in the company, he is still in charge of marketing department. And a new training manager was hired who graduated from a European university to replace the old one.

This change in personnel was declared in a meeting. It was just a decision from the top manager.

The change in June of 2003 actually had great influences on the whole company. The general manager gradually handed over most of managerial work to the vice general manager. Most of the staff were not used to reporting to the vice manager who has a strong sense to power and hierarchical status. Emotionally they felt depressed at work. And the new training manager felt annoyed to be constantly disturbed by the vice manager. Therefore, the change encountered negative reactions among the employees; however, their negative responses were neglected by the top manager at all. The staff didn't show their feelings as most of them thought it was natural that the top manager has the power to change the personnel as he wanted.

Then in January of 2004 the structure witnessed another drastic change. A new department –Logistics department was added to the present structure and the chief accountants become the head of this department. Training and Marketing department was combined into one section and the vice general manager became the head of the biggest section. But the previous training manager was demoted to vice training manager. Before this change no one was informed about the reasons behind.

The vice general manager proposed this charge and thought the changes would make the whole company work more efficiently. However, due to the lack of understanding and trust to the vice general manager, the staff were in loss and panic and felt no job security. Everything kept changing and the leaders also got rid of two employees in students support section. A lady who retired from a vocational school was hired to replace the tow young staff. However, the vice general manage did not give a clear job description to the staff in new positions and the whole company were confused about the function of new department. Some staff took it in this way that the vice general manager tried to centralize his power by changing the structure. The interests of employees were not taken into consideration not to mention participation and empowerment to the staff. To sum up, the change was not done naturally and the resistance to the change was ignored. The strategy to implement change is implicit coercion without communication and agreement. Another problem is that the leader plays a negative role in the initiation and core process.

The changes in structure are illustrated in the following charts.

Before 2003 June

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                    ┌─────────────────────────────┐
                    │      General   Manager       │
                    └─────────────────────────────┘
                                   │
          ┌────────────────────────┼────────────────────────┐
┌──────────────────┐   ┌──────────────────┐   ┌──────────────────┐
│ Training Manager │   │ Overseas Manager │   │ Marketing Manager│
└──────────────────┘   └──────────────────┘   └──────────────────┘
          │                       │
┌──────────────────┐   ┌──────────────────┐
│ Training  staff  │   │  Overseas  Staff │
│ and teachers     │   │                  │
└──────────────────┘   └──────────────────┘
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2003 June- 2004 Jan:

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                    ┌─────────────────────────────┐
                    │       General Manager       │
                    └─────────────────────────────┘
                                   │
                    ┌─────────────────────────────┐
                    │    Vice General Manager     │
                    └─────────────────────────────┘
                                   │
          ┌────────────────────────┼────────────────────────┐
┌──────────────────┐   ┌──────────────────┐   ┌──────────────────┐
│ Training Manager │   │ Marketing  Staff │   │ Overseas Manager │
└──────────────────┘   └──────────────────┘   └──────────────────┘
          │                                            │
┌──────────────────┐                       ┌──────────────────┐
│ Training  staff  │                       │  Overseas  Staff │
│ and teachers     │                       │                  │
└──────────────────┘                       └──────────────────┘
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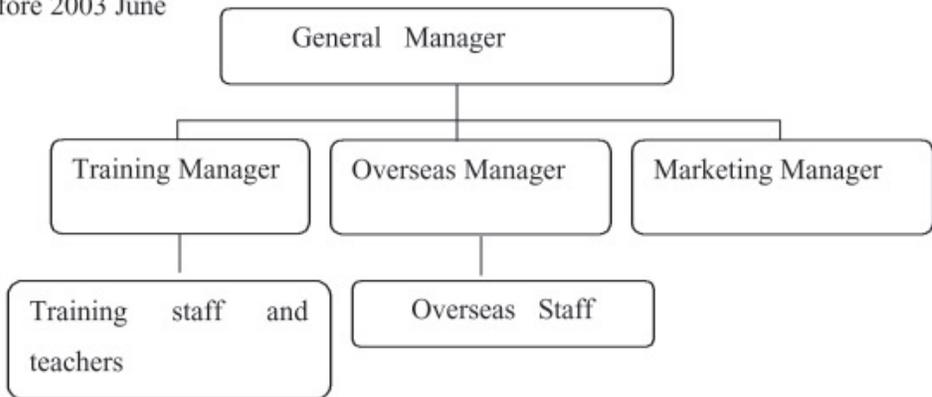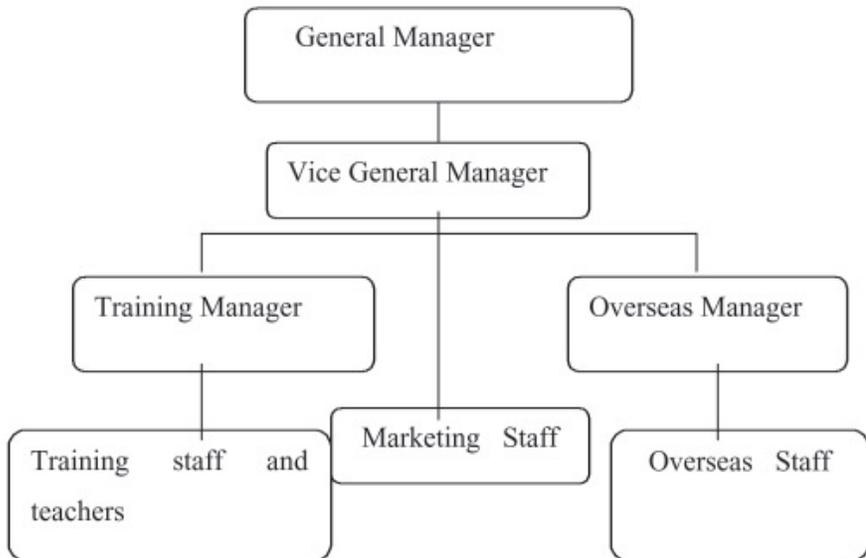
After Jan of 2004:
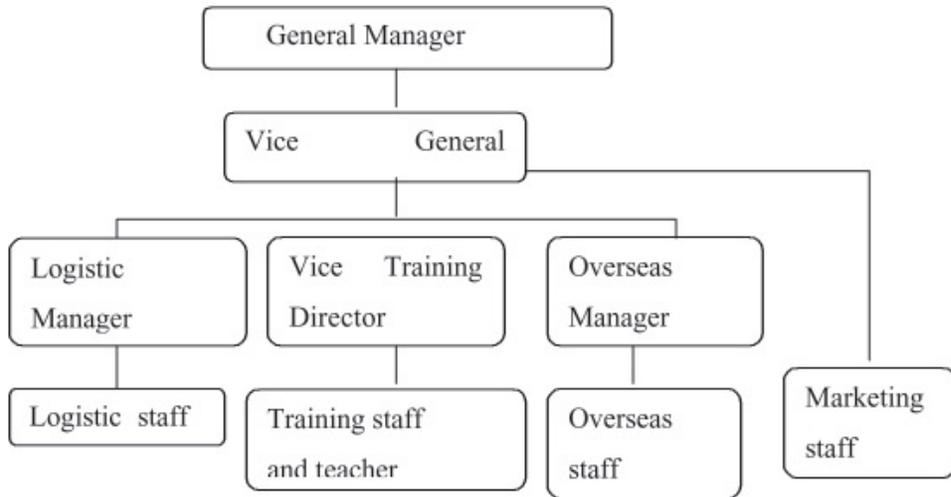
2.3 Change in strategy

The implementation of change in strategy of company T is better than the other changes although the managerial part was not operated thoroughly. The company mainly deals with IELTS training for students who plan to study abroad. But the market is going to enter the phase of declining in the whole industry life cycle. The general manager was sensitive to the market trend and decided to expand the training business.

In the beginning of 2004 the company successfully obtained the franchised right of SHANE English, which is a global company providing English teaching to children. Before this the general manager did adequate market survey and recruited several foreign teachers. This decision was also discussed several times in company meetings.The initial program was done quite smoothly. However, part of operation is not performed well, that is, the managerial part. Shane English section is still under the control of the vice general manager. It is against the rules of International Shane that states that a foreigner is supposed to be the supervisor in charge of teachers. Therefore, it is still run in Chinese style and several foreign teachers were very dissatisfied with the management.

In brief, the expanding of market was done more successfully than the other changes. It has positive effects on the company in the long run. Given information about the benefits of this project, the staff were willing to support this change and one employee volunteered to transfer to Shane English from training department.

2.4 Change in working condition

There are also some minor changes taking place in addition to significant changes in structure and strategy. One of them is the change of the company location. The implementation of this change was successful.

In April of 2003, the company moved from a big hotel in city center to an office building near the city border. The previous company site was easy to reach. Furthermore, the big problem with the old site is that there are not enough classrooms available. The new site is in a modern building, which is next to provincial Library. But the downside is that new location is too remote. Before the decision was made, the general manager conducted plenty of investigation among both the students and the staff as well. He sent a questionnaire including questions about the opinions of location change to them. A map covering the nearby area of new location was attached in the questionnaire. Additionally, he offered exact information about the bus routes. Some support work was done to help people adapt to the change more easily. One such procedure was that the beginning of working time was delayed to 9 a. m. from 8:30 a.m. Another compensation procedure was that the company would cover the expense of monthly bus ticket for the employees.

As a result of careful preparation, the potential obstacles were successfully removed.And also the dynamic for change was created. The move of physical location was done very quickly owing to the obtaining of the employees' participation. The leader did a good job in recognizing the need of revitalization and motivating employees. Furthermore, most students and staff were excited about the wholly new working environment with modern interior design and decorations. Nevertheless, a group of staff was completely ignored in this change. No teachers were inquired about this change and no compensation subsidy was given to them. They felt deeply humiliated. This became a very serious flaw of this seemly smooth change.

Conclusions

To conclude, the changes in this company were mainly implemented from top to down. Meanwhile, participation and empowerment of employees were rarely used as the main strategies to implement changes. Moreover, the employees' feelings and reactions were far from a vital factor that was taken into careful considerations by the change implementers. Consequently, the results of most of the changes were not that satisfactory. Based on the findings from this case, the author suggest that in order to implement changes more effectively, the managers in medium-sized Chinese companies in relatively conservative areas should equip themselves with adequate knowledge and skills in implementing changes or resort to professional experts to facilitate the changes.

ARTICLE 7

*Alas, R., Sharifi, S., **Sun, W**. (2008) 'China and Estonia in Flux: Is This a Valid Basis for Comparison of Their Approaches to Change Management?' Academy of Management Meeting, Questions We Ask, August 8-13, Anaheim, California.*

CHINA AND ESTONIA IN FLUX: IS THIS A VALID BASIS FOR COMPARISON OF THEIR APPROACHES TO CHANGE MANAGEMENT?

Abstract

In this paper we attempt to unpack the notion of change and for that matter 'change management' by situating them in the context of economic and commercial reforms in the former centrally planned economic systems. Developing and transitional economies have intended to dispose of their past 'blue prints' and seek out templates which have been successful in the existing market economies. At the core of our questioning is the accepted idea that the process of organizational change in transitional and emerging economies is and needs to be 'managed'. We note that change processes are littered with fuzzy and improvised environments. In this paper the processes of organizational change in two distinct cultures; China and Estonia has been analyzed drawing partially on an institutional perspective.

Keywords: organizational change, China, Estonia, institutionalization

INTRODUCTION

We see change here as a set of events which unfold within a time frame defined by political and economic parameters. As one of the fastest developing countries in the world, China has had an annual growth rate of 8–10 % averaged over two decades (Hampden-Turner and Trompenaars, 2002). Chinese companies have undergone rapid, fundamental changes (Wang, 2007). Estonia, in the past two decades, has gone through transformation; leaving one system of political economy-the Soviet Union- and entering into a culturally and historically different environment- the European Union. This, in Estonia, has meant needing to swap the authoritarian, centralized, totalitarian socialist ways of organizing and governing with a more democratic regime and a different set of attitudes and values fit for a free market economy.

Our main aim in this paper is to consider the implementation of change in selected organizations in China and Estonia as the bases for understanding the 'blue prints' for change adopted in these developing economies. The two countries are assumed to be culturally and socially distinct and their political and economic systems stem from the socialist/communist ideology associated with the former Soviet Union. We will draw on 'institutional' and 'organizational change' theories for a multidimensional evaluation and analysis of the data. We set the scene by presenting a brief overview of the recent history of changes in Chinese and Estonian organizations. The outcome of the implementation of organizational change in both countries will constitute the bases for our discussion and questioning.

TRANSITIONAL CHANGE

Estonia: A Retrospective Account

In the process of socio-economic transformation and institutional change the struc-

tures and value systems are either discarded or redefined. The contingent nature of cultural accounts and rules are revealed, interrogated, contested, opposed, challenged and ultimately overturned. Such deinstitutionalization (unlearning) takes away the contextual certainty that the institutionalized rules present thus exposing the subjective nature of the meanings attached to the social world.

The pioneers of studies of organization and institutional views, such as Merton (1948) and Selznick (1948) considered organization as 'societies in microcosm' (cited in Tolbert & Zucker 1999:170-71). Scott (1995:33) saw institutions as 'social structures' which contain cultural elements provide 'meaning to social life' and are created, retained and reproduced by the organizational actors. Hence the pillars of 'institutions' are seen in terms of regulative, normative and cognitive structures which provide the bases and justifications for the behaviors. Change in this context implies changes not only in the artifacts but also in symbolic, routines and relational systems. Institutional theorists (e.g. Selznick 1949) have stressed the role of institutional environment in defining and understanding of the behavior of organizations.

From this institutional view, we interpret social transition as the period between the demise of one institutionalised system and the point at which another system has been established and accepted on new cognitive and normative grounds. Such circumstances create acute social and psychological problems for social actors and this period has been called *social transience* (Clark and Soulsby 1999:40).

Between 1919 and 1940, during the first period of the independent Estonian state, Western values in terms of work ethics, individualism and free enterprise were adopted in institutions in the economics and education fields (Barnowe et al 1992: 180). The creation of institutions was followed by a period of stable institutions.

The Soviet occupation in 1940 led to either the liquidation of all the civil institutions which had characteristics similar to those represented in the Western world, or to their restructuring according to the principles set by the Soviet Union as part of the agenda of extending the Communist principles (Taagepera 1993: 65).

The period from the 1960s to the 1980s marked an era in which the institutions remained unchanged adopting the communist logics of action. Highly centralized, autocratic approaches to governance, including; strictly regulating prices, controlling domestic and foreign trades and setting enterprise targets were the dominant recipes.

Radical reforms commenced in Estonia in 1987-88, when a group of theoreticians and practitioners debated the idea of economic autonomy for Estonia (Taaler 1995). In the spring of 1988 over 600 co-operatives were formed in Estonia as an indication of the onset of reform nevertheless maintaining the collective ethos associated with socialism. These represented the highest concentration of such enterprises in the Soviet Union at the time (Palm 1989). It seemed that in order to change the existing institutions, other institutions had to be created. In 1990, a pivotal and mainly political event in Estonia, that is, the replacement of economic autonomy with the independent statehood and the restoration of a market economy provided the strategic impetus for reforms (Taaler 1995). Could Estonian organizations let go of the old paradigms?

A period of social transience started as Estonia regained its independence in 1991. Indeed attempts to discard the old ways and installing of what seemed to be different institutions were made. By the turn of the millennium, institutions which were required for the successful functioning of a free market economy had been established and a period of more stable institutions began- institutions were institutionalized.

In 1997, Estonia became a candidate to join the European Union and in 2004 Estonia became a full member of the European Union. Over this period Estonia managed to 'redefine the structures and values' of its existing institutions and get them closer to the requirements of the European Union. Conceptually we may define this change as episodic and punctuated in a sense, it was intentional and politically induced and controlled. It was also a 'drip-drip' form of evolutionary change?

Figure 1 summarizes this retrospective account.

