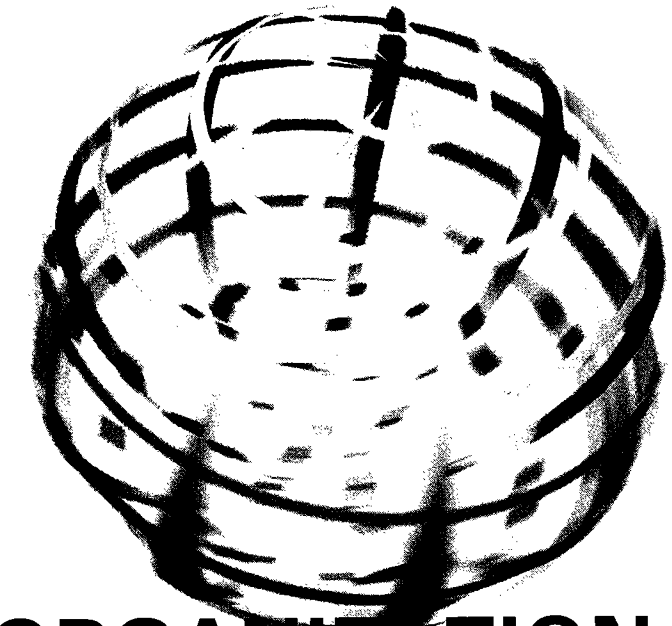

ORGANIZATIONAL CHANGE IN THE GLOBAL COMPANY: IS IT ANY DIFFERENT?

Paul Kirkbride

CHAPTER 4

ORGANIZATIONAL CHANGE IN THE GLOBAL COMPANY: IS IT ANY DIFFERENT?

Bob Dylan's song the 'Times they are a'changing' is often regarded as an icon of the revolutionary 1960s and probably sums up the *Zeitgeist* of the times. And certainly the decades since that song was written have witnessed an explosion of books and articles on organizational and managerial change. Change has replaced stability as the new managerial orthodoxy. Books with titles such as *Managing at the Speed of Change* (Conner, 1993), *The Change Masters* (Kanter, 1984), *The Challenge of Organizational Change* (Kanter, Stein and Jick, 1992), *Liberation Management* (Peters, 1992), *The Dance of Change* (Senge *et al.*, 1999) and *Leaning into the Future* (Williams and Binney, 1997) are now legion. Together they have established what may be termed the 'authorized version' of change. This is a commonly accepted set of precepts that are encapsulated in most of the managerial change literature and are now widely articulated by managers worldwide.

What are the central precepts of this canon? It is generally argued that organizations exist in environments that are becoming increasingly turbulent over time and that sector after sector is facing faster change and greater environmental discontinuities. As a result organizations have to manage at, or just faster than, the rate of change of their external environment or they will not survive. However, change is often difficult due to the various resistance forces that are present within most organizations. Nevertheless, if change is managed well and skilfully, organizations can, and do, change successfully. And where this occurs change is most often the result of the presence of 'change leaders' within the organization, often at a very senior level.

Yet very little has been written explicitly about the issues of change in global organizations or about the possible effects of globalization itself on the process of organizational change. This chapter will seek to remedy that deficiency. I will seek to argue that being global raises some *a priori* problems for the change process in large organizations that have often been neglected in the rush to globalize. In what follows we will focus explicitly on the global aspects of change as opposed to the local aspects. In other words, what is in question is the extent to which large organizations can change on a global scale, rather than whether a global organization can change in one part of its global operations or simply in a locality (i.e. country). The issues involved can perhaps be best explained by reference to Figure 4.1.

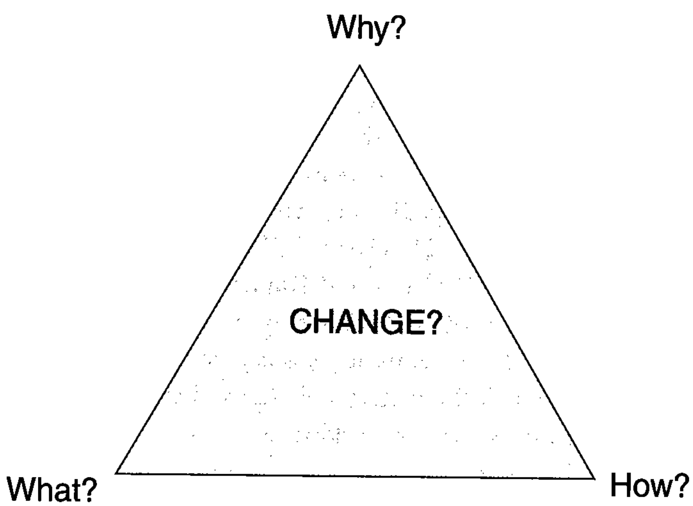

Figure 4.1 A model of global organizational change.

In any organizational change there are three core elements that need to be considered and these can be expressed as the 'why', 'what' and 'how' of change.

- *Why is/was the change necessary?* Why is the change happening? And why should people within the organization change? Here we are obviously referring to issues such as the rationale for change and the forces causing the change to be necessary.
- *What is the nature of the change itself?* Changes are always solutions to problems, but to what extent are solutions culturally transferable around the globe to all parts of a multinational organization?
- *How is the change (solution) to be implemented and achieved?* Any change process involves both task and process elements. The task is the change itself and the process is the method by which it is to be achieved. For example, we recently worked with a multinational that was seeking to implement a 'Six Sigma' quality programme (task – what) by means of a training programme designed in the US, which was to be rolled out worldwide (process – how). The question here is to what extent the change tools and methods generated in one part of the world are applicable and effective in other parts of the world.

