

An organizational culture and the empowerment for change in SMEs in the Hong Kong manufacturing industry

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Abstract

The Hong Kong manufacturing industry is at the crossroads of change. In the face of new and ever-increasing competition, in order to revitalize the industry, the organizations must change their mode of operation to manufacture of high value-added products and services. The SMEs must play an important role in helping the industry to achieve this end. However, because of the special way of management of change by the organizations, many of the change endeavours are failures. It is argued that the major reason for such failures is the over focus by the management and owners of the SMEs on the “hardware” of the change programmes while neglecting the “software” of the change process. An organizational culture that is conducive to change and employee empowerment are the important “software” ingredients of a successful change process and they are often the missing links in organizational changes that are undertaken by the SMEs. A case study is presented to illustrate the core elements in the successful implementation of a change in organizational culture for the attainment of continuous quality improvement. The benefits of employee empowerment are also discussed. It is believed that by bridging these links, the chance of success in the change endeavours by the SMEs in the Hong Kong manufacturing industry can be greatly enhanced.

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Keywords: SMEs; Change management in SMEs; Organizational culture; Employee empowerment; The “software” and “hardware” of a change process; Elements of an organizational change culture

1. Introduction

Since the starting of the opening up policy of mainland China, Hong Kong manufacturers have been benefiting tremendously by taking advantage of the abundantly availability of low cost labour and land provided to them by mainland China. Because of such opportunities, Hong Kong manufacturers have been moving their manufacturing bases across the northern border into mainland China. Before the handover of the Hong Kong sovereignty to China, there was a high degree of political uncertainty regarding the future of Hong Kong. In order to reduce risk and to attain a return on their investment in a relatively short period of time, labour intensive manufacturing processes aiming at mass production for cost reduction have been mainly employed by the manufacturers in their manufacturing bases.

Following such a mode of operation, Hong Kong manufacturers have been able to acquire a competitive edge by manufacturing mainly middle to low end-products for the world market at low cost. Significant success has been attained by the industry. According to the Hong Kong Trade Development Council [1], the import and export of Hong

Kong in merchandized products was the fifth largest in the world in 1997. The value of the export in merchandized products amounted to 188 billion US\$ in the same year. The SMEs in Hong Kong, comprising more than 98% of the total number of enterprises in Hong Kong, have been playing an important role in helping the industry to attain such successes.

As Hong Kong manufacturers, in particular the SMEs, have been relying upon the low cost production facilities in China for the manufacture of middle to low end products, they have been rather indifferent to research and development and to the use of high technology in their manufacturing processes.

2. Change is inevitable in the Hong Kong manufacturing industry

The Hong Kong manufacturing industry is at the crossroads of change. In the recent years, the cost of production factors in the mainland China have escalated, and with this being combined with the industrialization of the countries in Asia, the competitiveness of the industry, which is based mainly upon low cost and high volume production has been eroding. After the financial crisis which took place in 1997,

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The Government of the Hong Kong SAR has come to believe that it is important for Hong Kong to re-establish a competitive manufacturing industry with its manufacturing base located in Hong Kong. Many of the SMEs in Hong Kong are realizing that to improve their long-term competitiveness and profitability, instead of playing mainly the role of OEM, they must go for innovations in product design and development and therefore the production of high value added products and services.

Recently, it appears to be a fad for everybody to be shouting for change and acting very actively for change in his/her organization. Change is inevitable for the long-term competitiveness and even survival of industries. To effect change, philosophies like “business process re-engineering”, “total quality management” and “just-in-time”, etc. have been employed. Yet, like the experiences in other countries, the effect of change achieved in the Hong Kong industry may not be satisfactory at all in many cases [2].