FIGURE 1
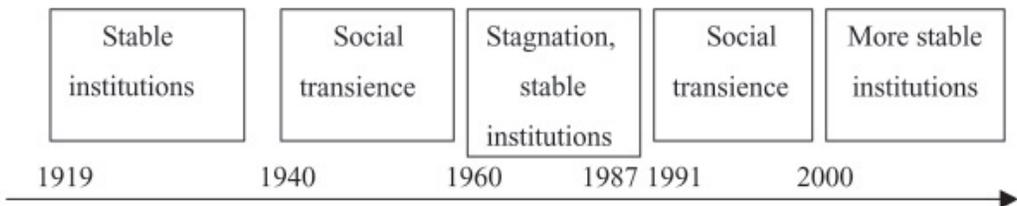
China: A Retrospective Account

When Communist Party of China (CPC) was founded in 1921, a new institution was created. Anti-Japanese war and the Chinese civil war provided the context for change from 1921 to 1949 in China. The years between 1949 and 1978 in the history of China represent a period of recovery and stability. In 1978 the political elite, the state and the Party launched an ambitious reform program in China. A selective discarding of the established recipes started. In the 1980s the reform aimed at converting the economy from an administratively driven command economy to a price driven market economy. This was a period of social transience (Chinese Economic Reform 2006). The reforms of the late 1990s mainly focused on enterprise reform which seemed to encourage and facilitate enterprise culture. The managerial and organizational approaches that the state saw as appropriate in that time were retained. As of 2001 China became a member of World Trade Organization (WTO). Transition in this case is described within a Newtonian logic; rationalistic and linear which ignores the flux characterising the individual and collective experiences (Sharifi & Button, 1998; McLean, 2006). Slices of time and decisions situated within them explain the development and change.

WHAT IS CHANGED IN 'ORGANIZATIONAL CHANGE'?

Seeing organizations as 'living' systems highlights the underlying tension which has been running through management theory regarding its focus on control, certainty and structure as against orgnicism, ambiguity, loose ends, and emergence. Such

rationalistic thinking assumes that systematic control of the change process is possible. However, as Stacey (1996) argues the human system is a multi-agent, purposive, task-oriented system interacting with its environment, in search of regularities, and learning through its own generated feedback system which then revises its responses to its environment. This multi-agent system acts on the basis of the shared as well as the individual schemata of its agents (1996: 108). So in categorising change into transitional, transformational the question that we raise is what is being transformed: the acts, or the actors, their mind sets, the environments or all? Who decides which and how is the choice made?

Ackerman (1986) has described three types of organisational change, (1) developmental change, (2) transitional change, and (3) transformational change. Developmental change improves what already exists through the improvement of skills, methods, or conditions. Transitional change replaces current ways of doing things with something new over a controlled period of time. Transformational change means the emergence of a new state, unknown until it takes shape, out of the remains of the chaotic death of the old state. Do these types indicate the stages of change that institutions may travel through, we ask? If that is the case, then what is the point of categorising and labelling the stages?

REACTION TO CHANGE

Woodward's' (1954) functionalist empirical study of British manufacturing firms indicated that no matter how carefully and slowly the idea of change was introduced, the immediate reaction from lower supervisors and operators was to resist it. This is 'episodic' change, one which is intentional and discontinuous. According to Senge (1997), people do not resist change; they resist being changed. This statement is embedded in a hierarchical notion of organization and organizing, and sees the organization, individuals and the context of change as separate and distinct elements. We also argue that it is naïve to assume that a 'careful' approach to change or the speed by which it is introduced and implemented can define the extent of or predict the possibility of resistance. Change cannot simply be seen as a 'neutral' and value-free process. It is embedded in the actors' intentions, their desired ends and power bases. Why do people resist being changed; because they often are not involved in initiating it, or because they do not see the justification for it?

Kotter and Schlesinger (1979) have presented six strategies for facilitating change and overcoming resistance: employee participation and involvement, education and communication, facilitation and support, negotiation and agreement, manipulation and co-optation and finally explicit and implicit coercion. Anyhow, central to the process is the choice of strategy- who decides which strategy? Kotter and Schlesinger do reinforce a 'top-down' approach to the management of change. Participation, cooptation and facilitation are manipulation and coercion in another guise. The question that often is raised in the extent to which a collective, consensual and democratic approach to the introduction and implementation of change is 'practical' in rapidly changing contexts. The need for 'order', 'control' and 'certainty' is the

justification for such prescriptions and for underplaying a democratic approach to change management.

CHANGE PROCESS: FREEZING OR UNFREEZING, WHAT IS AT STAKE?

Models of change are frequently developed on the basis of 'rationalistic' logics, and on the assumption that the process of change can be engineered. Lewin's (1989) basic model which is mechanistic in essence consisted of three steps: unfreezing, moving, and refreezing. This assumes that there are external forces which can be employed to control the process and to stabilise or de-stabilise an organization. For instance, in the unfreezing stage what do we unfreeze, the organizational knowledge or its culture? Should we consider an organization as a refrigerator?

Tichy and Devanna (1986) have also used three steps: Recognizing the need for change, Creating the vision and Institutionalizing the change. Who recognises the need? Kotter's (1998) model, includes eight phases in the change process: Establishing a sense of urgency; Forming a powerful coalition; Creating a vision; Communicating the vision; Empowering others to act on the vision; Planning and creating short-term wins; Consolidating improvements; Institutionalizing the new approaches. We note here that these stages or phases not only highlight the political nature of management of change but also show how the discourse of change management can be presented as neutral and value-free. For example the initial two stages feed on people's insecurities, fear of uncertain futures. Creating short term wins plays on people's basic instincts and the reciprocal nature of organizational relationships. We however acknowledge that Kotter's model can provide us with a script to scrutinise the process of change.

METHOD OF STUDY

The dominance of Newtonian perspective on modernist studies of organizations has meant that change is studied and observed as if it is intentional and discontinuous (Weick & Quinn 1999). The political, economic, social, historical and cultural contexts, within which change is observed, analysed and explained points to the continuity rather than discontinuity. Models of change as tools for analysis and explanation of change seem to miss out the contextual nuances. To compare the implementation of change in selected organizations in China and Estonia, we conducted structured interviews with members of top management teams in 160 companies in several large cities in the northern part of China: Beijing, Tianjin, Jinan and Zibo; and in 243 Estonian companies. In Estonia, the interviews were carried out at two different periods: first in 2001 (137 companies) and second in 2005 (106 companies). In both countries the companies (the sample) were selected from a cross section of industries and sectors, ranging from manufacturing and technology, banking and insurance organizations, to those in energy and education industries.

In 39.4 % of 160 companies, the top managers or the CEOs answered the questions. In 40 % of the organizations, deputy directors or vice general manager were interviewed. The rest of the respondents were middle managers in different functional departments. All interviewees had experienced the recent organizational change in their organizations, and have been directly involved in strategy formulation and implementation.

Most questions were open-ended, however, in some cases closed-ended questions were used, for example, in order to identify the factors which had changed in the process of implementation.

In the beginning of 2001, 137 Estonian companies were approached. The companies represented different industries and were of different sizes. Structured interviews were conducted with top managers or with members of their executive boards focusing on the change processes and activities in their organisations. [See Appendix1]. These changes mainly took place in the 1990s, during a period which marked the social transience in Estonian society. In 2005, interviews were conducted again with members of top management teams from 106 Estonian organizations about changes implemented since the beginning of the 21st Century. The same interview questions were used in Estonian companies in 2001 and 2005 and in Chinese companies. Content analysis has been the main technique that we have used to analyse the outcome of the interviews.

PERCEIVED TYPES OF CHANGE: AN EXPLANATION

Our study of the selected organizations showed that only 5 % of the changes in Chinese organizations were perceived to be developmental changes, which normally took place in one department. Meanwhile, 41 % of the changes were considered as transitional i.e. there were changes in the 'ways of doing things' and 54 % were referred to as transformational in Chinese companies. As Chinese economy is still on the way towards shifting to a market economy from planned economy, half of the organizations in the study referred to experiencing dramatic changes in their ownership or business status. For example, some state-owned enterprises experienced the transformation to a private limited company; some small state-owned enterprises were merged into a larger one, or some enterprises were acquired by private owners or foreign investors. Even some governmental agencies under the planned economic system were transformed to independently-run companies or affiliates of local authorities. But does such claim of 'transformation' actually mean that their 'ways of doing things', managing their organizations were also transformed?

The 2001 study showed that 90% of the changes in Estonian organizations were perceived as transformational, whilst the second survey showed that only 64% of changes were perceived as fundamental in terms of their scope—involving changes in strategy, mission, leadership style or culture, though we may note that changes in 'culture' as such cannot simply be captured in a positivist paradigm- only claims of the change can be reported. There were two waves of changes in Estonia. The *first*

wave of changes took place in the 90s after the creation of an independent Estonian republic and during social transience. These were triggered by the changes in the system of government. Under the new economic and political regime the functions and tasks of state enterprises changed, so there were changes initiated by the state and changes initiated by the owners or managers of privatized companies. The main aim of the changes initiated by the Estonian government was to implement European standards instead of the standards of the Soviet Union in state owned enterprises. The second reason for changes in state enterprises was the changing of the clients: instead of big state enterprises the clients started to be small private firms with different needs. State orders were replaced by contracts with these clients. Enterprises had to learn to monitor their financial situation and keep account of their funds. This also changed the communication culture in the state enterprises so they adopted the approaches attributed to the private/business sector. In the new economic system the survival of the companies meant structural changes, that is, shifting from rigid organizational forms accepted in the old Soviet system to a less mechanistic and flexible form of organization in order to pave the way into the new markets in the European Union. However, considering the existing rationalist perspective one wonders if the old habits and structures ever fade away?

The second wave of changes took place after the free market economy had gained some grounds in Estonia and since the onset of the 21st Century. These changes were seen most often to be connected to changes in the market situation triggered by new competitors entering the markets. The changes aimed to create a positive image of companies and increase satisfaction and motivation among their employees, thus maintain their competitive advantage.

Based on the above analysis, in both countries changes were triggered by new market-driven economic regime. In China the trigger event was the start of 'opening up' policy in 1978 and the change of economic regime from previously centralized planning system in 1980s. In Estonia the independence of the country from the former Soviet Union served as the driving force and a means to abandon the command economy. As before the question is the extent that the sedimented rules, routines, ways of seeing, planning and the habitual thinking have been changed accordingly?

WHO WANTS *TO* CHANGE OR *TO BE* CHANGED?

A large part of the analysis of change contains the extent of resistance to change and how it is managed. The reason for such focus is that, change is seen as a separate event, an episode in the life of the organization. For instance the research we present in this paper shows that, 26.3 % of respondents claimed that there was no resistance encountered in the process of change. An almost equal percentage of companies (27.5 %) experienced negative reactions to change. 15 % of respondents explained that there was a mixture of reactions in their organizations: acceptance and opposition. There were 14 % of respondents who mentioned that the employees were indifferent to the changes. If their interests were not largely in-

volved in the change, they inclined to accept the decision from the top management without any strong reactions. Without specifying positive or negative attitude, 3.1 % of the respondents thought that most employees in their organizations showed a willingness to adapt to the changes which were implemented. Finally 14.4 % of the respondents saw a gradual change in the reaction of employees from being initially unaccustomed to eventually adaptive. It will not be an obvious statement to say that such reactions are embedded in the temporal context of change- the events and not the Newtonian calendar and clock time.

While a quarter of employees respectively show completely positive or negative attitudes to changes in Chinese organizations, in Estonian companies two extreme types of reactions from employees were most visible: some employees totally agreed and welcomed these changes, whilst others worked as much as possible against the changes. For example in 2005, there was a negative reaction to 50% of all changes introduced, whereas a positive reaction was registered in 45% of the changes.

During the first wave of changes, people often had to equip themselves with new knowledge as well as new skills including language and technical skills. In the Soviet Union occupation era most managers were uncertain about and perhaps not convinced by the benefits brought by the new skills. Did this mean that they had negative attitude to change? Or was this a misunderstanding or misinterpretation of the events on their behalf? Or was it simply the assumption that there was no need for the new skills? The changes were seen in a more positive light when people realized that their knowledge and skills were still needed and their salary had been increased, in other words when a layer of uncertainty was lifted. As more information about how the changes influenced their salaries and jobs were disseminated, they found the changes useful. In some cases the pattern was quite the opposite: people expected changes to be implemented and were very optimistic and cooperative in the beginning. However, if and when the results did not appear and the process started to drag out, they became more cynical and pessimistic. Positive or negative reactions to change reflect the expectations of those involved and affected by the changes. We speculate here that the managers' pessimistic outlook could be the outcome of their dissonance and perhaps an indication of their instrumental behavior?

The management style was often autocratic and the approach to management of change was mainly 'top-down'. This meant that the need for the changes was not explained to the employees. Why not, was it because the top management or the ruling elite in the organization does not see the need to justify the initiated changes? There was an absence of a sense of ownership or belonging which seemed to have nurtured a passive attitude toward work: people did only what was required and because it was required, not because they found it beneficial; or they just stalled for time when fulfilling tasks or postponed them. It seemed that segmented organizations glued by rigid rules and norms and a history cannot generate willingness or cooperative behavior?

In the Chinese organizations people tended to accept changes but in a passive way, as if they were '*fait a complet*', having no choice. This attitude may be said to stem from the habitual acceptance of the top-down, autocratic form of governance which pre-empted choice and involvement in decision making and that has prevailed

in China for more than six decades. We may argue that people were not motivated by participation in decision making processes because of the fear of failure and consequential sanctions? Although the economic system in China has changed to price-driven free market one, the political system has remained unchanged and is still operating on the basis of specifically defined socialist; autocratic and bureaucratic principles. However, Estonia differs from China in this aspect. Along with the separation from the former Soviet Union, the national system experienced drastic changes economically as well as politically. Although the influence of autocratic style couldn't be completely demolished within 15 years, a more democratic system was developed which has gradually replaced the Soviet induced totalitarian system and has become conducive to continuous economic development.

26.3% of the selected Chinese companies claimed that no resistance was encountered. Others stated they encountered difficulties. Among six causes of resistance, inertia in the thinking was most frequently mentioned (by 26.9 % of respondents) as the main root of resistance. Inertia was described as the tendency to retain the old ways of doing things (Table 1). In many state-enterprises which have been changed to share-holding companies, the share holders re-elected the same governing people to the new board of directors and there was no change in the management of the organization. The question is why were the 'old guard' re-elected? Was it because they maintained the shareholders' interests? Were the shareholders aware of alternative courses of action? Or was it simply 'better the devil you know' syndrome?

Table 1. Causes of resistance to change in China and Estonia

Resistance to change	China	Estonia 2001	Estonia 2005
Inertia in the thinking	27	36	36
Fear of the unknown	14	23	42
Unwillingness to do additional work	4	15	22
Planned redundancies	7		
Reaction to overly quick and unclear changes	6	9	26
Information Blockades	5		

Meanwhile, there were 14 % of respondents who demonstrated that the resistance came from the fear of an uncertain future. Furthermore, 7 % of respondents found that the employees' fear of being laid-off and losing their job. There was an almost equal percentage of respondents (about 5 %) who regarded the resistance as a reaction to overly quick and unclear changes and the lack of information and knowledge about the change. In addition, about 4 % of the respondents mentioned the unwillingness to do additional work.

Compared to 2001, fear of the unknown considerably increased in 2005 in Estonian companies, and sticking to the old ways of thinking, which dominated in 2001, remained at the same level. The employees in the Estonian organizations complained about changes being unclear more frequently than Chinese ones. This could be explained by the assumption that the submissive behavior is an accepted norm among Chinese people, thus following the trend and the decisions taken by the top management. Naturally they seemed to react more slowly to unclear and quick changes. Estonian employees tended to refuse to do additional work (for the same money). As soon as they were paid for this extra work, the resistance disappeared-a Maslowian explanation? Nevertheless, in Chinese organizations a very small proportion of people complained about extra work, which can be attributed to the collectivist education and thinking in China. People were socialized in their youth into accepting that doing extra work would be part of their duty and an honor which would also contribute to the group's development. In a more democratic society-Estonia, people are more aware of the principle of 'fair pay for a fair day's wok' and fight for individual rights and benefits.

Models of change, including Kotter's model prescribe steps in the form of 'creating and communicating the vision' which would minimise resistance to change. This is managing the meaning of change and the consequences of disregard of what is being initiated. A noticeable feature in change implementation in the selected Chinese organizations was that coercion or manipulation strategies were frequently used and were seen as acceptable (Table 2). This might result in strong negative feelings in the initial stage; however, people eventually accepted it since there was a long tradition for people to abide by the authority of those in higher positions and those in command in a socialist context. Even though the economy has been gradually moving towards free-market economy, the old management thinking and practice still prevailed especially in northern part of China. For the same reason and managers' reluctance to give up their powers, the employee involvement and empowerment was rarely adopted or implemented.