Finally, there is the issue of change itself; that is, change as a concept. While change is regarded very positively in the western managerial literature (if not always in organizational populations undergoing change), other parts of the world may see it in a rather different light. Is change a uniform concept or is it culturally dependent?

Another way to look at the potential issues of changing a global organization is to consider the key ways in which such organizations differ from purely domestic or even international organizations. While there are a number of such differences, we would argue that two are particularly salient for organizational change. These are:

- *The problems of size and scale.* Global organizations, or organizations that are trying to be global, are usually distinguished by their relative size. Thus DaimlerChrysler has 416 000 employees worldwide, Siemens has 446 000, Hitachi has 338 000, General

Motors has 313 000, General Electric has 340 000 and Volkswagen has 306 000. While this size and scale of operations offer many advantages, we would argue that it has its downside in terms of change efficiency and effectiveness.

- *The problem of cultural differences.* Global organizations, almost by definition, operate in a large number of countries around the world and often employ a heterogeneous mix of different nationalities within their employee and managerial ranks. As a result, global organizations need to be particularly cognizant of differences in cultures, both in terms of the countries in which they operate and in terms of the cultural mix of their workforces (see Chapter 3).

In this chapter we will seek to discuss and debate some of these issues and provide answers to some of the questions posed.

THE PROBLEM OF SCALE

Global organizations are, almost by definition, large organizations in, or rapidly entering, the maturity phase of the organizational lifecycle. This fact, in and of itself, leads to a question mark as to whether the global corporation can effectively change on a major scale. However, such reservations are rarely expressed; on the contrary, the managerial literature is replete with exhortations to change and advice from consultants on how to do so.

The 'Authorized View' of Change

In the last 25 years there has been a massive explosion in pundits and consultants arguing that mature global organizations can 'transform' themselves. Organizational change has become big business and most of the major consulting firms have established change practices. Books and articles on change are now prominent and ubiquitous on the airport bookstall. For the purposes of the argument I wish to develop here, I propose to take two of the major gurus in this field as exemplars of what I term the 'authorized view' of change.

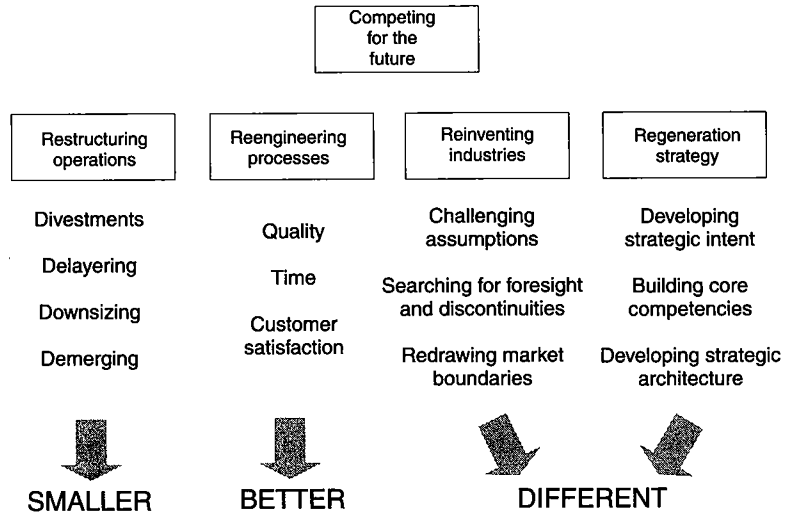

Figure 4.2 Competing for the future (Hamel and Prahalad).

The first is Gary Hamel, who is particularly well known for his book *Competing for the Future* (1994), co-authored with C. K. Prahalad. In this book Hamel and Prahalad argue that in order to 'compete for the future' and survive in the long term, organizations need to do a number of things. First, they need to 'restructure their operations', which often involves downsizing and delayering as well as divesting non-core businesses and demerging if appropriate. However, these actions are not enough in themselves. Indeed, Hamel argues that they often lead to nothing more than 'corporate anorexia', leaving the organization with insufficient resources and capabilities to compete successfully. Second, organizations need to 'reengineer their processes' to make them more efficient, despite the fact that at best this simply means improving up to the industry standard benchmark.

However, these two steps alone are not sufficient. Hamel and Prahalad argue that in order to compete for the future, organizations have to go further and attempt to reinvent both their industries and themselves. Instead of simply becoming 'leaner and meaner' or more efficient, they have to 'transform' themselves and become different in some way. It is the ability of large mature corporations to do precisely this that I want to challenge in this chapter.

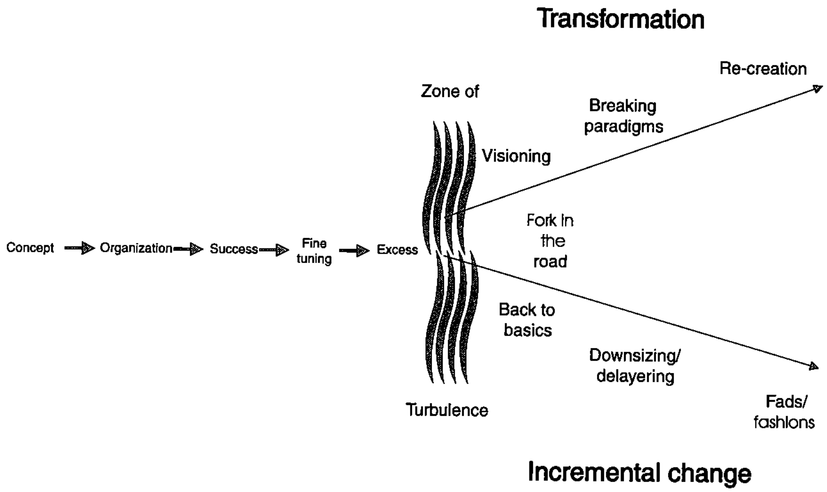

Figure 4.3 Pascale's model of transformation.