3. Causes of failure in organizational change

The *Economist* [3] made a review of the change projects and found that over 85% of such projects failed. Two major reasons for the failure were identified. One is the failure to take into consideration the impact of the change on other systems within the organization, say in re-engineering, where the process was typically done in a vacuum often focused on the information systems area only. The other reason for the failure was negligence to deal adequately with human resources management, which ultimately determine whether the change will work or not. Wellins and Rick [4] reviewed the literature on organizational change through BPR and made a similar observation that many such initiatives failed because they had concentrated on purposes and ignored the people who made them work. Ripley and Ripley [5] argued that empowerment was the cornerstone of change management to attain quality. It was the key to business competition and success in the 1990s. Other authors who have reached similar conclusions are McConville [6], Seyegorf [7] and Hill [8].

4. The “hardware” and the “software” factors in the management of change

It may be said that the “hardware” of change management includes the clear identification of where an organization wants to go, a systematic framework for planning and controlling of the change process, the information and process technologies that are required to help in the implementation of the changes and attainment of the goals and the objectives aimed for by the changes. On the other hand, as has been pointed out, people are the ultimate key element that determines whether the change will work or not. As the behaviour of people in an organization is shaped by their

value systems, by what they believe to be right or wrong and by the norms of the group they belong to, the culture of the organization in which one works has a tremendous effect on one’s behaviours within it. On the other hand, a person’s motivation to exert actions to attain an organizational objective is again much affected by his/her perception of his/her ability to achieve the standard of performance expected of him/her and by the “valency” he/she perceives of work related outcomes [1]. Thus, the success of organizational changes will depend a lot on the organizational culture and the empowerment one is provided in an organization. The organizational culture and the empowerment can be said to be the “software” factors for change to be successfully implemented in an organization.

5. An organizational culture that is conducive to change

Culture can be defined as the collective programming of the mind which distinguishes the member of one category of people from others [9]. This definition applies to organizations as well as to nations, professions and generations. Organizational culture is the system of shared actions, values and beliefs that develops within an organization and guides the behaviours of its members. It is the collective unconscious feeling of individuals in an organization about good or evil, normality of abnormality. As such these value systems form a frame of reference for all kinds of daily routines, behaviour and practices and for passing judgement on persons’ actions and objectives. It thus shapes what people in an organization do. It controls the daily routines and daily execution of operational tasks. An organizational culture may be one that is reluctant to change or one that is conducive to the acceptance of change. For example, in a company with a “change” culture, employees believe that it is their responsibility to innovate and contribute creatively. They actively search the environment in which the company operates for ideas of changes to make the company more adaptive to the environment and therefore be more competitive in its operations. They see these responsibilities reflected in achieving the goal of developing new and improve products and processes.

An organization may have the well-established “hardware” for effecting change such as structured programmes, procedures and specifications, etc. for change, however, if it does not have the culture which is conducive to the successful initiation for and the implementation of change, the change process cannot be smooth. Ignoring the differences between the “hardware” and the “software” factors in change management will surely hinder the success of it.

6. Empowerment

Change is a difficult process. An organizational culture that is conducive to change is only part of the software

that helps to programme the behaviours of people towards change. To make change an enjoyable experience and therefore an intrinsic motivator for change, people must be empowered to make changes happen.

Empowerment can be understood as a philosophy, a set of organizational behavioural practices and an organizational programme. It can be referred to as a process whereby one's belief in his/her competence is enhanced [10]. The expectancy of motivation for an individual is his/her belief system that the efforts in a given task will result in a desired level of performance and his/her performance will produce desired outcomes [11]. The empowerment therefore means enabling and raising people's conviction to execute desired behaviour rather than just raising their hope for favourable performance outcomes. Empowerment enables individuals to be in charge of their own responsibilities while meeting and exceeding company and personal goals through the shared company vision for change. Such empowerment makes the individual believe himself to be a force for the change and behave accordingly to achieve them. It can enable everyone in an organization to take part in and to make contribution to organizational change. The most important of all is that the individual through empowerment finds satisfaction in initiating and achieving change in an organization. This together with the culture prevailing in the organization will encourage change and enhance the chance of success in the change endeavours.