The strategies of manipulation and coercion were much less often adopted in the Estonian companies than in the Chinese ones. We explain this by referring to the differences in the social system of the two countries. In the Estonian society which historically has been less autocratic the coercion was though, as acceptable as it was in China. The Estonian companies adopted such strategies as employee participation and involvement, facilitation and support and negotiation more frequently than their Chinese counterparts. The initial stages of Kotter's model seemed to be more present in the Estonian organizations. The Estonian managers seemed more

Table 2. Strategies for overcoming resistance in China and Estonia

Strategies for overcoming resistance	China	Estonia
Education and communication	39%	85%
Employee participation and involvement	5%	24%
Facilitation and support	10%	21%
Negotiation	4%	15%
Manipulation and cooptation	8%	2%
Explicit and implicit coercion	11%	6%

willing to empower employees to participate in the change process and thus nullify their resistance to change.

THE IMPLEMENTATION OF CHANGE : A COMPARATIVE ANALYSIS

The unpredictability of the outcomes of change and the unintended consequences of the responses, allow the organizations and institutions to deal with the outcomes retrospectively. So any reactions are put into the context of the conditions within which the change is initiated and implemented and in particular the initial conditions. The argument is that change happens all the time.

We analyzed the processes of change in Chinese and Estonian organizations drawing on Kotter's model of change process (Table 3). In process of change in Chinese organizations most of the attention was paid to unfreezing stage while re-freezing was given the least emphasis. Among the steps in *unfreezing* stage in Kotter's model, creating a vision (the third step in Kotter's model) is the most widely-adopted step, followed by establishing the sense of urgency, which is the first step in Kotter's model. However, although 78 % of the respondents created a vision, only half of them communicated it to employees in the organization. In addition, only one third of the respondents mentioned the centrality of forming a coalition. The results show that in the initial stage Chinese companies created an awareness of the need and the aim for change. Nevertheless, their top-down, autocratic approach led to their failing to communicate with and inform their employees, which possibly led to

misunderstandings, confusion and even resistance among the employees in the later stages of the implementation of the change. Some companies only pass the decision as an administrative order to the lower-level workers of the organizations without adequate explanation and information sharing. Regarding the steps in the *moving* stage (the second stage in Kotter's model), only 38 % and 31 % of the respondents mentioned creating a suitable climate and involving employees respectively. The empowerment of employees was not a popular activity or even the leaders of the organizations were not motivated to empower employees. This reinforces the point that the approach to change is embedded in the template or the script provided by the old autocratic regime. It seemed that most of the Chinese organizations mainly focused on the unfreezing stage.

Table 3. Process of Change in China and Estonia (% of respondents)

Steps in change process	China	Estonia
Establishing sense of urgency	58	59
Forming a coalition or team	31	24
Creating a vision	78	76
Communicating the vision	51	36
Creating a suitable climate	38	18
Employee involvement	31	53
Creating short-term gains	19	16
Institutionalizing the new approaches	11	21

Similar to Chinese companies, in Estonian companies the main focus of the managers was also initiating changes, i.e. raising the awareness regarding the necessity for change and creating a vision. Meanwhile, less attention was paid to evaluating the change and making modifications and improvements in Estonian organization, similar to Chinese organizations. Although both set of organizations bear similarity in these aspects, Estonian managers attached more importance to empowering and involving employees and training them for changes than did the Chinese managers. The interpretation of the outcome of the study here threw light on the limitations of the models of change and even more significantly on their suitability as a research framework and tool. The functionalist logic of change management perspectives calls for the focus on the unidirectional causal relationships among variables. It

therefore hence misses out the political and temporal nuances and the historical conditioning of the actors who interpret the changing situation.

The fluidity of contexts and of reactions and responses to perceived and defined change make the outcome of change seem temporary. This is discontinuity which has continuity as its bed, like the bed of the river where the broken roots, sands, and debris float [after Giddens 1979]. At the onset of the economic reform the Chinese government had hardly any clear ideas about the ways in which the market mechanism was to be introduced (Nolan and Ash, 1995; Perkins, 1994).

SO WHERE DO WE GO FROM HERE?

How similar can the management of change be in two different states which became embedded in a similar political economic model by accident of history?

China and Estonia are greatly influenced by socialist/communist ideologies, although in different historical periods. Estonia had a long history of socialism before its independence from the former Soviet Union in 1991. Likewise, since the founding of China in 1949, China has been under socialist regime for over half a century. A socialist society in this context is characterized by high formalization, centralization and totalitarianism. Under totalitarianism organizations do not have flexible structures and cultures to implement change. There are fundamental and conflicting ways in which individuals have been trained to think and act under totalitarianism system. Another feature of totalitarian society is that the employees were trained to fulfill the managers' directives without questioning. People were not involved in decision-making. In the process of implementing change, more attention would be paid to imposing the change, and empowering employees to participate in the change process would be of low priority.

Any system has no presence or effect without those who establish and use it – those who are in positions of power. Both countries have nominally opted for a 'paradigm shift' that is, transforming their economic regime from centrally planned economy to free market economy. The economic reform in China launched in 1978 has been accompanied by decentralization of economic control. A social transience started in late 1970s and early 1980s in China. Over the past several decades China has experienced significant changes in transforming its bureaucratic system of state planning into a more market-oriented economic regime. In 1990, in Estonia economic autonomy was replaced by independent statehood and the restoration of a market economy (Taaler, 1995). A period of social transience started as Estonia regained its independence in 1991. By the turn of the millennium, institutions required for the successful functioning of a free market economy were established. The similarity in economic regime transformation seemed to be replicated in managers' performance in the process of change and in people's attitudes to change in these two countries.

The differences in change implementation between the two countries can be attributed to their different levels of democracy. Estonia has been building democracy for the past 15 years. But in China the level of democracy has not been high.

Although China experienced successful transformation of economic regime, the political system in China has remained within its specific version of socialism and operated on the basis of centralized power. In business organizations the organizational structure, to a large extent, followed the same scheme as that before the economic reform and decisions were made at the top - the management group in organizations or local authorities. In China, especially in North China, people's thinking style was not so different from the time before the onset of the changes. The approach to change remained top-down, where 92% of changes were initiated by top managers or local government while only 8% were suggested by middle and lower-level employees.

Estonia had a different story. After leaving the centralized planning system of the Soviet Union and losing the Soviet market, Estonian companies had to reorient to the European market. In order to be able to compete in a tight Western market instead of the empty Soviet market, Estonian companies had to introduce Western standards including a democratic style of management and political system. Therefore, in Estonia a larger percentage of changes were initiated by employees compared with China. Also employees' attitudes to changes were more valued by Estonian managers. Estonian managers as well took more measures to involve employees and train them in the process of changes than Chinese managers.

Besides institutional grounds, the differences in change implementation in two countries may be attributed to the differences in their cultural contexts. For example, Chinese culture has higher 'power-distance' level (a'la Hofstede 1980). The high power-distance culture decides that people respect and even fear the power. In a Chinese organization the top manager is like a parent of a big family and he should take care of everything and people have to listen to him. The opinions of the employees on the lower echelons are not valued and it is natural for employees to follow the instructions set by the top manager. It is therefore seen as 'normal' that the change is started by the top manager in a Chinese organization. And since power can never be doubted, people regard it acceptable even if the top managers used implicit or explicit coercion in order to carry the reform. Such a clear line of authority also reduces the uncertainty and clarifies the boundaries of responsibilities, rewards and sanctions.

In Estonian companies where the management is more democratic, employees' views are sought and in order to encourage employees to accept and support changes, some measures are taken, e.g. communicating to the employees the likely benefits brought by the changes and improving employees' welfare. Coercion is rarely used and not considered as effective. How can we explain this difference in management approach to change? Does it stem from their assumptions that free will and autonomy are essential to humans or from their assumptions about managers' prerogative to control people?

Another differentiating cultural dimension between the two countries is that China is more relationship- than task-focused compared with Estonia. Relationship between people is the priority. Therefore, in the process of change, complicated relation network has to be taken into consideration. This annoys the practitioner of changes and also affects the smooth process. For example, in HR reform in a

company, it is very likely that people are not treated fairly due to their interpersonal relations and networks.

CLOSING REMARKS

In this paper we have attempted to question through an empirical study whether there were grounds for comparison of the approaches to implementation of change in selected organizations in China and Estonia.

We have noted that to *Change* is to alter, to vary, to modify, and to shift[1]. And that organizational change can be read as a contradiction in terms: to organize is to stabilise and to change is to disorganize? The debate in research on change and about change management is often dichotomised. Radical change is considered against incremental one or episodic change is compared with the continuous one, evolutionary as against revolutionary and so on. The end is the reaching the equilibrium as against disequilibrium, establishing order as against disorder, generating a sense of certainty as against uncertainty (also Sharifi & Zhang, 2007). The point to consider is that the centralised mind set and the control prophecy which have shaped the thinking underlying models of change ignore the fluid nature of the contexts, the ephemeral nature of structures and 'blue prints' and the fact that the rationality they advocate is basically illusory. Adaptation precludes retention (Aldrich, 1979; Weick, 1979), change and stability work at odds.

Organizations are embedded in a field that drives their evolution; from the *'here and now order'* to the *'new order'*. Constraints, fluctuation, and energy trigger enacting, acting, thinking, retrospection, editing modifying of the order, rules or whatever the organization is about. As Giddens (1979) puts it human conduct is paradigmatic, intentional and temporal. People can switch sources of energy on and off, may respond, can react and proact, change according to their experiences and preferences (Allen, 1994).

In analysis of organizational change- types of change or resistance to change-change is often treated as the exception and thus the analysis is conducted with 'order' and 'stability' in mind (refreezing, institutionalizing). It is disorder and chaos that are seen as the negative outcomes-the indication that change is not managed properly. But organizations are social worlds with multiple realities which cannot be frozen or defrosted like an ice cube.

Do the preceding lines make the analysis of management of change in two distinct cultures with different histories, different notions of what change should be, somehow redundant?

> *"Reality is not perceived, it is conceived"* (Holling, in Casti, 1994:260)

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[1] The Penguin English Dictionary, (1978).

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APPENDIX

Appendix 1

Interview questions.

1. When were the main changes implemented in your organization? Which factors caused these changes?
2. What exactly was changed, please mark with '+' in following table:

Factor	'+'	Factor	'+'	Factor	'+'
Strategy		Leadership		Individual skills	
Mission		Structure		Systems	
Culture		Task requirements		Management practices	

3. How did the implementation of organizational changes take place? Which steps were taken in the process of implementation of organizational change?
4. Did you meet resistance to change? How this resistance appeared? Please describe it.
5. What did your company do to overcome resistance to change?
6. How do you evaluate success of the implemented changes in your company on a 5 point scale (5 is the highest mark and 1 the lowest).
7. Which were the most difficult issues during the implementation of changes?
8. What did you learn from implementation of these changes? What would you do differently in the future?

ARTICLE 8

*Andreejeva, T., Alas, R., Vanhala, S., **Sun, W**. (2008) How Applicable are Western Theories about Change in Russia, Estonia and China? Academy of Management Meeting, Questions We Ask, August 8-13, Anaheim, California.*

HOW APPLICABLE ARE WESTERN THEORIES ABOUT CHANGE IN RUSSIA, ESTONIA AND CHINA?

ABSTRACT

This paper presents findings from a research project on organizational change programs in Russian, Estonian, and Chinese companies. The data were gathered via survey questionnaires in each country from 2004 to 2007.

We used a framework of eleven "elements" of organization that can be subject to change. We discovered that resulted changes (content ex post) did not coincide with plans (content ex ante) for all studied "elements" of organization. We distinguished two groups of organizational elements: "uncontrollable" (those that were not planned to change but changed) and "unmanageable" (those that were planned to change but did not follow the plans).

These results suggest that the applicability of a planned change approach depends on the organizational elements targeted by change interventions and that change content has to be incorporated into contingency models of change as one of the primary organizational contingencies.

Key words: planned change model, contingency approach, Russia, Estonia, China, content of change

INTRODUCTION

The business world is becoming increasingly global. For corporations involved in international trade and cross-border mergers and acquisitions it means that they are facing increasingly global employees, customers, suppliers, competitors and creditors (House et al., 2004). Changes in macro environment cause changes in organizations (Alas & Vadi, 2006). In order to implement changes successfully, managers need to be familiar with the impact of cultural influences on organizational changes. Culture represents the culmination of a range of historical experiences that have shaped an existing pattern (Forbes & Wield, 2002).

Both academics and company managers agree that a company's capability to change efficiently, following environmental changes or anticipating them, provides a significant contribution to its successful development in the long run. Following this logic, contemporary management literature offers numerous recommendations for managers on how to manage organizational change in the best way. Many of them are based on the planned change model created decades ago (Lewin, 1951) and still dominating the international practically-oriented management literature on change (Kotter, 1995; Duck, 2001; etc.). However, a number of recent scholars have criticized it, and challenge its universal applicability (Marshak, 1993; Burnes, 1996; Hendry, 1996; Weick & Quinn, 1999; Andreeva, 2008).

Societal and cultural changes have been especially strong in so-called transition countries. It means that the problem of managing change is highly relevant in theses

countries. Russia, China and Estonia, which are in the focus of this paper, are thus interesting countries from the point of view of change management. On the one hand, the transition to market economy urged most organizations in these three countries to adapt to new environmental challenges. On the other hand, most of the literature on change management that could help managers to cope with this complex challenge is based on approaches developed by Western scholars with a bias towards Western companies, Moreover, the scope of their applicability in the transition economies has been discussed (Chiabury, 2006) but not clearly determined. This is especially true for the planned change model; it is widely cited in contemporary management literature in all three countries, and is used for the development of recommendations for managers without any reference to the limits of its applicability in the local context.

This is why we believe that Russian, Estonian and Chinese companies can serve as a fertile ground for the study of applicability of the planned change model. We start with an overview of the key assumptions of the planned change model and its criticism followed by a description of change management in Russia, Estonia and China, and the formulation of our research hypotheses. Then we present our research strategy, including data collection methods and sample characteristics, research findings and conclude the paper with discussion and implications for further research and practical management.

THEORETICAL BACKGROUND AND HYPOTHESES

Planning and controlling change in management literature.
Change management as a separate field of can be traced back to the early 1950s to the planned change model or Lewin's (1951) model. Despite being among the first ones in the field, the model has retained its position. . The Lewinian understanding of the organizational change process has dominated the organizational sciences for the past few decades (Burnes, 1996; Hendry, 1996; Weick & Quinn, 1999) and still remains the most widely cited strategy for implementing change, in business journals and magazines (e.g. Sevier, 2003).

The planned change model, rooted in Kurt Lewin's work, involves a three-step model for implementing change successfully: unfreezing, moving and refreezing (Lewin, 1951). Later on this idea became one of the cornerstones of the concept of Organization Development (OD) (Blake & Mouton, 1969; French & Bell, 1995) and was widely applied in both theoretically and practice-oriented change management literature (e.g. Lippitt *et al.,* 1958; Cummings and Huse, 1989; Kotter, 1995; Armenakis & Bedeian, 1999). In this tradition, the writings are based on the assumption that "… an organization exists in different states at different times and that planned movement can occur from one state to another" (Cummings & Huse, 1989:51). In other words, it means that the company management or a change agent possess enough power and influence to make their plans a reality. Another assumption concerning the role of change leaders in the change process comes from the previous premise: change managers are seen as rational individuals capable of ana-

lyzing and foreseeing future consequences of their decisions and developing thorough plans for the implementation of these decisions.

Other conceptual models of organizational change were developed later, for instance, the organizational life cycle model (Greiner, 1972) and punctuated equilibrium model (Tushman *et al.,* 1986). These models focused on macro-level issues rather than the planned change model, trying to explain why organizations undergo transformations. However, micro-, implementation-level recommendations of these models are based on a similar assumption about the possibility to foresee and plan changes, and to control for exact implementation of these plans. For example, Tushman *et al.* (1986) offer two approaches for the implementation of revolutionary and evolutionary changes; however, both of them still rely on the assumption of the possibility of pre-planned action implementation

Despite remaining highly influential, the planned change model has been criticized in academic literature since the 1980s. One of the key critiques against this model concerns its assumption that organizations operate in stable conditions and can move from one stable state to another in a pre-planned manner (Burnes, 1996; Weick & Quinn, 1999). This view of organizational change as of a planned or at least sufficiently predictable process, which is controlled to a great extent by the company management, is claimed to fail in a contemporary fast-changing, chaotic world. The assumption about the crucial role of managers and change agents as rational and powerful planners is also heavily challenged in light of the current view of organizations as complex systems (Dooley & Van de Ven, 1999). Another critique of the planned change model concerns the shortage of substantial empirical data to support its recommendations (Hendry, 1996), which is surprising, taking into account the model's age and the number of its proponents in professional literature.