In 1994, Richard Pascale produced a series of training videos for the BBC entitled *Transformation*. He argues that large mature corporations over time become more and more in 'fit' with their external environments and thus more and more successful. He sees this process of 'over-adaptation' to a particular environment as one of a drift into what he terms 'excess'. However, Pascale points out that such organizations are often suddenly faced with discontinuities in their environments and thus enter what he terms a 'zone of turbulence'. He suggests that at this point organizations have a choice between two paths forward. They can take the path of 'incremental change', which often comprises a back-to-basics theme coupled with cost cutting and reengineering. Alternatively they can take the path of 'transformation', which involves challenging and breaking organizational paradigms and recreating of a new organization. As Hamel does, Pascale urges organizations to move beyond the merely incremental and to boldly take the transformational route.

The Evidence For and Against Transformation

However, what evidence exists to support these claims that mature and/or large organizations can transform themselves? I have recently challenged groups of managers to quote examples of mature organizations that have successfully completed such a transformation. The lists they produce are quite interesting. On the one hand they cite firms such as Dyson, Virgin Atlantic or Microsoft, which, while they are certainly examples of firms that have revolutionized industries or products, are not really examples of mature organizations transforming themselves. On the other hand, they cite examples such as Bass, which has gradually moved out of its original core business of brewing into hotels and retailing. However, these examples are more illustrative of a 'portfolio' approach to business than examples of transformation of particular business sectors.

The examples cited by both Hamel and Pascale are also interesting and less than convincing. Hamel cites JVS as an example of revolution in a product area (VHS format videotapes), but there is no evidence of transformation in JVS as an organization. He cites Swatch as the leading player in the transformation of the Swiss watch industry, but this change was led more at the national industry level through the Manufacturer's Association than it was at a single organizational level. Finally, he cites EDS as an example of an organization deliberately trying to transform itself before it is forced to by the market, but little evidence is produced to demonstrate the long-term success of this transformation attempt. Pascale cites British Airways in the period from the 1970s to the late 1980s under Lord King and Sir Colin Marshall, although it can be persuasively argued that this was more an example of Hamel's restructuring operations and reengineering processes than true transformation. It succeeded in moving BA up to industry standard benchmarks in terms of winning the Airline of the Year Award, but the later failure of the Bob Ayling years point to the absence of true 'transformation'. Pascale also cites Thomas Cook as an example of an organization that knows it has to transform itself in the face of the decline of a core product (traveller's cheques) as a result of increased use of ATMs and the possibility of a common European currency. However, as with EDS, little evidence of the transformation is presented and the subsequent performance of the business would not tend to support the transformation thesis. Finally, he cites Häagen-Dazs's penetration of the European ice-cream market, which he sees as the transformation of the way European customers perceived and bought ice cream, but which can equally be argued as simply the extension of a new product-positioning recipe to a new marketplace.

If the evidence for 'transformation' is rather patchy, is there any evidence supporting the assertion that mature organizations cannot change? Many studies have shown that market share leaders or the most successful organizations in one time period are replaced by newer competitors in a later time period. For example, Weiss and Pascoe (1983) found that the market share leaders in 1950 were the same in 1975 for only 39 per cent of industry segments studied; a finding shared by Mueller (1986), who found market leadership stability in only 44 per cent of industries during the 1950 to 1975 time period. These findings are commonplace and, indeed, the danger of citing successful exemplars is that they seem to fail so quickly. Many commentators noticed that several years after Peters and Waterman's *In Search of Excellence* (1982) many, if not most, of their so-called excellent companies had fallen from grace. It seems very difficult for mature organizations to survive increasing environmental turbulence in their markets. As Clayton Christensen at Harvard has noted:

> Very few of the mainframe makers succeeded in mini-computers, hardly any mini-computer makers moved successfully into PCs and almost none made it from PCs to laptops. The record of transition is dismal . . . The sources of competitive advantage become handicaps . . . (Abrahams and Heavens, 2000)

Structural Inertia Theory

This evidence should not surprise us, as it was predicted over 20 years ago by population ecology theorists and in particular by structural inertia theory (Hannan and Freeman, 1984). This theory makes a number of key and pertinent assertions.

Fortune favours the rigid

Hannan and Freeman argue that the processes of natural selection within industry niches favour organizations with higher levels of

performance (profit, sales, market share, new product development etc.) and higher levels of accountability in terms of providing stakeholder return. In order to achieve such levels of reliability of performance, these organizations have to have highly reproducible structures. In other words, success needs to be more than a one-off and instead needs to be driven by a clear and consistent business recipe. However, this very reproducibility of structure generates strong inertial pressures and resistance to change. Thus success seems to be correlated with inertia. Of course, these propositions merely describe, at one level, the move up the life cycle from birth to growth and then maturity.