Learning, training and retraining are the keys to raise an individual's conviction for the need of change as well as competence for the attainment of the goals aimed by the change.

7. Development of the organizational culture: a case study

The Legend Manufacturing Ltd. is an OEM manufacturer of electrical appliances with the manufacturing plant located in China Pearl Delta. The head office is in Hong Kong and it is responsible for purchasing, marketing, engineering, shipping and administration. The management of the company, having realized that competition through merely cost cutting is no longer a viable edge, has turned to capitalizing in quality and continuous improvement. It has been working along this direction for a number of years. Accordingly, rules and procedures were devised by the managers and the engineers in order to exercise tighter control over the quality of the products produced in the plants. Quality in terms of the percentage of defects seemed to have improved, but the proper attitude towards quality and continuous improvement have not been cultivated. People were basically following instructions but, often, however, they were looking for ways to get round the quality procedures because short-term costs were still the most common criteria that was used in the company for judging operational effectiveness and performance. Fundamental changes

in the attitudes regarding quality, the long-term importance of insisting on delivering products that completely satisfy the predetermined specifications and continuous quality improvement have not taken place in the company.

With the wide acceptance of organizational culture being an critical element that can affect change in an organization, the management of the company decided to implement continuous quality improvement that was underpinned by empowerment and an organizational culture that was conducive to change. The cultural change is taking place gradually and the staff in the company is becoming more conscious of quality and quality improvement. Suggestions have been received regarding design and process changes that can lead to improvements. Workflows have been modified to effect such changes. The organizational value and norms systems in decision-making and in people's behaviour have been much more conducive to changes that are more likely to lead to continuous improvement. The core elements that have contributed to result in the change in the company have been identified and are described as follows.

(a) *Commitment of management to change*

In the process of developing a culture that was conducive to change, the management realized that they must consistently show a high commitment to encourage the change to take place along the direction as predetermined by the company. The managers worked very hard to make themselves good examples to others in the organization that change beneficial to organizational development would be supported and rewarded. The management tried and succeeded in cultivating a psychological contract between the management and the staff that continuous improvement in product quality was the goal of the company and that merits would be given to individuals and teams that were able to make contribution to attain this goal. Support in the form of time and resources was provided to attain improvements. The management made the commitment very clear, not only on formal occasions, but also in informal ones such as talking to individuals about it during social gatherings after work.

(b) *Education and communication*

The management played the role of an educator. They educated people on the importance of change to the long-term competitiveness and survival of the organization. They did this through various meetings and seminars held for the purpose. They also tried hard to explain to people the changes that were required and provided them with the information on how they would be affected in the process of change. The needs of training for the improvements required were identified and appropriate training programmes were conducted to enable the staff concerned to acquire the skills and knowledge required for the change. Staff empowerment was found to be a critical element in the success of continuous quality improvement.

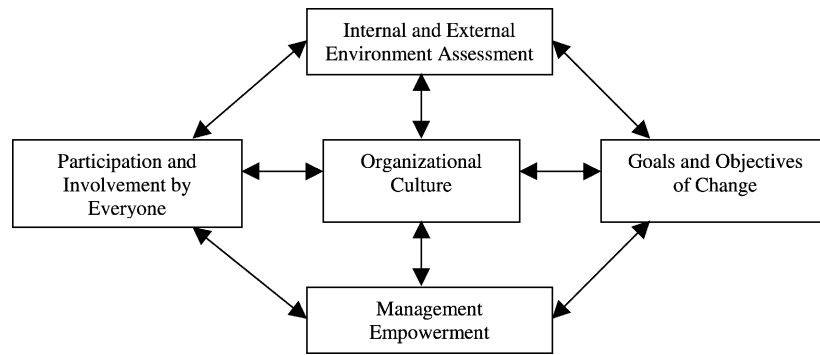


Fig. 1. A model of organizational culture and empowerment on change management.