Based on these criticisms, a new wave of publications on organizational change has emerged over the past fifteen years, introducing a notion of incomplete predictability and controllability of change (Marshak, 1993; Van de Ven & Poole, 1995; Weick 1998; Palmer & Dunford 2002; Huy & Mintzberg 2003). A number of new concepts have been developed, like the emergent change model (Weick & Quinn 1999) and self-organization / chaos model (Thietart & Forgues 1995; Lichtenstein 2000). These models argue that managers' capability to plan and control change is very restricted and thus call for completely different practices of change management. Yet the number of empirical studies within this stream is also in short supply, and probably this is why it has been poorly reflected in practical books for managers. The latter still advocates assumptions of the planned change model (e.g. Duck 2001).

What concepts can managers thus rely upon when designing change management programs in their organizations? The need for more empirical data that could inform their choice is evident. However, we consider it pointless to make an attempt to prove empirically which of the models is 'correct'. In fact, the organizational change literature usually assumes that the approach to change management they propose fits all organizations under all circumstances (Burnes 1996). We believe that this universalistic focus of many change management scholars and practitioners is one of the reasons for the frequently reported failures of change programs

(e.g. Beer *et al.* 1990). Thus, we agree with contingency approach to change management claiming that the efficiency of certain change management practices depends on the situation they are applied to (Stace & Dunphy 1991; Berger 1992; Marshak 1993). That is why we suggest that instead of seeking to confirm the planned change model, or reject it as irrelevant for modern organizations, it is more productive to discuss the limits of its applicability.

A wide range of factors can be considered as potential contingencies that may influence the applicability and efficiency of certain change management practices, ranging from national culture to company sector and industry and further, to organizational culture, management style, etc. (e.g. Stace & Dunphy 1991; Marshak 1993; Michailova 2000). In this paper, we will focus on country-specific issues.

Organizational change in transition countries

All organizations under certain circumstances face the need for organizational change. This is especially true, for organizations that are operating in a fast and dramatically changing environmen. That is why interest in organizational change in such environments, including transition economies, has been increasing during the past few years (e.g., Michailova 2000; Alas & Sharifi 2002; Uhlenbruck *et al.* 2003).

 Transitional countries represent a fertile field for this kind of research. The operating environments in Russia and Estonia have been challenging companies by their political and economic instability since the end of the1980s (Kets de Vries 2000; Aron 2002). While the general political and economic situation has stabilized in the 2000s, the recent years brought new challenges, such as, the intensification of competition in many industries or accession to the WTO in Russia (Rutherford & Tarr 2005) or entering the European Union in the case of Estonia (Alas, 2007). China initiated an experiment with private ownership and opened up to the outside world in 1978 (Waldman, 2004). Several major developments have given special momentum to those changes: China entering the WTO, the opening the western regions of China, building up an information network, transforming new management systems nationwide, and encouraging innovations, investments, and entrepreneurship (Wang, 2003).

Thus, companies have been facing a strong need for internal changes in order to adapt to external transformations (Khait *et al.* 1996; Growth Management 2001). In the beginning, the burden of this task for Russian, Estonian and Chinese managers was doubled by the fact that most of them were unfamiliar with such situation after the stable period of planned economy. They had to gain knowledge and skills in change management. What approaches to change management have they been adopting?

Russian, Estonian and Chinese premises for organizational change

We suggest that some initial insights into change management problems facing companies and practices applied by managers can be provided by change management literature currently available in these countries. On the one hand, this literature has served as a key initial source of knowledge on organizational change for managers, being the most accessible knowledge tool for leaders of organizations of different

regions, sizes and financial states. On the other hand, it reflects the most common and topical problems and attitudes to change management in companies of these three countries.

In the beginning of the 1990s, due to international economic crisis in **Russia**, most change-related discussion was focused on issues of anti-crisis management and restructuring, or in other words on the question "what needs to be changed?" (content of change). Such debates focused more around macro-economic or financial management issues, thus being quite far from the common stream of change management topic, as it is usually understood. At that time, change implementation (change process) issues were moved to the background. The interest towards the managerial aspect of organizational change and its implementation arose not until at the end of the 1990s. We see that this rise is linked to the Russian economic crisis in August 1998, which forced many companies to implement dramatic organizational transformations. At that time, practitioner-oriented business magazines increasingly started to publish articles on change management; a few international books on managing change in organizations (e.g. Gouillart & Kelly 1995; Duck 2001) were translated into Russian and published in 2000 and 2002, and training programs on the subject started to appear in the curricula of business schools and management training companies. The organizational change has become one of the "*a-la mode*" topics in the Russian business.

The planned change model dominates the wave of change management discussion in Russia today. It is widely promoted as the best way to implement change in organizations, with Kurt. Lewin (Lewin 1951) and John Kotter (Kotter 1995) being among the mostly cited proponents. In fact, the issue of planning in management in general has been very topical during the past decade in Russia. Some authors claim that the Russian managers did not exercise enough or proper planning, or focused only on short-term planning (e.g. Khait *et al.* 1996; Growth Management 2001). This was explained either by managers' feeling of 'helplessness' and their desire for somebody else to make important decisions – attitudes learned during the times of planned economy (Kets de Vries 2000), or by the harsh and turbulent environment of the 1990s that forced the Russian managers to concentrate exclusively on short-term survival. It made planning seem totally irrelevant, as things changed too fast (Khait *et al.* 1996). Thus, a lot of publications on management issues in Russia have been calling for the implementation of planning procedures in all company activities. The planned change model approach fits very well into this trend.

Despite the current abundance of Russian publications on change management, we argue that most of them are subject to several important limitations. First of all, many of them present a limited number of ideas that are borrowed from international publications without a discussion on their applicability in Russian business and political environment or any adaptation to it. For example, related to the most discussed topic:, employee resistance to change (one of the key issues within planned change approach), we found out that it was covered in over 30 per cent of publications on organizational change in major Russian management and business magazines between 1992 and 2004. Despite their large number, most of these writings repeated the same idea that the key problem in change implementation was the

company's personnel that always resisted change, however, without offering practical solutions, or in some cases proposing very generic ones.

Secondly, this wave of discussion focuses heavily on change implementation issues, paying little attention to the interconnection between change content and change process. Recommendations for managers typically assume that a proposed change implementation approach could be applied in any type of organizational change. This may be one of the consequences of a more generic problem we saw in these publications: the majority of them promote universalistic approach to change (in fact, following the world-wide trend mentioned above), insisting that the model of organizational change they propose fits all Russian organizations irrespective of their contingencies. The last but not the least criticism concerning current Russian publications on change management is the lack of Russian empirical data to support their ideas. Only a few domestic studies on the problem have been published so far (Andreeva 2001; Burmistrov 2003; Shirokova 2003). The few empirical studies, mainly case studies, on change management in Russian companies are published by international researchers (e.g., Michailova 2000) thus not offering empirically-grounded development recommendations for Russian managers.

Estonia was 50 years part of the Soviet Union. From 1919 to 1940 Estonia was an independent state with democracy and free market economy. During this period the Western values in terms of a work ethics, individualism and free enterprising were adopted in institutions in the field of economy and education (Barnowe et al., 1992: 180). The Soviet occupation in 1940 was followed by a restructuring of institutions according to the principles of the occupant country (Taagepera, 1993: 65). In a *command economy* the institutional structure of the Estonian economy, within the logic of the communist world, was characterized by highly centralized, autocratic elements such as strong price regulation, central control of domestic and foreign trade and enterprise targets that were poorly related to actual demand.

Political, economic and other forms of institutional power derive from the same source and operate unidirectionally enabling strong control and a concentration of information. Due to the fact that during the Soviet period the state was responsible for guaranteeing work for everyone, the enterprises were internally overstaffed and passive, the work places were over-secured, and the attitudes to work were far from ideal (Liuhto, 1999: 16).

During the second half of the 1980s the Estonian enterprises were gradually given more autonomy in the Soviet Union. It became legal to develop small state enterprises, and even international joint ventures, which operated outside the central planning and could be owned by private citizens (Venesaar & Vitsur, 1995). It was the first opportunity to create economic incentives. In 1987 Estonia was at the forefront of reforms in the Soviet Union. The first books about change management were written by Estonian author Elenurm (1986 and 1989). These books promoted the planned change model based on the popular Western theories. In the spring of 1988 over 600 co-operatives were founded in Estonia representing the highest concentration of such enterprises in the Soviet Union (Palm, 1989). In 1990 an important change occurred in the strategic aim of the reforms in Estonia: economic autonomy was replaced by the status of an independent state and the restoration of a market economy (Taaler, 1995).

Independence was achieved in 1991. After that the Estonian economy was developed according to Freedman's concept of liberal market economy (Laar 1994). Estonian transition from centrally planned economy to free market economy has been considered as one of most successful (Leimann et al., 2003).

Two more books about change management based on Western theories and Estonian experience were written by Estonian authors Alas and Praman-Salu (Alas 2002; Alas & Praman-Salu 2005). There are also two studies about the implementation of organizational changes in Estonian companies based on western theories (Alas 2004a; Alas 2004b; Alas 2007). As in Russia, also in Estonia Lewin (1951) and Kotter (1995) are mostly cited authors.

The **Chinese** economy, previously a relatively closed system is on a reform path toward an open, market-driven system. After the war and revolution China experienced thirty years of recovery period from 1949 to 1978 (Qin, 2005). In 1978 an ambitious reform program was launched in China. Rural economy was de-collectivized, private and semi-private enterprises mushroomed, and the state sector steadily shrank (Zhang, 2004). Reform has been accompanied by decentralization of economic control. The rigid monopoly of the government over foreign trade and the policy of autarky were abandoned (Foy, & Maddison 1999), individual achievement, materialism, economic efficiency, and entrepreneurship were encouraged (Tian 1998).

The economic reforms Deng Xiaoping started in 1978 have increasingly introduced market forces into the socialist system. China's emerging "network capitalism" represents a unique blend of Western market capitalism and collectivist values (Boisot & Child 1996).

China has also experienced tremendous economic growth as a result of post-1978 economic and social reforms (Yao 2006). Currently economic reforms in China have come to a stage of reforming and reconstructing its enterprises (Wei 2003). This is a key step towards the final success of the entire economic reform process, which has been made clear by the Chinese leadership (Wei 2003). The dominance of state enterprise is one of the major distinguishing features of Chinese economy during the period between 1952 and 1975 (Bian 2005). Even today, under the context of entry into WTO, the reform of unprofitable state-owned enterprise is still one of the keys to the fate of China's economic reform in the twenty-first century (Bian 2005). All these provide a national, cultural and institutional context of understanding the organizational changes in China.

Most of the change managment publications in China are based on Western literature as well. There are a lot of Chinese publications about change management, similar to Western ones. For example Alas and Sun (2007) made attempt to analyze changes in Chinese companies by applying resource based view. However, in fact they are both influenced by Western literature and by its own culture - which is dominated by confucian thinking or some other religious thought, e.g. Buddism and Taoism (Marshak 1993).

To conclude, the publications appear to be similar to those from western world, however, in nature, the implementation is mainly influenced by our culture. So there are great limitations of literature about change management in China. Although

China is one of the fastest developing countries in the world, with an 8–10 per cent annual growth rate averaged over two decades (Hampden-Turner & Trompenaars 2002), and has become the second largest economy in the world when measured in terms of purchasing power parity and gross domestic product (Alon 2003), sustaining this growth is putting Chinawithquiteachallenge(Fulin2000).

Research goals and hypotheses

The above illustration of historical and economic development in Russia, China and Estonia raises an important question: Do Western change management practices apply to the Russian, Chinese and Estonian context? Or, more specifically, can the planned change approach work in transition companies? The latter formula is more focused, and as we believe it is highly relevant, taking into account the popularity of this concept in Russian, Estonian and Chinese business press. While some research has been done on the applicability of Western management practices in these countries in general (Ardichvili *et al.* 1998; Elenkov 1998; Fey and Denison 2003; May *et al.* 2005; Alas and Vadi 2006; Sun and Alas 2007a), only a few of them discuss the application of change management practices (Andreeva, 2008; Alas 2007; Michailova, 2000; Sun and Alas 2007b). Interestingly, Michailova discovered that the Western managers had problems with executing change plans in Russian companies due to reasons ranging from cultural differences to unpredictable environment. While the cultural problems are specific to the cases of cross-cultural collaboration, the political and business environment issues are valid for any organization and manager operating in transition countries. These findings are highly relevant to our discussion on the applicability of planned change model in Russia, Estonia and China and support the call for empirical research on this issue.

Our goal was to explore whether the underlying assumption of the planned change approach – the idea that organizational change can be planned and controlled for execution of plans - worked in Russian, Estonian and Chinese companies. Based on prior literature review, we have formulated the following hypotheses:

Hypothesis 1. A certain part of organizational change does not follow change agents' plans. The degree of uncontrollability varies depending on the particular content of change.

Even if this hypothesis would be accepted, it would not be enough for the evaluation of a planned change model applicability, as one can argue that despite the fact that not everything happens according to plans, planned change interventions increase the efficiency of change management programs. That is why we were interested in investigating whether the companies with different degrees of change plans' execution differ in terms of change management efficiency. Taking into account the above criticism of the planned change model, we hypothesized the following:

Hypothesis 2. The degree of change plans' execution does not influence the efficiency of change management programs.

RESEARCH STRATEGY

We explored these hypotheses in the research project covering a wide range of questions on change management in Russian, Estonian and Chinese companies during 2004 - 2007. In this section we will introduce the research methodology relevant to the above hypotheses.

Research parameters. To study change content, i.e. to explore what organizational elements the change program was focused on, we compiled a list of key organizational elements, based on the literature analysis (Greiner 1972; Hannan and Freeman 1984; Tushman *et al.* 1986; Burke and Litwin 1992; Romanelli and Tushman 1994). The list included the following 11 elements (conventional codes for each element used in the article for the sake of brevity of presentation are given in brackets):

- corporate mission, ideology (a1)
- business strategy (a2)
- organizational structure (a3)
- distribution of power and authority in the company (a4)
- organizational culture, key values (a5)
- management system as a whole (a6)
- key personnel in the organization (a7)
- qualitative structure of the staff (skills, knowledge, etc.) (a8)
- production technology (a9)
- operational rules and procedures (a10)
- functional systems (i.e. production, sales and marketing, finance, human resources management systems) (a11)

Following our hypotheses, we looked to identify what organizational elements managers most often planned to change, as well as what changes actually happened as a result of the implementation of these plans. For this purpose, we used Palmer and Dunford's (2002) classification of change results into 'planned', 'partly planned' and 'unplanned'. Combining it with two additional options for plans (an element was 'planned to change' or 'not planned to change'), we ended up with six-dimensional categorization of the correspondence between change plans and results (an element was 'planned to change – changed as planned', 'planned to change – changed partly as planned', etc.). To measure the degree of a change plans' execution, we calculated the share of organizational elements that changed in accordance with the plans among all organizational elements under evaluation. For this purpose, we considered two of the above six categories (an element was 'planned to change – changed as planned' and 'not planned to change – did not change') as exact plan execution, and the other four - as deviations from plans.

To measure the efficiency of change, we used a multifactor qualitative expert evaluation model. The efficiency of change was measured by two factors; the degree to which the goals of change program had been achieved, and the ratio between expenditure for change implementation program and the benefits gained from it.

Research procedures. We developed a questionnaire for gathering data on our hypotheses. It primarily involved closed multiple choice questions and covered issues on change content (plans and results), change implementation process, and

change program efficiency, as well as company and situational characteristics. The questionnaire was pilot-tested with a number of experts. The follow-up interviews with these experts indicated that the multiple choice questions included all potential options and suggested some minor improvements in questions' wordings and format to ensure that they will be properly understood. The questionnaire was in Russian language (Andreeva, 2008), ant it was translated to Estonian and Chinese. An example of the questions from the questionnaire is presented in Appendix 1.

The sample. There were 59 companies from Russia, 71 from Estonia and 55 from China in the sample. from the companies represented various branches of activity. In Estonia and Russia different regions were covered, in China survey was done in North-West part.