The elderly slow down with age

Research has shown that older, mature and larger organizations have more reproducible structures and greater degrees of structural inertia. Thus older organizations find change more difficult.

Old oak trees do not die quickly

Paradoxically, research has also shown that older, mature and larger organizations have lower death rates than newer organizations. Everyone is familiar with the huge failure rates of start-up organizations and among small businesses; a trend we are seeing proven once again in the e-business sector. However, the corollary of that is that when organizations survive into maturity, the chance of their dying reduces markedly. This is particularly true if they are large, global corporations with vast scale and resources.

Be careful in the gym if you are old and fat!

It is well known that organizational change often causes a dip in organizational performance. Indeed, Rosabeth Moss Kanter at Harvard has remarked, 'All changes are failures in the middle'. But this risk is greater for older and larger organizations than it is for smaller, newer ones. Just as older people (among whom I count myself!) are correctly warned against moving from indolence to radical exercise regimes, so older organizations should be careful of radical transformation. Evidence exists suggesting that attempts at reorganization by mature organizations increases death rates (Singh, House and Tucker, 1986) because it produces what Hannan and Freeman have termed the 'liability of newness' (1984: 160).

If you are going to overtake – put your foot down!

Similarly, it is suggested that the death rates of organizations attempting structural change rise with the duration of the transformation. This is because mature organizations require reproducibility of structure and processes to survive and compete and these are reduced by organizational transformations.

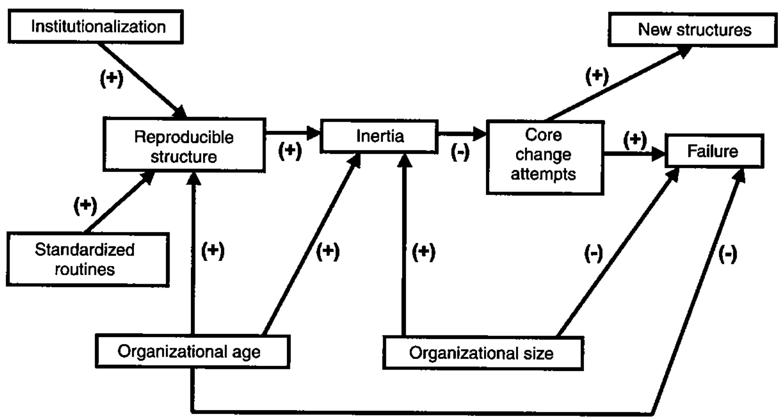

Figure 4.4 Structural inertia theory.
Source: Kelly and Ambugey, 1991: 593

We can sum up the argument propounded by structural inertia theory by reference to Figure 4.4. Standardization of routines and institutionalization of processes produce a reproducible structure, which leads to increased inertia. The rigidity of structure and inertia both increase with age and size. Increased inertia leads to a reduced

likelihood of radical organizational transformation and organizations that do attempt such changes are likely to fail. However, if instead such organizations avoided the exhortations and the lure of transformation, they would probably continue to mature and decline slowly over a long period because of the effects of their size and inherent resources.

A final question remains unanswered: what counts as a core organizational change or transformation? Hannan and Freeman are very clear on this point. For them a core organizational change would include one of the following, with the list ranging from most to least core:

- Radical change in the organization's stated goals and purposes.
- Radical change in the organization's forms of authority (such as, for example, a move from coercive to normative control).
- Radical change in the core technology of the organization, including the organizational core competencies required.
- Radical change to the client or customer base of the organization (such as switching from targeting intermediaries to a focus on individual end users).
- Radical changes in how the organization attracts resources from the environment (i.e. marketing strategy).

Thus the argument would be that mature global organizations are both less likely to attempt such transformations and less likely to be successful when trying to implement such transformations. Research evidence exists supporting these propositions. Ferrier, Smith and Grimm (1999) studied market share leaders and found that they 'were more likely to experience market share erosion and/or dethronement when – relative to industry challengers – they are less competitively aggressive, carry out simpler repertoires of action, and carry out competitive actions more slowly'. However, there is little research that focuses on global organizations directly.

Assuming that I have managed to convince you of my argument, what would be the implications of taking structural inertia theory seriously? It could be argued that there are serious implications for global organizations. The essential implication can be understood by contrasting some of the philosophical and political strategies of Mao

Tse-tung. Organizations need to reject the exhortations to adopt a 'Great Leap Forward' by attempting to transform the mature corporation. Attempts at a 'Cultural Revolution', where the existing culture of a mature society or organization is totally changed in a radical fracture with the past, are equally likely to fail. Instead, organizations should adopt Mao Tse-tung's slogan,'Let 100 flowers bloom, let 100 schools of thought contend'. However, unlike Mao who used this movement inauthentically to flush out dissident intellectuals, organizations should use it as an authentic strategy to prevent the onset of maturity and structural inertia. Thus organizations should seek to break up mature units, or even the organization itself into smaller units, perhaps within a federal structure. Examples might include ABB and 3M. Large, mature organizations should continually question the 'break-up' potential of the whole and the extent to which the 'centre' adds value or causes increased structural inertia. Here there is a link to the 'parenting' role of the centre, which is described in more detail by Alexander (2001).

THE PROBLEM OF CULTURE

In this section we will focus on the effects of national culture on change processes. In doing so we will evaluate the transferability of change approaches; actual changes themselves; change tools and techniques; and the concept of change itself. In order to illustrate these issues I will refer to a number of research projects that I have conducted focusing on the transferability of western approaches to eastern cultures in general, and Chinese cultures in particular.