(c) *Participation and involvement by people in the planning of change*

Participation and involvement brought together those who might contribute to the quality improvement and the implementation of the change in the design of the change process. This was found to be able to increase commitment to the change. To enable general participation and involvement to take place, the goals and objectives of changes were made clear to the people concerned. People were encouraged to make suggestions on quality improvement and the accompanying changes rather than simply following instructions to implement change.

(d) *Assessment of performance of people on a long-term basis*

“Doing nothing means making no mistakes” was the kind of mindset that had become embedded in the people in the company for a long time. This phenomenon was basically the result of the company tradition of following instructions from management without querying, as this could be regarded as being offensive to the management. The measurement of one’s performance by short-term results such as meeting delivery dates and cost saving by, say, delivering orders that were below specifications to customers was another observable cause of the phenomenon. To tackle such problems that were believed to hinder change, the management of the company tried to make it understood to people that their performance assessment would not be affected because they had been bold enough to take the initiative to change the organizational workflow. Even if the effort was a failure, if the initiative was a genuine one, the individual would not be punished. After all, the performance of individual was to be assessed by taking his/her performance into evaluation on a long-term rather than on a short-term basis.

(e) *Constant awareness of the industry’s environment and benchmarking against the best practices in the industry*

The management of the company found it very important to encourage people to keep a close watch on what was happening in the internal and external environment. The needs of the market must be closely monitored and changes made in the organization to adapt to

them. Benchmarking was to be performed against competitors in the industry so that gaps could be identified and improvements made accordingly to bridge them.

8. Discussions

An organizational culture for change is an underpinning cornerstone in the success of organizational change. Such a culture must be cultivated in a company to make change a normality in an organization. The culture should be such that people in it find it easy to go for changes and are willing to contribute in the successful implementation of them. In many SMEs, owing to the small size of them, it is a general practice that the top management or owner of the companies are used to making change decisions on their own and then giving instructions to their subordinates to implement the change. To enhance the chance of success in change, an organizational culture that consists of the core elements as described in the foregoing case study should be implemented. An organizational culture of change can not be created in 1 day. It takes time and a lot of effort on the part of the management to nurture it. Empowerment is also an important element in the development of the organizational culture. Based upon such an understanding and the experiences that are learnt in the case, a model that can serve as a guide to successful implementation of change is proposed as depicted in Fig. 1.

9. Conclusion

Hong Kong is at the crossroads of change. To revitalize the Hong Kong manufacturing industry, organizations must change their mode its operation towards the production of high value-added products and services. The SMEs can play a key role in effecting such a change process in the industry. However, trying to keep up with the ever-increasing rate and complexity of change can leave people feel overwhelmed and uncooperative. Nevertheless, it is clear that if one wants a change programme to work, an organization and the people in it must want to change. In many situations, failures

to achieve changes in SMEs are owing to the over focus by the top management and owners on the “hardware” of the change programme while neglecting the “software” ingredients in the process of planning and implementing change. An organizational culture that is conducive to change is one of the important “software” elements that shape the attitude, value and therefore the positive behaviour exhibited by people in an organization towards change. On the other hand, empowerment is the other that enables people the ability to initiate change, and to take part in the planning and implementation of the change. Commitment on change by top management, and the involvement, achievement, recognition and assessment of employees’ performance on a long-term basis are the key elements in developing an organizational culture for change in the SMEs in the Hong Kong manufacturing industry. Employee empowerment is the best managerial skill to reduce the resistance of people to change. It provides the intrinsic satisfaction in the employee that motivates them to take part in the process of change. These “software” ingredients are essential and vital for successful change to take place in the industry. Unfortunately, they are very often the missing links in the change process in Hong Kong industry. It is believed that by bridging these links, the chance of success in the change endeavours by the SMEs

in the Hong Kong manufacturing industry can be greatly enhanced.

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