Russian respondents were management consultants. We chose this 'indirect' group of respondents, as we found out that potential direct experts (company leaders and/or change agents) were reluctant to disclose information on organizational change programs due to its confidential nature. The informants were asked a series of questions designed to elicit a description of the change program in a company in which they had witnessed changes and about which they had sufficient knowledge, keeping the companies' names and spheres of activities anonymous. Companies with Russian capital (76%) and Russian management (98%) dominate our sample. The companies in the sample vary greatly in their size, the three largest groups being companies employing 100 to 500 people (36%), 30 to 100 people (22%) and 1,000 to 5,000 people (18%). Companies founded after perestroika makes up 61 per cent of the sample, and companies of 6 to 10 years old and over 20 years represent the largest age distribution groups.

In **China** questionnaires were sent to randomly selected companies in Guangzhou, Shenyang and Nanjing in February 2007. From 73 companies 55 responded. 4% of the respondents were external consultants, 24% internal consultants. The rest of the respondents were managers. 86% of the companies are domestic private companies. An equal percentage of the companies (20%) have less than 30 employees and 100-500 employees. 16% of companies have 30 to 100 people. 10% of companies are quite young with only less than 3 years' history. 22% have been set up for 3-5 years. 36% of the companies have history of 6-10 years.

In Estonia 100 companies were selected randomly from the Balance Base of Companies at the Ministry of Justice Centre of Registers. In autumn 2007 Estonian Business School students were sent to companies with questionnaires. From selected companies 71 agreed to answer. Companies with Estonian capital (63%) and Estonian management (72%) dominate in sample. The 39% of the companies employed less than 30 employees, 28% from 30 to 100 people and 13% from 100 to 500 people. Companies founded after 1991 make up 76% of the sample.

RESEARCH FINDINGS

It is interesting to have a look which organizational elements managers from different countries were most concerned to change.

Figure 1.
Organizational elements which managers planned to change in Russian, Estonian and Chinese organizations
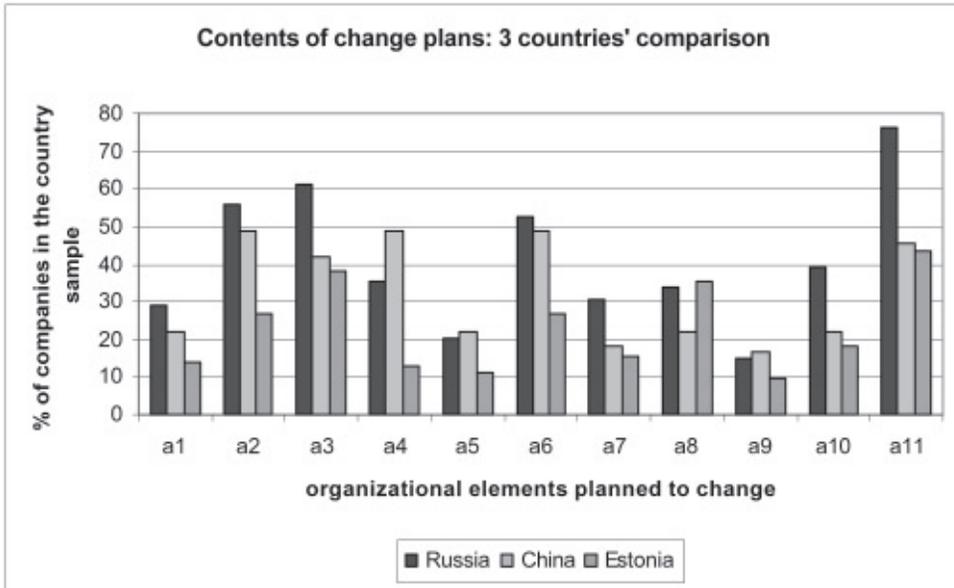

From Figure 1 one can see that the Russian managers were most often concerned with changing functional systems (a11), followed by organizational structure, business strategy and management system as a whole (a3, a2 and a6 respectively). The Chinese managers were most concerned with changing business strategy, distribution of power and authority, and management system as a whole (a2, a4, a6). The Estonian managers were most concerned with changing functional systems (a11), followed by organizational structure and qualitative structure of staff (a3 and a8 respectively).

As compared across countries, the data show that for the majority of the elements they were most frequently planned to be changed by Russian managers, and less frequently by Estonian managers. A few exceptions are distribution of power and authority (a4) that interested Chinese managers more than their Russian and Estonian colleagues, and qualitative structure of staff (a8), about which the Estonian managers were concerned more than others.

Figure 2 shows, how often actual changes happened in various organizational elements. The clear trend is that when considering all organizational elements the Chinese subsample involved most changes..

Figure 2.
Organizational elements which actually changed in Russian, Estonian and Chinese organizations.

**Contents of resulted changes: 3 countries' comparison**
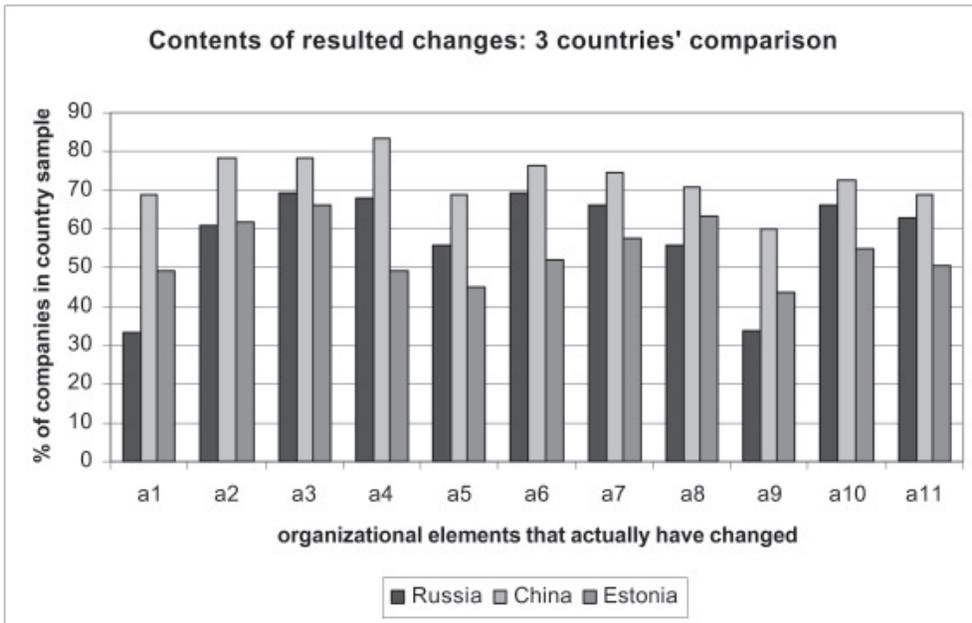
However, it is important not just to see how often some element actually changed, but to see how this data relate to original plans. Figure 3 illustrates it..

From Figure 3 one can see that the real change outcomes diverged from plans less in Russian companies (though they still diverged a lot). It is interesting to see that while for Russian companies first 3 elements - corporate mission, business strategy and organizational structure - changed just a bit too often than planned, it is not the case for Chinese and Estonian samples especially concerning corporate mission. The Figure 3 shows that in Estonian companies organizational culture (a5) and technology (a10) changed more than 4 times more frequently than planned, while mission, distribution of power, key personnel and operational rules and procedures (a1, a4, a7, a9 respectively) lag just a bit behind, having changed more than 3 times more frequently than planned. For the Chinese sample the same high level reaches mission, organizational culture, key personnel, qualitative structure of the staff, technology and operational rules and procedures (a1, a5, a7, a8, a9 and a10).

Despite providing some interesting insights, the comparison presented in the above figures evaluates all the companies together, without taking into account each individual company's dynamics. That is why we carried out a more detailed analysis, incorporating the dynamics of change plans and results of each company studied. This is presented in Figure 4. Of the six degrees of correspondence between planned and actual change, the first two from the left on Figure 4 demonstrate a complete match of planned and resulted change ('not planned to change – not changed' or

Figure 3.
Comparison between planned and actual changes in Russian, Estonian and Chinese organizations (degree of plan execution)
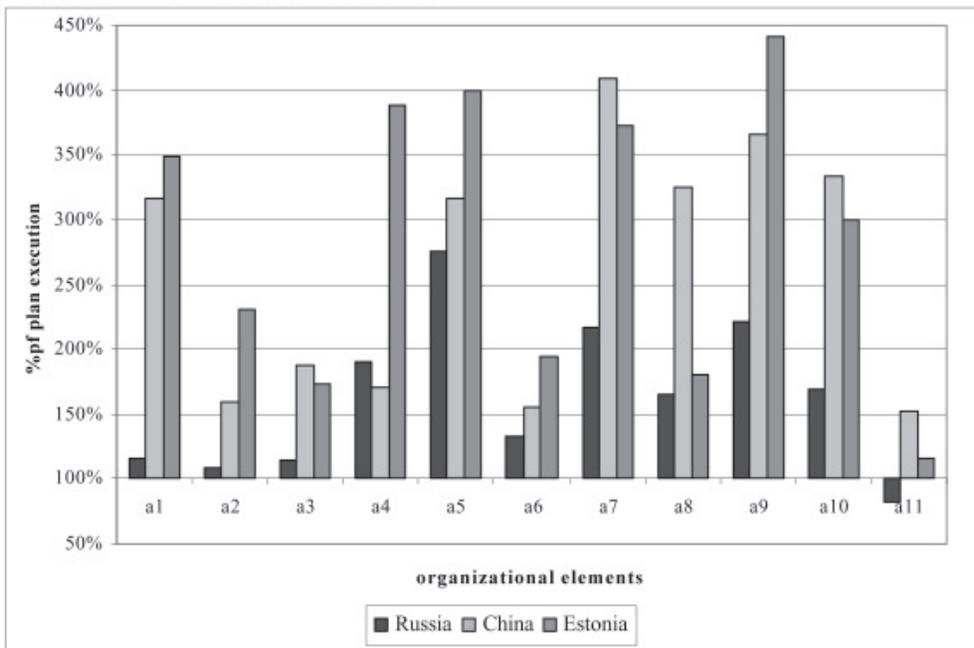

'planned to change - changed exactly as planned'). Everything further to the right represents a degree of divergence (for better visualization we have used darker colors for this group in Figure 4).

Now let us explore in detail different options of deviations from plans. We consider category 3 ('changed partly as planned') as a 'light' degree of discrepancy and thus of less interest for our research purposes. Cases from category 6 ('planned to change – changed totally not as planned') were very rare in our sample, so we omit them from further discussion and focus on categories 4 ('planned to change – did not change') and 5 ('not planned to change - but changed').

Elements, which were planned to change, but did not change were functional systems (i.e. production, sales and marketing, finance, human resources management systems) (a11) in all countries, and in Russia and China also management system as a whole (a6), organizational structure (a3) and corporate mission and ideology (a1)... This means that these elements did not change, despite receiving managers' attention from the very beginning of the change intervention, or, in other words, despite managers' intentions. This might have happened either because priorities and goals had changed, (which was the case only infrequently according to our analysis) or, what is more upsetting for change agents, because the efforts they made failed to bring about the desired results. This is why we labeled this group of organizational elements as 'unmanageable'.

Figure 4.
Correspondence between planned and actual changes in Russian,
Estonian and Chinan organizations
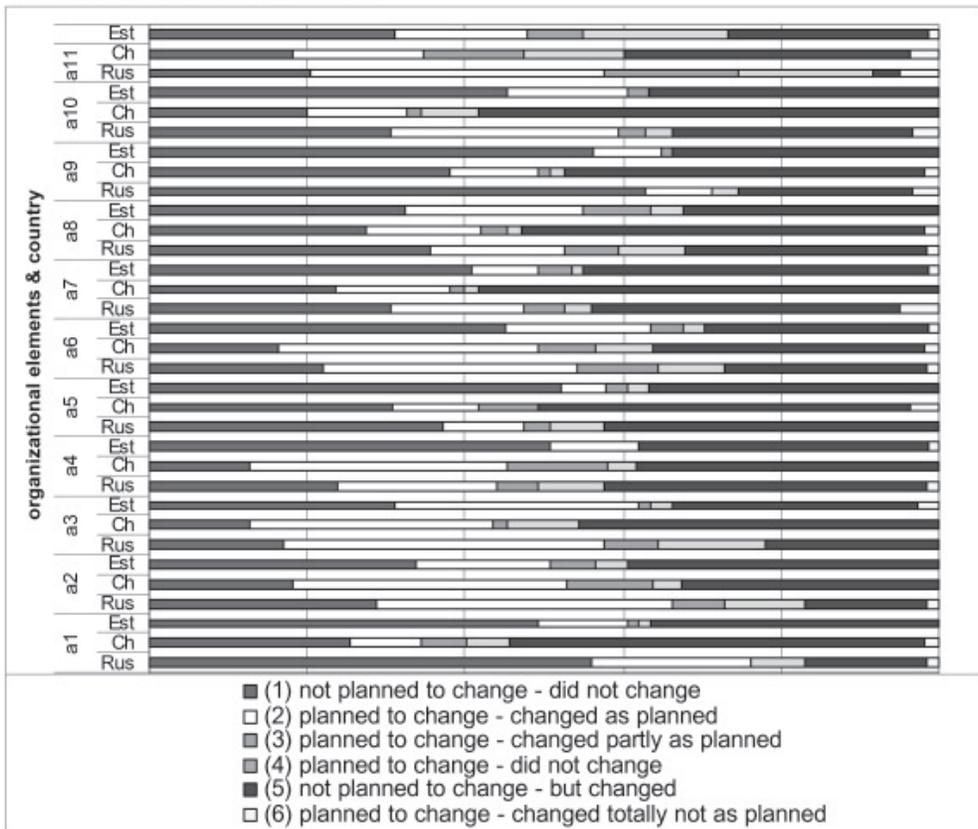
The foremost organizational elements, which were not initially meant to change but have changed 'on their own' (category 5, in black) are operational rules and procedures (a10, almost 60% of cases), key personnel (a7, also almost 60%) and qualitative properties of staff (skills, knowledge, etc.) (a8, more than 40%). Corporate mission and ideology (a1) and organizational culture (a5) come next. An example from this category might be: some time after having initiated certain changes and counting on certain results, a company's management discovers that several key employees have decided to quit, or begun to resist changes so much that he/she him/herself has no choice but to discharge them, despite the fact that the successful outcome of the initiated change program depends on these employees. We labelled this group of organizational elements 'uncontrollable'. We suggest that it represents the greatest potential 'danger' for change agents among the potential types of deviations from plans, as it includes elements completely beyond their attention.

All these findings support our hypothesis 1 by demonstrating that organizational change programs, at least within our sample, are often not predisposed to planning and control.

Change plans' execution and change efficiency.
For sound evaluation of the above conclusion, it is necessary to understand whether the degree to which change plans were executed influenced somehow the efficiency of change programs. Within our data, we have not discovered any correlations between the degree of change plans' execution and the two parameters that we used to evaluate change program efficiency: the level of achievement of change program goals, and cost/benefits ratio. Hence, the hypothesis 2 is also supported by our results.

Furthermore, we found that in cases where organizational culture had changed as a result of change program implementation, the change efficiency received a higher assessment along both parameters, than in the programs where no change in organizational culture was witnessed. In our opinion, this can be explained by the fact that organizational culture is a 'linking' organizational element, which changing synchronously with other organizational elements, ensures good effort coordination and therefore improves results.

DISCUSSION AND IMPLICATIONS

Through changes in the macro environment, the challenge has been to internalize a new type of organizational behavior in order to operate successfully under unfamiliar conditions. Therefore, the focus of the change process has shifted from product innovation and technological change to behavioral aspects of change and to attitudes about change (Bergquist, 1993). The organizations' ability to adapt to change depends on individual employees and how they react to changes, since organizational change has been considered as an individual-level phenomenon, because it occurs only when the majority of individuals change their behavior or attitudes (Whelan-Berry et al., 2003).

Research on managing organizational change has been mostly done in well established capitalist countries. There are only a few studies done in Eastern Europe and other countries in rapid change process.

The success of change depends on several factors, i.e., planning, scope of change, etc.; however, the critical resource in change management is human factor: people who plan the changes and people who should implement the changes, and also people affected by changes. Employee attitudes are shaped by their previous experiences, their historical experience. Also cultural accounts have an impact on the ways how changes are planned and on employee reactions to changes.

Explanations of and implications for change management in Russia, Estonia and China.
Our research data has shown that the results of organizational change programs deviate from the initial plans of change agents very often, with some of the organizational elements targeted to change being frequently 'uncontrollable'. Moreover, we discovered that whether the change program plans were achieved, or not, does not matter for change program efficiency. Thus, our results suggest that one of the

underlying assumptions of the planned change model may be invalid for the companies we studied. What factors may serve as potential explanations of such situation with change management in companies of countries in transition? If there are any specific economic, cultural or other factors that can explain our findings?