Can a Single Change Approach Work Across Cultural Boundaries?

Unfortunately, despite the obvious existence of national and other cultural differences, management researchers have tended historically to ignore such differences. This is particularly true of those management researchers who, in the last 25 years, have focused on the creation and dissemination of organizational cultures within large multinationals (Frost *et al.*, 1985; Kilmann, *et al.*, 1985; Schein, 1985). It has been argued that this neglect is not accidental but occurs because 'implicit in the organizational cultural notion as it is widely used is a fundamental set of assumptions, which . . . coincides with American cultural assumptions . . . this coincidence makes the assumptions difficult for Americans to see, if not outright invisible' (Adler and Jelinek, 1986). These assumptions include free will and the ability to create, maintain and change the culture of a large organization. The result of this kind of 'blind spot' is that organizations and their members are often seen in splendid isolation from the culture around them.

To illustrate some of the potential cultural barriers to the transfer of a single change approach, we can take as a case some research I did a number of years ago on the transfer of corporate cultures, and particularly corporate mission statements, across cultures by multinational or global organizations (Kirkbride and Shae, 1987; Westwood and Kirkbride, 1998, 2000). The example involves the transfer of Hewlett-Packard's corporate culture from the US parent to the Hong Kong subsidiary.

Hewlett-Packard (Hong Kong)

Hewlett-Packard (Hong Kong) was, at the time of the research study, a small subsidiary of the large US-based computer multinational. Two engineers, Bill Hewlett and Dave Packard, who produced an audio oscillator in their garage, founded Hewlett-Packard (HP) in 1938 in Palo Alto, California. The company grew steadily for 20 years before growth accelerated and a corporate philosophy emerged. Hewlett-Packard (Hong Kong) was first established in 1979 and was part of the Far East Region of Hewlett Packard. It was purely a sales, marketing and service operation at the time of the research and did not carry out any manufacturing. It grew rapidly from around 46 staff in 1981 to around 200 at the end of the decade. At the time of the research study, HP (Hong Kong) was totally staffed by local Hong Kong

Chinese staff, with the sole exception of one English expatriate who was the CEO. The US parent multinational is well known in the management literature for its distinctive, admired and well-developed corporate culture (Ouchi, 1981; Peters and Waterman, 1982; Peters and Austin, 1985; and Collins and Porras, 1996). The culture is frequently revised and at any time is formally contained in two documents that are widely disseminated throughout the organization and are issued to all employees during orientation programmes.

The first document is a small pamphlet entitled 'Statement of Corporate Objectives', in which the following seven key objectives are distinguished:

- PROFIT – To achieve sufficient profit to finance our company growth and to provide the resources we need to achieve our other corporate objectives.
- CUSTOMERS – To provide products and services of the highest quality and the greatest possible value to our customers, thereby gaining and holding their respect and loyalty.
- FIELDS OF INTEREST – To build on our strengths in the company's traditional fields of interest, and to enter new fields only when it is consistent with the basic purpose of our business and when we can assure ourselves of making a needed and profitable contribution to the field.
- GROWTH – To let our growth be limited only by our profits and our ability to develop and produce innovative products that satisfy real customer needs.
- OUR PEOPLE – To help HP people share in the company's success which they make possible; to provide jobs security based on their performance; to insure them a safe and pleasant work environment; to recognize their individual achievements; and to help them gain a sense of satisfaction and accomplishment from their work.
- MANAGEMENT – To foster initiative and creativity by allowing the individual great freedom of action in attaining well-defined objectives.

- CITIZENSHIP – To honor our obligations to society by being an economic, intellectual and social asset to each nation and each community in which we operate.

The second document is 'The HP Way', which focuses on both business and people-related aspects of the company, and outlines HP's policy on 'Management by Wandering About' (MBWA) and its open door policy. (For a detailed discussion of HP's corporate philosophy, see Ouchi, 1981.)

The question in this case is to what extent this culture, created and developed in the US, was successfully transferred and absorbed by the Hong Kong subsidiary, operating as it does in a very different social and cultural milieu. Hewlett-Packard is not unique among multinationals in seeking to codify its distinctive human resource management style, and then to transfer and operate this culture worldwide. For example, as Angle, Manz and Van De Van (1985) have observed in the case of 3M:

> Even though 3M has dispersed its facilities across most of the world, the culture of 3M has been quite homogeneous throughout the organization. Somehow, the coherence of this culture has been sustained through a practice of frequent moves of key personnel, and, in particular, by establishing a critical mass of cultural role models at new sites during the time that local norms are being established. There is a deep-seated belief among nearly all the 3M executives we interviewed that this culture is robust and fully 'transportable'.

A very similar perspective and strategies appear to be employed by HP. Indeed, the idea is seductive and, if possible, has much merit. As Laurent (1986) has conjectured: 'What if our corporate culture could act as a "supra-culture" and be expected to supersede some of the annoying specificities of the different national cultures in which we operate?'