One explanation is related to the unstable and unpredictable environment companies are operating in transition countries. In such situation, a manager's capability to formulate realistic plans and control for their exact execution might be limited by external forces. Another reason might be linked to the very low level of change management skills among managers, due to the lack of special education or experience in change management during long stagnation period before changes started. Yet our experts' evaluations of the efficiency of the change programs they described, and of the adequateness of decisions made by managers do not refer to such an interpretation.

Can our results be explained by the specifics culture? We suggest that among House's cultural dimensions (House *et al*. 2004; Alas 2006); it is uncertainty avoidance that influences problems of planning and control. Russia is 'low' in uncertainty avoidance practices and China and Estonia are close to the Globe average. At the same time people in China and Russia wish to have much more rules and regulators than the Globe average. Instead, the Estonians are interested in fewer rules than the Globe average and two other countries. From this standpoint, the interpretation of our findings is somewhat ambiguous. On the one hand, the desire for higher uncertainty avoidance might mean that Russian change agents are more focused on planning as it reduces uncertainty. So one can say that change plans and results are so discrepant in our sample, not due to the low level of plans execution but rather due to superfluous planning that is too ambitious to be realistic. On the other hand, one can expect that in aiming to decrease uncertainty, the Russian managers strive to control the execution of their plans, and thus will not allow significant deviations from change plans. The Estonians have made so many organizational changes (Alas 2004) that they are more used to live in a continuous change. Although they just do not plan so carefully, the changes they plan are implemented and let more actual changes happen than they plan.

Turning to the situation with planning and controlling change in particular organizational elements, we have witnessed that 'soft', human-factor related organizational elements happen to be the least 'controllable' in companies during transition. One of the explanations for this can be derived from our findings; as they demonstrate that managers do not pay sufficient attention to such organizational elements in the change planning phase. For example, our findings suggest that the managers tend to underestimate organizational culture as an essential element of organization and its close interdependence with other organizational elements. So it is not surprising that it is the transformation of these elements that takes further a course of changes unforeseen for change agents. The next question arises: why these 'soft' issues are of so little interest to managers? Some authors claim that the environmental pressures force managers to focus on the short-term tangible results (Fey *et al*. 1999). Probably it is for this reason human-related issues fall out of their managerial priorities, as outcomes of such efforts are less evident and more distant in time.

Another explanation of 'uncontrollability' of 'soft' change issues might lie in their own nature: it is very hard to guarantee precise results when one deals with people.

We also found that functional systems, organizational structure and strategy happen to be 'unmanageable' for managers, though from the first glance on our list of organizational elements they seem to be among the most easily administered by company managers. We suggest that this result is consistent with our findings on 'uncontrollability' of 'soft' organizational issues. Neglecting the complex nature of organizations where all elements are closely interrelated by underestimating the importance of human-related issues within the change program may lead to failures in exerting managerial power, even in the most 'technical' aspects of change efforts.

Our findings allow formulate a number of recommendations for change agents operating in companies of transition countries. We suggest that these managers need to acknowledge the limitations of a planned change model and allow for a more flexible and emergent approach. This remark might also be important for those who are in a position to evaluate the results of change programs (e.g., for company owners), as it means that the exact change plan execution should not be used as a criterion for assessment of change agent's work, or, at least it should not be the only one. On the other hand, we suggest that more planning, or in other words consideration should be given to 'soft' organizational elements during all stages of change intervention.

Implications for international change management theory and practice
Are the above findings country-specific? We believe that with certain limitations they can be applied to a wider context. Environmental turbulence is not the sole privilege of Russia and other transition economies; it is recognized as one of key challenges for many organizations world-wide. Moreover, our research involved mostly 'internal' organizational elements that are in short-term less sensitive to environmental jolts. Thus environmental instability can not serve as Russia-specific explanation for the low level of change plans' execution in our data. We demonstrated above that the lack of change management skills and cultural factors also cannot fully account for our results.

Thus we suggest that our findings can be treated as support for the idea of limited controllability of organizational change processes and, consequently, challenging the validity of the planned change model. On a wider conceptual level, our findings can be seen as refuting, to a large extent, the validity of a deterministic approach to the organization and control-based understanding of management, and backing recent ideas on improvisational and emergent approach to change management (see e.g., Weick 1998; Weick and Quinn 1999; Palmer and Dunford 2002).

Nevertheless, we are far from claiming that the planned change approach is completely irrelevant in the modern world, or that planning is an obsolete function among change management activities. We rather suggest that managers and other change agents should not be over focused on change planning activities, as many issues emerge in unplanned way during change implementation process.

Further, based on our findings, we propose that the applicability of planned change approach depends on organizational elements at which change efforts are aimed at.

Our research demonstrated that some organizational elements are more susceptible to planned change interventions than others. In practice level this means that managers may apply either planned change model or other approaches, for example, an emergent change model (Weick and Quinn 1999), depending on the change content they are targeting at.

We believe that these findings are especially interesting in the light of two problematic issues in contemporary change management literature. First, the current organizational change literature is very much focused on the change implementation process (McGuinness and Morgan 2003). Though implementation is important, we agree with Barnett and Carroll (1995) that such focus on the process of change ('how to change something?') and the lack of attention to related content of change ('what needs to change?') prevent a deep understanding of the complex phenomenon of organizational change, and, respectively, from the development of valid recommendations for managers. Our research provides vivid evidence that the change content matters and thus contributes to the call for a more balanced approach to change management research and practice.

Second, as we mentioned above, organizational change literature suffers from the prescriptive tone in its recommendations, saying that this or that model is the best one, and has broad applicability to various situations, etc. (Burnes 1996). More sophisticated choice/contingency approaches (Stace and Dunphy 1991; Marshak 1993; Burnes 1997) have not gained much popularity yet, probably due to the lack of the empirical evidence. Our findings contribute to filling this gap by demonstrating that change content issues (the question "what needs to be changed?") have to be considered as one of the factors that influence informed choices of change implementation methods. Thus they support the contingency approach to change management. Moreover, we suggest that change content has to be incorporated into contingency models of change as one of the main organizational contingencies.

Yet our research should be considered only as a first empirical step towards defining limits of applicability of the planned change model and the development of more sophisticated contingency approach. Taking into account our sample size limitations, the data gathered do not yet allow us to arrive at an unambiguous conclusion as to what organizational elements are the most 'controllable' or 'uncontrollable'. Moreover, we suppose that those organizational elements that are more or less susceptible to planned change interventions may differ depending on cultural and other contexts. Thus future research based on bigger samples of companies and involving companies operating in different contexts (e.g. in different countries or industries) may contribute to a more comprehensive understanding of the planned change model limitations and, consequently, lead to more informed and efficient change management practices, both in Russia, Estonia and China and also in other countries.

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APPENDIX 1.

Samples of questions from our research questionnaire

E1. Please, indicate what changes have happened as a result of change program implementation and evaluate the degree of their 'intentionality':

Was it intended? What was changed in fact?	Intended from the very beginning	Partially intended	Not intended
corporate mission, ideology			
business strategy			
organizational structure			
distribution of power and authority in the company			
organizational culture, key values			
management system as a whole			
key personnel in the organization			
qualitative structure of the staff (skills, knowledge, etc.)			
production technology			
operational rules and procedures			
functional systems (like production, sales and marketing, finance, human resources management systems)			
Other (please, indicate what ....)			

E3. How could you evaluate the results of implemented change?

a) From the point of view of the achievement of goals, set for the change program by the company leader?

Goals are not achieved at all	0%	20%	40%	60%	80%	100 %	Goals are fully achieved

IV. CONCLUSIONS

The eight research tasks set for this research were completed on the basis of several surveys through six studies. *The first research task* was achieved mainly through Study I. The problems coonected with human resource management were identified. The biggest problem was that human resource managers and personnel were not sufficiently involved in the change implementation in Chinese companies. They didn't play a positive role in motivating and empowering employees to participate in change and assisting change managers in change implementation. The employees' inner emotional needs were neglected. Based on the findings, the author gave suggestions on how to improve HR staff's performance to facilitate the change process. Through Study II *the second research task* was achieved and the differences of values held by age groups with different socio-demographic characteristics were identified. *The third research task* was completed and the types of changes in Chinese companies were clearly described in Study III. *The fourth research task* was achieved on the basis of results from three questionnaires about organisational culture, organisational learning and employees' attitudes toward change in Study IV. The specific characterisitcs in organisational culture, organisational learning in Chinese organizations were found out and the connections between the three factors in readiness to change was also identified. *The fifth research task* was also accomplished - the actual circumstances of change implementation in China were revealed and a process model was proposed in Study V. The *sixth and seventh research task* were achieved through study VII and VIII. In Study VII the similarities and differences in the features of change implementation in China and Estonia were identified. The biggest similarity was that the biggest resistance to change in both countries was in the inertia in thinking and the fear of unknown. The resistance behaviours were found to be different in Study VII. In Study VIIII the applicability of western planned change approach in transition countries was explored and the uncontrollability of some elements of change is found out.

Corresponding with each research task, one proposition (two for research task 6) was formed as shown in Table 4 (see 2.3.) The author makes discussions and conclusions about the eight propositions in the following sub-section, which, in fact, meanwhile presents the main findings of each research task in the dissertation.

4.1. Discussion of the Research Propositions

China experienced transition from centrally planned economy to free market economy in the last three decades, which brought about changes in people's thinking style. However, the previous ideological system and change management practice prevailing for a long time still have deep influences on values. Meanwhile the socialism regime is also another factor which determines the specific characteristics of change implementaton in China compared with the capitalist societies. The results of the

surveys conducted in this research revealed that there are indeed specific features in change implementation in Chinese organizations.

P1: In the process of change implementation in Chinese organizations one main characteristic is a high level of centralized authority and a low level of employees' involvement and empowerment (study I, III, V).

According to the results of the research, the first proposition was supported. The process of implementing change is characterized by bureaucratic regulations in Chinese companies. Commonly, change was impelementated from top to down. Only a very small proportion of the changes were initiated from low-level employees. The employees' opinions were not much valued. In the process of implementing change, although communication and education were uesed, coercion and manipulation was used too much in the change process and thus, the intrinsic values and emotions of the employees were neglected. The employees were not motivated to particiapte into the change process. So they showed indiffernce to change or chose to accept the change passively. What most of employees decided to do was to follow the command from the top managment and did what they were asked to do.

P2: In China there are differences in work-related values between different age groups, i.e. older age group with work experience from the pre-reform period – pre-1978 China and younger age group who started their work life in a society that had already changed and become open to foreign investments (study II).

The second proposition of this research was also supported. The following table illustrates the differences between these two groups (Table 5).

Table 6. Comparison of values held by different age groups

Ranking of values during stable institutions – Younger Chinese group	Ranking of values during social transience - Older Chinese group
1. Leadership ideological values	**1. Speciality-related values**
2. Organisational-legal values	**2. Cultural values**
3. Social values	3. Organisational-legal values
4. Ethical values	**4. Leadership ideological values**
5. Personal values	5. Business ideological values
6. Cultural values	**6. Social values**
7. Business ideological values	7. Personal values
8. Speciality-related values	**8. Ethical values**
9. Values related to the mode of life	9. Values related to the mode of life

The biggest difference lies on the speciality-related values, which was considered the most important value by older group but almost the least important by younger age group. The two age groups share the biggest similarities in values related to the mode of life, which were regarded much less significant compared to other value groups.

The results also illustrated that the value estimates of the younger Chinese group are more similar to values during a period of stable institutions and values of the older age group are more similar to values during social transience. The older Chinese group lived through the transition from a centrally planned closed economy to the more open economy with foreign capital and joint ventures, which started in 1978. However, when the younger Chinese group, who were born after 1970s, started to work, the society has entered a stable stage since the most drastic transformation were almost fulfilled.

P3: During social transience the deepest changes in terms of scope - transformational changes took place in Chinese organizations (study III).

The third proposition of this research was as well supported according to the results in study III. Chinese organizations have been in a continuous change process and a large proportion of the changes were transformational, which were much deeper and more profound than transitional and development changes in terms of scope. And almost two thirds of the changes could be considered re-creation – the deepest strategic change in terms of scope compared to reorientation, adaptation and tuning.

To put it in more details: In terms of industry sectors, more changes took place in the production sector than other sectors; In terms of the size of the organizations, more drastic changes took place in the larger organizations than the smaller ones; In terms of age, younger companies were still as active in implementing change as the older companies established in pre-reform stage.

P4: In China organizational learning and organzational culture have specific features, which are different from those in western countries. (study IV)

The author found the fourth proposition of this research was supported. There were specific characteristics in organizational learning and organizational culture in China, compared to other countries. There are differences in China in evaluating organizational culture compared to countries in Europe (Alas and Vadi 2004). Although there is one similarity between China and other western countries, that is, task orientation and relationship orientation of organizational culture are positively connected with learning environment in Chinese organization, with employees' goal commitment and satisfaction with position, a big differnce was found - in China the third factor was found, called disinclination, which indicates behaviours and attitudes which cannot be tolerated by Chinese employees, with which they disagree. Two significant Chinese components of learning organization are not acceptable for Chinese employees: they are afraid of making mistakes and they do not like to reduce status symbol to the minimum. Also, employees' personal needs cannot take priority over corporate goals.

P5: More attention was paid to planning stage than to implementing and consolidating stage (study V).

The fifth proposition was also proved to be correct. Most of the Chinese organizations neglected the refreezing stage in the whole process while main focus was

placed on unfreezing stage. In the initial planning stage Chinese companies created an awareness of the need for change and also created an aim for the change. Nevertheless, they were not good at communicating and educating employees, which possibly led to misunderstandings and even resistance among the employees in the later stages of the implementation of the change. In implementing stage management group relied much on administrative order. The top-to-down hierarchical managing system still worked in the whole process of changing as what happened in the daily running of the business. The change managers or leaders were very weak at empowering and involving employees in change process. Therefore, the resistance to change was rarely overcomed, and employees had no choice but to accept the change passively. To speak about the consolidating stage, institutionalizing the new approaches was the least emphasized step compared with the other steps. The results of change were not assessed properly and new approched were not recorded and made into new rules.

P6: The resistance behaviors of Chinese employees are different from those of Estonian employees. (Study VII)

The sixth proposition was supported. The findings in Study VII revealed that in terms of people's attitudes to change, Chinese organizations encountered mixed reactions to change. Only a quarter of respondents respectively claimed positive and negative reactions among employees. Meanwhile, there were a large percentage of employees who accepted the change passively without questioning. In contrast, Estonian companies encountered two extreme responses - support and opposition.

The differences in resistance behaviours can be attributed to different cultural values in two countries. Culturally, China has a higher Uncertainty Avoidance level and a lower Future Orientation level than Estonia. A higher Uncertainty Avoidance level in China indicates that Chinese people tend to avoid the uncertain factors in the life. In the case of organizational change, they don't like taking risks compared to Estonian, so it is seen that a larger percentage of Estonian employees than Chinese staff support the change. Meanwhile, Chinese people highly value harmony with the environment around them. So people tend to wait and watch first about others' reactions to change before making their own decisions. If people around accept it, some people who even don't like it, decide to accept it passively. Furthermore, the Chinese score on Future Orientation is lower than Estonian. So compared to Estonians, Chinese people show lower level in adaptability to emergent events, which explains the phenomenon that hesitations among Chinese employees toward change is more frequently found compared with Estonian employees. On the contrary, much clearer responses are seen from Estonian people.

The behaviour difference can also be explained by the different level of democracy in China and Estonia. Estonia has built democracy since 15 years ago. According to Alas (2002), it greatly influences people and now people are already democratically thinking. But in China there is a lack of democracy. Although China experienced successful transformation of economic regime, the political system in China

remained socialism which was featured by centralization of power. So the democracy level was still quite low. In business organizations the organizational structure, to a large extent, followed the same scheme as that before economic reform and decisions were made from the top - the management group in organizations or local authorities. The high level of totalitarianism decides that people respect and even fear the power. So in a Chinese organization the top manager is like a parent of a big family and he should take care of everything and people have to listen to him. Low-level employees' opinions are not valued and it is natural for employees to follow the instruction from the top manager. So in China people think it is very normal to accept the change and follow the command from the top manager even though they are opposed to it.

P7: In Chinese companies the level of tolerance towards ambiguity is higher than in Estonian and Russian companies, which is demonstrated via the lowest level of preliminary change planning and via the highest level of unanticipated changes. (Study VIII).

This proposition is supported. The detailed discussion is as follows.

The survey results in Study VIII indicated that China has the lowest level of preliminary change planning. Comparing China and Estonia, China has a significant lower level in preliminary planning than Estonia and Russian, especially in the following elements: key personnel in the organization (a7), qualitative structure of the staff (skills, knowledge, etc.) (a8), operational rules and procedures (a10), and functional systems (i.e. production, sales and marketing, finance, human resources management systems) (a11). The results demonstrated that Russian firms were more concerned about planning the majority of organizational elements compared with Chinese and Estonian companies. Russia steps back in case of distribution of power, which (along with strategy) turned out to be a priority for Chinese managers. This particular result can be rooted in Chinese culture and history of feudalistic society, where people got used to maintaining leader's authority even sacrificing doing right things. So distribution of power and setting up new norms in decision making are urgent matters in Chinese companies. Moreover, change agenda in Chinese companies in majority of cases included less elements, than in Russia and Estonia. Chinese lists of "top 3 planned to change elements" are balanced. They include "soft" factors as well. The most important "soft" element in Chinese plans was distribution of power (51%). Being "the most concerned about planning" Russian managers had most inclination to change "hard" organizational factors. More that ¾ of firms

in Russian subsample planned to change functional systems (a11). Organizational structure (a3), business strategy (a2) and management system as a whole (a6) also received much attention as targets in transition process.

According to survey results in Study VIII, it is also true that level of unanticipated changes in China is the highest compared with Russia and Estonia. The detailed comparison is shown in Figure 2.

Figure 2. Comparison of all change outcomes in China, Estonia and Russia
Source: the author
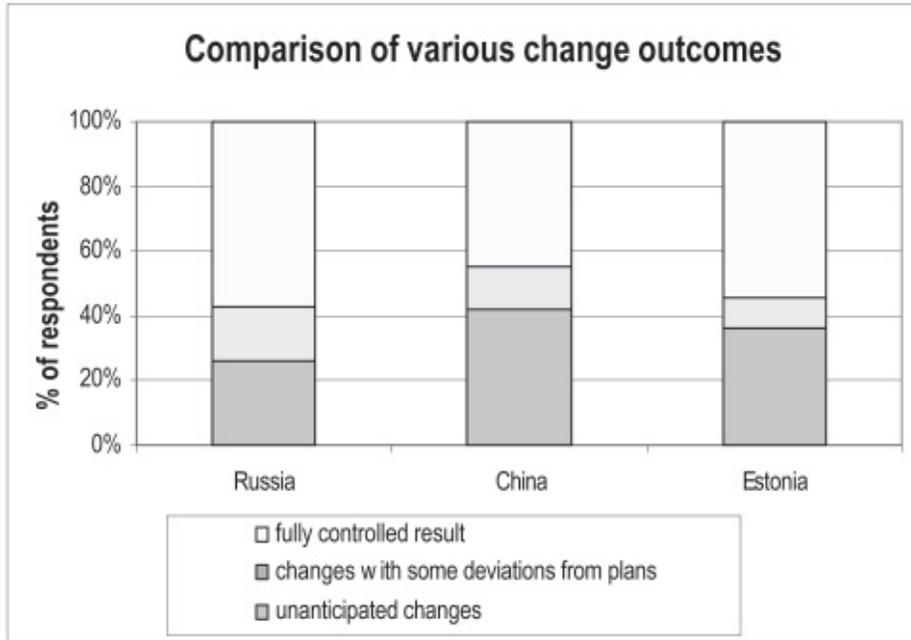
From Figure 2 it can be seen that in China (which obtains the lowest Future Orientation index within our sample) more respondents experienced unanticipated changes in comparison with Russia and Estonia. In average in China 42.4 per cent of companies witnessed that some organizational elements undergone transition process in line with a trajectory, which was not planned. In Russia (which obtains the highest Future Orientation score) unanticipated changes occurred twice less frequently – in average 26.2 per cent of respondent described some organizational element as "unmanageable". Estonian results are located between Chinese and Russian: in average every third respondent met unanticipated changes concerning some organizational element.

So findings on both planning efforts and outcomes on change program execution are supportive for proposition 7. It can be concluded that in China transformational approach toward change and readiness to embrace natural flow of events have very close association with less planning and bigger number of changes, which were not planned.So we suggest that tolerance towards ambiguity, which is embedded in Chinese national culture, affect common behavioral pattern within enterprises as well.We find that interplay between various cultural dimensions is an intriguing research problem, because their values produce joint impact on organizational practices and counterbalance each other. For example in case of China high level of Uncertainty Avoidance combined with low level of Future Orientation results in less planning, tolerance toward ambiguity, and willingness to embrace emergent course of actions.

P8: Planned change approach works better on "hard" elements than on "soft" elements. (Study VIII)

The last proposition was not supported. The following is the detailed discussions.

According to the survey results in Study VIII, the author compared firms' plans with resulting outcomes to find out what organizational elements can be labeled "unmanageable" and "uncontrollable". This analysis was carried out separately for each country taking into account each individual company's dynamics.

First of all it is observed how frequently unanticipated changes occurred. The results illustrated how often respondents mentioned that change in particular organizational element appeared to be an outcome of change program though it was not initially planned (category "did not plan to change – but changed"). We see that all organizational elements can run out of control, no matter it is hard or soft elements, but the level of unpredictability of final result is rather different in each country. Concerning the majority of organizational elements Chinese managers witnessed unanticipated change more often than their colleagues from Russia and Estonia. This fact suggests that some country-specific contingency may be attributed to such findings.In the whole sample the foremost organizational elements, which have changed "on their own" are distribution of power (a4), corporate culture (a5), key personnel (a7), and operational rules and procedures (a10). We labeled this group of organizational elements "uncontrollable". Among these elements three are soft elements, i.e. distribution of power (a4), corporate culture (a5), key personnel (a7) while one is hard element, i.e. operational rules and procedures (a10).

The next step was to analyze the frequency of any deviation from initial plans. The resuts presents cumulative percent of respondents, who acknowledged that they didn't reach the desired state because of deviation from initial agenda (categories "planned to change - changed partly as planned", "planned to change – did not change" and "planned to change – changed totally not as planned"). Through this observation we intended to find out which organizational elements can be labeled "unmanageable", meaning that they are not easy to cope with. Functional systems appeared to be an extreme example. We observed that response rate about deviations from plan concerning this organizational element is the highest in all three countries in discussion. On average every third respondent within the whole sample mentioned any discrepancy with what had been planned in changing functional systems. Again we emphasize that not including functional systems we find it difficult to pick out both the foremost factors, predisposed to deviation, and the least predisposed ones within the whole sample, because results between subsamples differ significantly. We argue that cultural dimensions and the nature of targeted elements ("hard" or "soft") can be potential explanatory variables and contingencies in the appropriate change management model.

Summarizing the information mentioned above, the author aimed to test the above proposition by finding out what organizational elements were more likely to be subject to unanticipated changes and deviations from initial plan during implementation of change program, and what elements, on the contrary, were more likely to be successfully fully controlled. From the above findings, we see that both "soft" and "hard" organizational elements are likely to fall within the groups of "unmanage-

able" and "uncontrollable" factors. Not only both "hard" and "soft" elements can be equally predisposed to going out of managers' control, but some particular "hard" factors can be much more risky in terms of potential discrepancies. Thus the last proposition does not receive support.

4.2. Summary of findings

The author briefly presents the main findings in the eight studies included in this thesis.

Firstly, interviews in 160 Chinese companies indicated the following problems in implementing organizational changes in Chinese companies from the perspective of HR (Study I). First of all, The process of implementing change is characterized by bureaucratic regulations in Chinese companies. Moreover, coercion and manipulation was used too much in the change process and thus, the intrinsic values and emotions of the employees were neglected. In addition, the employees were not properly empowered and involved in the change.

Based on the results and discussions, the authors make the following recommendations to HR managers and staff in Chinese companies. Firstly, HR management should help company managers or those implementing the change to avoid using coercion. It is important for managers to pay attention to the implicit role of emotions in organizational change. Secondly, HR personnel should help the managers in the company to consider the emotions and needs of employees. Thirdly, HR staff should create a compensation and incentive system to facilitate the change.

Secondly, similarities and differences in values between the two age groups (younger group and older group who started work before 1978) were found out (Study II). The biggest difference lies on the speciality-related values, which was considered the most important value by older group but almost the least important by younger age group. The two age groups share the biggest similarities in values related to the mode of life, which were regarded much less significant compared to other value groups. The results also illustrated that the value estimates of the younger Chinese group are more similar to values during a period of stable institutions and values of the older age group are more similar to values during social transience. The older Chinese group lived through the transition from a centrally planned closed economy to the more open economy with foreign capital and joint ventures, which started in 1978. However, when the younger Chinese group, who were born after 1970s, started to work, the society has entered a stable stage since the most drastic transformation were almost fulfilled

Thirdly, the author studied the organizational changes in institutional context and identified the scope of changes (Study III). Interviews in 160 Chinese companies indicate that during social transience transformational changes took place in Chinese organizations. Chinese organizations have been in a continuous change process and a large proportion of the changes were transformational, which are much

deeper and more profound than transitional and development changes in terms of scope. Based on Nadler and Tushman's model, almost two thirds of the changes could be considered re-creation – the deepest strategic change in terms of scope compared to reorientation, adaptation and tuning. These could be explained more explicitly in the institutional context. During the social transience and reinstitutionalization stage, the deepest changes in terms of scope took place.

Fourthly, Study IV produced some findings on the connections between organizational culture, organizational learning and employee attitudes toward change in Chinese organizations. The task and relationship orientation culture is positivly linked with people's attitudes to change and the organizational learning. However, there are differences in China compared to countries in Europe: two important components of learning organization are not acceptable in China: Chinese employees are afraid of making mistakes and they do not want to reduce status symbol to the minimum.

Fifthly, the findings of the survey revealed that change in Chinese organizations seemed not to be a smooth process because of institutional and cultural complexities in China (Study V). The most significant resistance in implementation of change was the inertia in the thinking of employees. It was hard for them to change their habits and thinking style previously formed under a command economy regime. The second biggest source of resistance was the fear of unknown. The findings indicated that in transition period in practice the tools of management were still to some extent bureaucratic and entrenched due to the profound influences from the pre-reform stage. In terms of the process of change in Chinese organizations, most of the attention was paid to unfreezing stage while re-freezing was given the least emphasis.

Sixthly, Study VII indicated some similarities and differences in change implementation between China and Estonia. One similarity between China and Estonia is that most of the changes in the companies in these two countries are transitional changes, deepese in scope. Similar to Chinese companies, in Estonian companies the main focus of the managers was also initiating changes in the process of change implementation. However, the reactions to change among Chinese employees are different from Estonian employees (Study VII). Estonian employees show extreme reactions- being for or against change, however, Chinese employees show mixed reactions to change. A common reaction is to accpet the change passively, which is not found among Estonian employees at all. This is due to the influences of the different cultural Modal Values on people's behaviours (Study VIII). Another big difference in the characteristics of change implementation between Estonia and China is that coercion and manipulation is much more frequently used in China and Estonian employees are better motivated and involved in change process than Chinese.

Seventhly, Study VIII showed that both "hard" and "soft" organizational elements can be equally predisposed to deviations, which means that all change activities can require adjustment once transition process has been initiated. Compared with Esto-

nia and Russia, China has the lowest level in preliminary planning and highest level in unanticipated change. the unique feature of Chinese culture - the combination of higher level in Uncertainty Avoidance and lower level in Performance Orientation and Future Orientation resulted in high level of tolerance to ambuguity among Chinese employees. In the case of organizational change, this is seen from two phenomena, firstly, the preliminary planning for organziational change is not that intensive; secondly, during change process deviation from planning frquently happen and some unanticipated change happened although not listed in initial change plan.

4.3. Implications

Based on the findings in the dissertation, the author presented the following implications to managers in Chinese companies.

Chinese managers should develop different management practices for differnt age groups in the company considering that they hold different values toward work. For example, making clear and standard rules and regularly keeping people informed of the company's development situation will help older age groups to work more efficiently. Meanwhile, for Chinese managers, improving the company's physical working conditions, developing more democratic leadership style and becoming more communicative and charismatic will help empowering younger employees to participate in change process. (Study II)

The study results showed that the deepest changes happen in most of chinese companies. This knowledge about the influence of the institutional context on changes in Chinese organizations will help chinese managers to have a clear uderstanding about the macro trend in the organizational changes and make more appropriate decisions. For foreign managers who are doing business or intend to start business in China, this will facilitate them in making strategies and following economic trend. (Study III)

Due to the finding that orientations of organisational culture is positively connected with employee attitudes toward changes and learning, Chinese managers should pay more attention to the building, adjusting and assessing of organizational culture. Clarification of the vision and more sufficient communication with employeess will contribute to developing task-oriented culture. Meanwhile, some conventional means that are popular in the past,for example, tea room, large lounge and staff dinning room, may help to maintain the relationship-oriented culture. Moreover, the managers should be aware of the necessity to create a learning environment, which will help people to be more active in changes and innovations. (Study IV)

In addition to the implications on the aspects mentioned above, the author suggested a five-step process model for implmenting organizational changes in Chinese companies: (1) establishing the need for change and developing a vision; (2) predicting the obstacles to change and involving employees in planning; (3) communicating the change to employees in a well-organized approach; (4) avoiding coercing employees in the process of implementing change and (5) reinforcing and institutionalising the change. (Study V)

Besides suggestions to managers, some recommendations were made especially to human resource managers and staff. Generally, human resource staff are not sufficiently involved in the change implementation in chinese companies. Therefore, they should firstly devlop the awareness that they should participate in change implementation and facilitate the success of change implementation. HR management should help company managers or change managers in developing efficient skills to empower and motivate employees, for example, resorting to supporting rather than simply coercion as the strategy to overcome resistances. In the process of change implementation, HR staff should help to build new corporate culture and establish new incentive system to encourage employees to participate in change. (Study I)

Besides suggestions to Chinese managers, the author also makes some recommendations to management education in China. Change management should be included in the course curriculum and listed as a compulsory course. The course textbooks or course materials should be updated along with the publishing of new books. In the teaching of change managment, focus should be put not only on the famous western literature on change management but also on the specific characteristics of organizational changes in Chinese companies. Moreover, in the teaching of the course - human resource management, an extra chapter can be added to explain and emphasize the function of human resource managment in change managment.

In addition, the author gives suggestions to Chinese researchers in the field of change management. Firstly, they should have closer look at cultural issues. As cultural values relate to change planning and execution, but this link is not straightforward and somewhat ambiguous, investigating how modal values are transformed to modal practices in particular context is meaningful and that will provide deeper insights to organizational change. Secondly, they could pay more academic attention to what happen to the hard and soft elements during change implementation in Chinese companies, especially on soft elements, which are attached to human side. This is a new field of change management contingencies awaiting more explorers.

4.4. Limitations and Proposals for Further Research

It should be admitted that any research conducted by a single individual is not able to display the whole picture of one phenomenon, especially in the case of organizational changes, which is such a complicated phenomenon. There are certain limitations and constraints with this dissertation.

Firstly, the number of respondents for interviews, although relatively large, is still quite small considering the size of China and the huge number of Chinese companies. Moreover, the respondents are mainly from northern part of China. In the future, a large number of companies could be used in the interviews and more areas could be covered, for example, eastern and southern area, in order to make a more generalized result. The results from companies located in different areas could be compared to reveal a more interesting picture of change implementation in China.

Secondly, the process of implementation of change in Chinese companies could be studied in more details with more questions added in the interview, for example, a question about the supporting process and the change of employees' attitudes during the change process.

Thirdly, the interviews' respondents could be both employees and managers and answers from these two groups could be compared. Differences may exist in their answers considering their position status. It will be beneficial to find out the differences and make suggestions to Chinese managers based on employees' opinions about the details of change.

Fourthly, the interview and several questionnaires could be conducted several years later. Under different institutional context, the answers received at present and in the future could be analyzed together to present a dynamic study of organizational changes in China. Changes in the employees' and managers' attitudes and the process of implementation may be found and identified. The researchers will gain knowledge about what Chinese managers and employees learn and what they do differently in change process along with the time and the change in macro environment.

Fifthly, the questionnaire to asses values could be conducted both in manager and employee group. The results could be compared to find out the differences and similarities between subordinates and superiors' values. Furthermore?the survey could be done in other countries, such as countries that also experienced transition from planned to market economy, or other post-socialist countries. The analysis of these countries with certain similarities with China will provide insights to the research in a broader scope.