It is to these annoying cultural specificities that we now turn our attention. In order to examine the potential cultural pitfalls involved in transferring a US organizational culture into Hong Kong, we need a mechanism to compare and contrast the two national cultures. Perhaps the simplest way to do this is to use the fairly standard work of Hofstede

(1980, 1984) on international cultural dimensions (see Chapter 3). Hofstede identified four key cultural dimensions at the national level that have significant effects on organizational life and, by extension, on managerial behaviour. The four dimensions are by now well known, but is may still be useful to restate them here:

- *Power distance*: The extent to which power is distributed unevenly, and/or the degree to which people accept that power should be distributed unequally.
- *Uncertainty avoidance*: The degree to which people experience uneasiness in ambiguous situations, or their degree of toleration for deviant/innovative ideas and behaviours.
- *Individualism*: The extent to which individuals prefer loosely knit frameworks of social relationships in which individuals take care of themselves and their immediate families only. The opposite, 'collectivism', is a preference for a tightly knit social framework in which individuals look after their relatives, clan or other group.
- *Masculinity*: The extent to which aggressiveness, assertiveness and materialism are prevalent in social and organizational life. The opposite, 'femininity', refers to the extent to which preferences for relationships, modesty, caring for the weak and quality of life are prevalent.

Both countries are characterized by a fairly high degree of masculinity and a relatively low degree of uncertainty avoidance, although Hong Kong is significantly lower than the US (see Table 4.1). The main areas of difference are on individualism and power distance. The US has the highest individualism score of all 39 countries in Hofstede's study, while Hong Kong is markedly collectivist. Similarly, Hong Kong is high in terms of power distance while the US is low to moderate on this dimension. Given the origins of 'The HP Way' in American culture, to what extent is it transferable to the rather different cultural characteristics of Hong Kong?

HP advocates consultative and participative management as opposed to more autocratic and centralized styles. HP believes in delegation and decentralization wherever possible. Informality and open-

Table 4.1 Hong Kong and US scores on Hofstede's four cultural dimensions

Dimension	Actual range		Hong Kong	United States
	Low	High		
Power distance	11	94	68	40
Uncertainty avoidance	8	112	29	46
Individualism	12	91	25	91
Masculinity	5	95	57	62

Source: Data from Hofstede, 1984

door communication are praised and encouraged. These values are explicitly stated in 'The HP Way':

- Confidence in, and respect for, our people as opposed to depending upon extensive rules, procedures, etc.
- Depend upon people to do their job right (individual freedom) without constant directives.
- Opportunity for meaningful participation (job dignity).
- Informality – open, honest communications; no artificial distinctions between employees (first name basis); management by wandering around; and open door communications policy.
- Relationships within the company depend upon a spirit of co-operation among individuals and groups, and an attitude of trust and understanding on the part of managers towards their people.

It can easily be seen, *a priori*, that these values are based on low power distance and would potentially face difficulty in a high power distance culture such as Hong Kong.

The HP culture contains aspects of both individualism and collectivism. It can be said to be collectivist to the extent that it attempts to cultivate a sense of belonging and loyalty among their employees. In this sense HP seems to stress a family-oriented style of management. However, at the same time there is also great stress on individualism in terms of behaviour. Themes stressing the importance of team spirit and corporate identity exist side by side with emphasis on individual merit and autonomy at work. Juxtaposing these dual orientations can bring this inherent tension to light more clearly:

Individualism

- To recognize individual achievements.
- The company has been built around the individual, the personal dignity of each and the recognition of personal achievements.
- To allow the individual great freedom of action in attaining well-defined objectives.

Collectivism

- Relationships within the company depend on a spirit of co-operation among individuals and groups.
- Emphasis on working together and sharing rewards (team work and partnership).
- Share responsibilities; help each other; learn from each other.

By highlighting this dual vision and contradiction in the HP culture statements, we are far from suggesting that it is irreconcilable either in theory or in practice. But it does appear to present certain difficulties, not least of which is the problem of reconciling these value orientations with the local 'collectivist' culture.

Table 4.2 HP culture and Hong Kong culture compared

Dimension	Hong Kong	Hewlett-Packard
Power distance	High	Low
Uncertainty avoidance	Low	Low
Individualism	Low	High/low
Masculinity	Medium–high	Medium–high

Thus our analysis suggests, *a priori*, that HP and other American multinationals might face some steep cultural barriers to the transfer of their cultures from the US to countries such as Hong Kong. But what was the reality of the situation on the ground? To investigate this we conducted extensive qualitative research in Hewlett-Packard (Hong Kong). Together with a Chinese co-investigator, we conducted formal and informal interviews with staff at all levels of the organization as well as engaging

in informal observation. Our research showed some interesting patterns of behaviour. When interviewed by the western interviewer, most staff demonstrated that they were well aware of the HP culture, even down to being able to quote parts of 'The HP Way'. Most stated that they followed the precepts of the culture and were committed to it.

However, when interviewed in Cantonese by a local Chinese researcher, the staff were more open. Most admitted that they had 'learned' the HP way on orientation and on various HP training courses, including visits to the US. They also spoke about the fact that they had 'officially' to follow certain HR practices that were standardized and laid down in an HP HR manual. These practices, they suggested, were particularly American in orientation. When questioned on whether they actually followed the practices to the letter, most staff admitted that they did not, having adapted them slightly to fit the local culture. We explicitly focused on certain HR practices such as performance appraisal that we knew were done rather differently in the local culture and found that, while staff could articulate the 'formal' procedures, these were not exactly followed in practice. When we questioned staff on why this was the case, we were told one had to understand that elements of the local culture meant that such policies and practices were not workable in Hong Kong. When we asked if this issue had been raised with HR staff in the US, we were given the clear signal that staff felt that this course of action would not be in their own interests.

Thus our clear conclusion was that the transferability of the HP culture was clearly affected by aspects of the local Chinese culture. This is only one illustrative example. Nevertheless, we strongly believe that on many occasions global organizations seek to impose changes on a total and worldwide basis, only for there to be covert resistance and divergence of practice at local levels.

Can Particular Changes Be Equally Applied in All Cultures?

In the last section we looked at attempts by large multinational or global organizations to create overall organizational change by use of organizational culture mechanisms. We saw that such initiatives often flounder on the rocks of local culture values. But surely there are other types of change, which are not cultural in nature, which might have a greater chance of succeeding across the cultural divides of the global organization. The last 25 years have seen a plethora of so-called technical change initiatives, ranging from quality circles, total quality management (TQM) and Six Sigma, to business process reengineering (BPR) and Enterprise Resource Planning (SAP, Oracle, J. D. Edwards). Surely these more technical, and often IT-driven, processes are more culture neutral and therefore have a greater chance of success?

Our answer would be a qualified no, for two reasons. First, because any change involves task factors, organizational factors and people factors as well as technology. And second, because we would argue that all these supposedly neutral processes clearly carry within them 'cultural genes'. That is, they clearly show signs of having been generated in a particular culture and are informed by a particular set of cultural norms and values. This means that they are very likely to be successful in that culture, but as a corollary of that, are less likely to be successful in different cultures. To illustrate this argument I will again refer to some of my previous research work in Hong Kong. This case involves the transfer of quality circles from Japan to Hong Kong.

Quality Circle Transference to Hong Kong

The concept of quality circles (QCs) was first formally and institutionally introduced to Hong Kong in 1981 when the Hong Kong Productivity Council (HKPC) organized a study mission to attend the International Convention on Quality Circles in Tokyo (Hsia, 1987). Delegates from the HKPC mission returned converted to QC philosophy and began a programme of publicity and dissemination, including seminars, training courses and case presentations. At the same time a prominent local personnel manager attended a similar conference in Kuala Lumpur and on his return attempted to promote the concept via articles in the local managerial press and a training course run for the Hong Kong Management Association. As an indirect result of both these initiatives, the Hong Kong Industrial Relations Association organized a Quality Circles Conference in late 1981 that attracted participants from over 60 organizations in Hong Kong.

In 1983 the Hong Kong Quality Circle Association (HKQCA) was formed and by 1985 began to hold QC conventions. By 1986 a HKPC survey revealed that at least 20 companies had set up QC programmes. The publication of case studies on the use of QCs in Hong Kong (HKPC, 1985) also revealed an interesting phenomenon, with 'early adopters' being either the larger local companies such as HongKong Bank, The Mass Transit Railway Corporation and Shui On Construction or subsidiaries of MNCs such as IBM (HK). By 1987 Hsia, the Chair of the HKQCA, was able to report that 30 companies had implemented QCs and that there were a total of over 400 circles in operation (Hsia, 1987). By 1988 QCs had apparently spread to a total of 50 companies (Hsia, 1989). These included some of the largest and best-known local and foreign companies, such as the Kowloon and Canton Railway Corporation, Hong Kong Soya Bean products, Outboard Marine Asia and Motorola Semiconductor. A major survey of human resource management (HRM) at the end of the decade (Kirkbride and Tang, 1989) noted that 25 per cent of the responding companies reported that they had introduced, or attempted to introduce, QCs during the preceding five years.

Yet despite the increasing incidence of companies trying to implement QCs evidence was emerging by the end of the decade of extremely high failure rates in QC implementation, and rates which were very high by Japanese standards. The HRM survey (Kirkbride and Tang, 1989) noted over 40 per cent failure rates and also that even in companies where QCs had been successfully introduced, they still only applied to the minority of workers. Hsia (1987) also noted the high failure rates and based on extensive research offered the following list of factors that she argued contributed to QC failure in HK:

- Chinese organizational and managerial styles
- Short-term Hong Kong business orientations
- A lack of top management support
- Low levels of commitment from middle managers and supervisors
- Employee apathy
- Low levels of worker education

While most of these are standard factors that could apply to QC failure anywhere in the world, it is interesting to note the key position in the list accorded to factors that could be said to be cultural in nature.

How can we analyse both the quick adoption and relative failure of QCs in Hong Kong? On the one hand the quick adoption can easily be explained. During the 1980s, with the handover of Hong Kong to China scheduled for 1997, there was a swing against copying managerially from the West and a tendency to look to China or Japan for inspiration. To many observers Japan shared a common cultural heritage and therefore it was thought particularly appropriate to adopt practices and processes that originated there. But is Japan culturally similar to Hong Kong? Are Japanese and Chinese cultures similar? Using the work of Hofstede (1984) mentioned earlier, we could compare the two societies on his four cultural dimensions (Table 4.3).

Table 4.3 The contrasting positions of Hong Kong and Japan on Hofstede's dimensions

Value dimension	Hong Kong	Japan	Mean
Power distance	68 (high)	54 (medium)	51
Uncertainty avoidance	29 (low)	92 (high)	64
Individualism	25 (low)	46 (medium)	51
Masculinity	57 (medium)	95 (high)	51

As we can see, there are marked differences between the cultural profiles of Hong Kong and Japan. Hong Kong is higher in terms of power distance, much lower in terms of uncertainty avoidance, more collectivist and lower in masculinity. Let us look at each of these differences in turn and consider the implications for the successful transference of quality circles.