4.5. The Main Conclusions at Different Levels

The conclusions of this dissertation can be summarized on three levels: firstly, the individual employee level, secondly the organizational level and lastly the societal level.

First of all, the author makes the following conclusions on conditions existing for employees *at individual level*. The biggest resisitance to change among Chinese employees are intertia in the thinking and fear of the unknown. The old thinking style people inherited from the previous centrally planned economy are still dominating people's mindset. The constantly changing macro environment under the mixture of market economy and socialist regime caused Chinese employees' worries about the future (Study V). Moreover, the reactions to change among Chinese employees are different from Estonian employees (Study VII). Estonian employees show extreme reactions- being for or against change, however, Chinese employees show mixed reactions to change. A common reaction is to accpet the change passively, which is not found among Estonian employees at all. This is due to the influences of the different cultural Modal Values on people's behaviours (Study VIII).

The following is the conclusion of the different elements of implementation of changes *at organizational level* .

1. Firstly, the initiators of the changes are mainly top managers and the main reasons to start changes are still purchasing ecomonic profits. However?local authority and higher authority of the company still play an crucial role in determining the need of change. (Study V)

2. Secondly, in the process of change, the managers incline to change elements at organizational level, such as strategy, leadership or management practice. The least to be changed is individual employees' skills. Moreover, managers didn't devote enough efforts to change employees's thinking style in order to build a learning organziation. (Study I)

3. Thirdly, the biggest problem in the implmentation of the change is the weakness in institutionalizing stage. Too much attention was given to planning stage while assessment and modification were ignored. (Study V)

4. Fourthly, the Chinese managers were good at informing the employees of the necessity of change and creating a vision. However, in the follow-up steps, they showed very weak competency in empowering and motivating employees to particiapte in change. Therefore, the efforts of building a learning organization in order to ensure the sucess of change are not sufficient. (study V)

5. Fifthly, there were changes in organizational culture in the change process. In 37 percent of the studied Chinese organizations, organizational culture became more task-oriented while in only in 3 percent of companies their culture became more relationship-oriented. (study V)

6. Sixthly, in respect to the industry of company, companies in production sector expereinced more changes than those in other sectors, e.g. service. (study III)

7. Seventhly, both "hard" and "soft" organizational elements can be equally predisposed to deviations, which means that all change activities can require adjustment once transition process has been initiated (Study VIII) .

The conclusions *on societal level* can be summarized from different perspectives.

Firstly, due to the different historical and cultural institutions, the features of change implementation in different countries differ. For example, one big difference in the characteristics of change implementation between Estonia and China is that coercion and manipulation is much more frequently used in China and Estonian employees are better motivated and involved in change process than Chinese. Compared with Estonia and Russia, China has the lowest level in preliminary planning and highest level in unanticipated change.

Moreover, the conclusions on societal level could be expressed by the macro societal influences on orgnizational level and individual level.

According to the research results, the macro societal influences on orgnizational level in Chinese orgnizations are summarized as follows:

1. Firstly, the results indicate that in Chinese organizations most of changes were transformational, deepest in scope. only 5 percent of the changes were developmental changes, while 41.3 percent of the changes were transitional and

53.7 percent were transformational. Almost two thirds of the changes could be considered re-creation – the deepest strategic change in terms of scope compared to reorientation, adaptation and tuning. So during the social transience and reinstitutionalization stage, the deepest changes in terms of scope took place.(study III)

2. Secondly, the scope of changes differ in regard with companies's age. In the younger companies established after economic reform began in 1978, less drastic changes took place compared to in the older companies founded before 1978; however, the younger companies also realized the necessity to change in order to survivie in the increasingly fierce market competition under the background of accession to WTO. So younger companies wer also found to be active in implementing changes. (study III)

3. Thirdly, the unique feature of Chinese culture - the combination of higher level in Uncertainty Avoidance and lower level in Performance Orientation and Future Orientation resulted in high level of tolerance to ambuguity among Chinese employees. In the case of organizational change, this is seen from two phenomena, firstly, the preliminary planning for organziational change is not that intensive; secondly, during change process deviation from planning frquently happen and some unanticipated change happened although not listed in initial change plan. (study VIII)

The macro societal influences on individual level could be expressed as follows:

1. Firstly, there are differences in the values among different age groups, who experienced differnt insitituional development stage. For younger age emplyees who have have work experince after the economi creform, they highly value leadership ideological values, ethical values, and social values. However, older age group, who already start work before economic reform and experince the social transition from command to market economy, regard specialty-related values and cultural values as much more significant values compared to young people. Values held by the older Chinese group are more similar to values during social transience while values of the younger Chinese group are more similar to values during a period of more stable institutions. The institutional context has impacts on chinese employees' attitudes toward work and change. (study II)

2. Secondly, similarly with finding from other transitional countries, task and relationship oriented culture have great importance in the organizatioal changes in China. The task and relationship orientation culture is positivly linked with people's attitudes to change and the organizational learning. However, differently from other countiries, in China, a collectivism society with socialist regime, a third factor is found, that is disclination, that is behavious and thoughts which can't be agreed. Also due to the teachings on Chinse people that has lasted several thousand years - conformity is always more prior to individuality, employees always give priority to collective groups' interest rather than personal needs. (study IV)

3. Thirdly, from the perspective of organizational learning Chinese employees, who live under profound influences of its unique culture and tradition, are afraid

of making mistakes and reduce the status, which are not features for learning organizations. So in proces of change, people are not active in accepting and trying new things since they always want to keep the present status and avoid mistakes. (study IV)

To conclude, the author integrated the theoretical basis from western countries with the empirical research results from Chinese organizations and made conclusions to various aspects elaborated above.

The features of organizational change in Chinese companies were drawn out within different frameworks. Through eight studies included in the dissertation, the author studied organizational change in Chinese companies via all four approaches: *content research, contextual research, process research and criterion research*, which was defiend by Armenakis and Bedeian 1999 (see 1.3.1). By *content research*, which was assumed a descriptive approach, the author pointed out the features of organizational change in Chinese companies by identifying what has been changed, such as the change in different factors (e.g. strategy, leadership and so on) in Study I, V and VI. By *contextual research*, the author described the institutional influences on organizational change in Chinese companies. As part of the analysis at macro-level, the values held by different age groups of Chinese employees were studied and the differences were found out in Study II. In Study III different types of change were categorized based on the analysis of the historical and institutional influences on organziational change. In Study VII and VIII the Chinese cultural account was considered when analyzing the resistance bahavious of Chinese employees and the specific characteristics of change implementation. By *process research*, the author explored how organizaitonal change in Chinese companies take actions. The actual processes were analyzed and a process model was suggested to change managers in Study V. By *criterion research* which is linked with readiness to change, the author discovered the resistance behaviours of Chinese employees and strategy to overcome resistances used by managers in Study V. Moreover, the author examined the connections of organizational culture, organizational learning and employees' attitudes to change in Study IV and specific features of organizational culture and learning in Chinese companies were found.

Besides all four approaches, the author used additional approaches. In Study I the author approached organizational change from the human resource-based view. The incorporation of resource-based view with change management and the connection of change management with human resource management add extra and crucial value to the research. Another important contribution of this dissertation is that the cultural influences on organizational change were deeply analyzed based on the Globe cultural dimensions in Study VIII, which may serve as a good startpoint for other reseachers in conducting further research in this field. Last but not least, the nature and change in hard and soft organizational elements in organizational change, which were not studied previously by other researchers, were introduced and carefully analyzed based on a reliable survey in Study VIII. This is of great potential value for research in change managment. Based on this, the author poposes the division between hard and soft part in organizational change analysis. It is easier

to analyze hard part, for example, the actual process of change. However, soft part, e.g. the side associated with people and ideology, is a difficult target for study. In this dissertation a process model is proposed with the soft elements left out, which will be of great practical use. The applicablity of planning approach on hard and soft elements was studied as well.

I firmly believe that the findings revealed in this dissertation make some contributions to the enrichment of theories in organizational change, especially in the field of change management study in transitional countries. Regarding the author's contribution to methodology, the large-scale research in Chinese companies couldn't have been accomplished without the author's massive personal links and the respondents' answers couldn't have been interpreted accurately without the author's native knowledge and experience about Chinese culture. Furthermore, the different approaches the author used to analyze organizational change provide an insight to diversified choices in conducting further research in organizational change.

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APPENDIXES

Appendix 1 Questionnaire for Measuring Employees' Work-related Values

Please make an assessment of your attitudes towards different trends and phenomena, principles and factors, connected with the management and business using the following scale:

1 –of no relevance   2 –of little relevance   3 –of some relevance 4 –of relevance –of great relevance   6 –of major relevance   7 –of utmost relevance

Item	Assessment
1. Honesty as an ethical value.	
2. Good relationships among the staff.	
3. The leader's enterprising spirit of setting up and solving problems…	
4. The employees' good professional education.	
5. Contemporary means of communication in the company.	
6. The staff's participation in the development of the company's strategy.	
7. The acknowledgement of an employee as a specialist in his/her field.	
8. The similarity of the personnel's professional evaluation criteria.	
9. The regular analysis of the company's economic activities.	
10. The person's self-respect and its preservation in all situations.	
11. The information of the staff and its awareness of the company's condition.	
12. Good teamwork with the subordinates.	
13. The staff's understanding of the company's objectives.	
14. The established standards of the professional behaviour in the company.	
15. Advertising as a success factor of the company's business activities.	
16. The staff's readiness and ability of independent decision in their sector of activity.	
17. The leader's imagination (the speed of thought and openness to new ideas).	
18. Reading new literature in the specialty.	
19. The clarity of the management's job instructions.	
20. The traditions and customs commonly followed in the company.	
21. The imposing of the facade and foyer of the company's building.	

22. The evaluation of the quality of the company's production and service.	
23. Humanity.	
24. The company's atmosphere favouring achievements and support of each other.	
25. The leader's balance.	
26. The staff's regular professional training.	
27. Strict subjection to the management's directions.	
28. Democratic management.	
29. Good relationships between the superiors and the subordinates.	
30. The existence of professional directions and following them.	
31. The people's faith in the strength of the collective.	
32. The contemporary office equipment and a sufficient number of computers in the company.	
33. Freedom (of thought and speech) in the company.	
34. The control of superiors is changing into the staff's self-control.	
35. The lack of conflicts between the young and the old.	
36. The manager's skills and life experience.	
37. The management's supervision of the staff's activities.	
38. The staff's similar vision of the company's future.	
39. Good conditions of the buildings ensuring the company's activities.	
40. The investment into the company's future at the expense of the present wealth.	
41. Lack of conflict groups in the staff.	
42. "Our" feeling in the company.	
43. Permanent watching of the rivals, learning from their mistakes and successes.	
44. The staff's personal interest in the quality of the company's production and services.	
45. The leader's creativity while solving the problems.	
46. The feeling of security in the company.	

Appendix 2 Questionnaire for Measuring Organizational Learning

Please evaluate your organisation by using these indicators on ten point scale, there 1 means 'not apply at all' and 10 'very high'.

Item
Building the ability to learn
An open-minded and positive attitude towards risk-taking
Learning by mistakes
Open communication
Willingness to develop oneself
The acceptance of a new operational culture
Willingness to make initiatives
Encouraging activeness in one's work
Removal of distress amongst the personnel
Collaborative setting of missions and strategies
Commitment to the change process
Awareness of business objectives
Commitment to objectives
Active participation in decision making
Making future together
Collaborative ability
Fluent work processes
Open information flow
The ability to use teamwork
A business oriented operational culture
Emphasis on training
Efficient strategic planning
Managerial support for personal development

Appendix 3 Questionnaire for Measuring Employee Attitudes in the Process of Organizational Change

Indicate the answers to the following questions on 5 point scale. 5 is for full agreement and 1 is full disagreement.

Item
1. Do you usually come to work with pleasure?
2. How much are your future plans connected with this organisation?
3. How satisfied are you with your present position in this organisation?
4. How satisfied are you with your present work in this organisation?
5. How necessary in your opinion are the changes in the organisation?
6. Do you believe that the planned reforms influence the performance of the organisation positively?
8. Will your work conditions be improved after the changes?
10. How satisfied are you with the top managers of your company?
11. Do you trust the management and think that their decisions are the best for the organisation?
12. Have the general objectives and development plans of your organisation been explained?
13. Were you informed about the changes before their initiation?
14. Do you have enough information about the reasons, content and objectives of the changes?
15. How much are you included in the implementation of the changes?

Appendix 4 Questionnaire for Measuring Organizational Culture

Please evaluate on 10-score scale how these statements apply to your organisation. If you fully agree with the statement, please mark 10, if you feel the statement being inappropriate for your organisation, please mark 1.

IN OUR ORGANISATION OR COMPANY

1... there are many structural units

  1   2   3   4   5   6   7   8   9   10

2... there is a pleasant work environment

  1   2   3   4   5   6   7   8   9   10

3... employees know each other well

  1   2   3   4   5   6   7   8   9   10

4... entertainment programmes are offered

  1   2   3   4   5   6   7   8   9   10

5... employees feel proud of their organisation

  1   2   3   4   5   6   7   8   9   10

6... employees are aware of the competition

  1   2   3   4   5   6   7   8   9   10

7... employees are recognised for their good work

  1   2   3   4   5   6   7   8   9   10

8.... employees have good interpersonal skills

  1   2   3   4   5   6   7   8   9   10

9... managers can be easily contacted if necessary

  1   2   3   4   5   6   7   8   9   10

10... employees are well aware of the corporate goals

  1   2   3   4   5   6   7   8   9   10

11... novices are well received

  1   2   3   4   5   6   7   8   9   10

12... traditions have high importance

  1   2   3   4   5   6   7   8   9   10

13… all employees are evaluated

    1   2   3   4   5   6   7   8   9   10

14… employees have similar views on many things in the world

    1   2   3   4   5   6   7   8   9   10

15… the corporate communication is well organised

    1   2   3   4   5   6   7   8   9   10

16… employees know about each other's personal matters

    1   2   3   4   5   6   7   8   9   10

17… there is often common consent between employees and managers

    1   2   3   4   5   6   7   8   9   10

18… everyone feels embarrassed after a mistake

    1   2   3   4   5   6   7   8   9   10

19… employees act cohesively when confronting challenges

    1   2   3   4   5   6   7   8   9   10

20… people would like to know more about the organisation

    1   2   3   4   5   6   7   8   9   10

21… everyone is expected to take initiative

    1   2   3   4   5   6   7   8   9   10

22… people are not afraid of making mistakes

    1   2   3   4   5   6   7   8   9   10

23… positive changes are constantly taking place

    1   2   3   4   5   6   7   8   9   10

24… misunderstandings are promptly attended to

    1   2   3   4   5   6   7   8   9   10

25.. . status symbols are reduced to minimum

    1   2   3   4   5   6   7   8   9   10

26… employees' personal needs take priority over corporate goals

    1   2   3   4   5   6   7   8   9   10

27…those, having good rapport with the management, are recognised

    1   2   3   4   5   6   7   8   9   10

28… employees are aware of each other's pastime activities

    1   2   3   4   5   6   7   8   9   10

29… several friendship groups have emerged

   1   2   3   4   5   6   7   8   9   10

30… people communicate politely with each other

   1   2   3   4   5   6   7   8   9   10

31… people feel embarrassed when talking about their job

   1   2   3   4   5   6   7   8   9   10

32…2people feel reluctant toward their work

   1   2   3   4   5   6   7   8   9   10

33… good mood is appreciated

   1   2   3   4   5   6   7   8   9   10

34… people help each other about their jobs

   1   2   3   4   5   6   7   8   9   10

35… employees enjoy their work

   1   2   3   4   5   6   7   8   9   10

36… all important issues are openly discussed

   1   2   3   4   5   6   7   8   9   10

37… all failures trigger strict responses from management

   1   2   3   4   5   6   7   8   9   10

38… issues of employees' welfare receive high priority

   1   2   3   4   5   6   7   8   9   10

39… employees are committed to their jobs

   1   2   3   4   5   6   7   8   9   10

40… entertainment programmes and other corporate events are popular

   1   2   3   4   5   6   7   8   9   10

41… several employees are willing to quit their jobs

   1   2   3   4   5   6   7   8   9   10

42… many people have been working together for a long time

   1   2   3   4   5   6   7   8   9   10

43… instructions are clearly communicated

   1   2   3   4   5   6   7   8   9   10