Hong Kong scores very highly on power distance. Hofstede has suggested that power distance cultures share a list of common characteristics that are a result of the high power distance norm (1984: 92, 107). From this list we have abstracted those significant characteristics that would seem to have implications for the operation and successful implementation of QCs. These include:

- Greater centralization of decision making
- Taller organizational pyramids
- Larger proportions of supervisory personnel
- More autocratic managerial styles
- Employees reluctant to trust each other
- Employees afraid to disagree with their boss

These characteristics very accurately describe organizational realities in Hong Kong. They mirror similar lists of characteristics produced by authorities on Hong Kong, including Redding (1984), Lau (1982) and Kirkbride and Westwood (1993).

We can suggest that in high power distance cultures, senior management will be naturally reluctant to dilute their perceived authority and managerial prerogative by the adoption of participative methods such as QCs. The highly autocratic and paternalistic styles found in many of the medium to small Hong Kong companies would not easily assimilate the degree of participation and openness required to operate QCs successfully. As a result, we would expect to find greater QC penetration among foreign-owned firms and less among the smaller indigenous Chinese family firms, where top management support would not be generally forthcoming. Similarly, in high power distance contexts, employees are less likely to want to be in a position that may be seen (especially in oriental cultures) as one of implied criticism of company management. Equally, the existence of a 'low trust' Chinese culture (in relation to others outside the family) would tend to make the operation of QCs difficult. Finally, the more hierarchical nature of organizations raises the issue of the role of supervisory management, who may feel threatened by the introduction of participatory mechanisms such as QCs.

Hong Kong and Japan are at opposite ends of the uncertainty avoidance continuum, with Hong Kong having the fourth lowest score and Japan the fourth highest. Again, it is possible to abstract from Hofstede characteristics of low uncertainty avoidance cultures that might affect the operation of QCs (1984: 132–3, 140–43). These are:

- Low employee loyalty to employers
- High labour turnover
- Lower job satisfaction

These characteristics are confirmed by empirical research in Hong Kong that has pointed to high turnover rates (HKIPM, 1990) and lower levels of job satisfaction (Bond and Hwang, 1986). Here the implications for QCs are fairly clear. QCs are less likely to operate successfully in situations of high labour turnover and revolving membership, and the combination of lower intrinsic satisfaction, higher extrinsic motivation and low employee loyalty mitigates against the enthusiastic acceptance of QCs, especially in the smaller Chinese family firm.

Hong Kong and Japan are both commonly regarded as 'collectivist' countries, although it is possible to argue that the collectivism takes a rather different form in each country. In Japan, the key collectivity is usually work based, with high levels of organizational allegiance. In contrast, Hong Kong collectivism is usually family based. Indeed, one expert commentator has summed up the cultural ethos of Hong Kong by the term 'utilitarian familism' (Lau, 1982). The central facets of this orientation are:

- A family-based collectivism where family interests are placed above those of society and other groups within it
- A materialist orientation whereby material interests take precedence over non-material ones

It has been argued that this cultural orientation is a major determinant of high levels of political apathy in Hong Kong (Lau, 1982) and we can

equally suggest that such norms will contribute to a workplace-based apathy and antipathy to participative mechanisms such as QCs, especially if no pecuniary advantage is involved.

Finally, Japan is more masculine than Hong Kong and is actually the most masculine country in Hofstede's study. Key characteristics of masculinity (1984: 200–1, 205–6) include:

- A focus on recognition and challenge as motivators
- High work centrality
- The acceptance of company interference in private life
- A preference for larger organizations
- A 'live to work' attitude

Given this list of orientations, it is perhaps not difficult to see how and why the Japanese were able to take simple statistical quality control ideas from the US and develop them into a distinctive total quality control philosophy and the associated methodology of QCs. Hong Kong, in contrast, would tend to have more people who preferred smaller organizations and were less likely to accept company interference in their private lives and non-essential demands on their time. It has already been noted that Hong Kong has a greater extrinsic orientation than intrinsic and a higher family centrality than work centrality. The implication of these materialist and familial orientations is that Hong Kong people generally work to live and do not live to work.

These differences in culture go some way to explaining the relative lack of success of QCs in Hong Kong. As such, it is a good illustration of a more general problem. It points clearly to the fact that even supposedly 'technical' changes have cultural components to them. It also points to the fact that such changes are not neutral but, instead, are often rooted in some specific cultural context. As we have seen, the whole TQM and QC movement grew from a specific set of Japanese cultural norms. It suggests that some cultures may be naturally unreceptive to certain changes. Thus although many leading practitioners wished for QC success in Hong Kong and wanted desperately to improve quality levels in both the manufacturing and service sectors, they faced a distinctive cultural barrier to implementation.

So what are the implications of this analysis for global organizations? We would argue that there are four clear implications:

- The change agents should examine the 'change' (e.g. QCs) in detail and try to ascertain the key cultural 'drivers' that have informed or produced the particular managerial process or practice. In doing so, particular attention should be paid to the culture of the country where the practice originated ('sender culture').
- The change agents should then analyse the country or countries where it is intended that the 'change' be implemented. In particular, attention should be paid to the cultural make-up of the 'target culture'.
- The 'sender' and 'target' cultures should be examined and potential cultural resistance points identified. The change agents should try, if possible, to modify the 'change' in the light of these potential barriers to see if the 'change' could be made to work in the 'target culture'.
- Finally, if this is not possible, the change agents should try to work out, *a priori*, how the particular 'problem' to which the change is a 'solution' could be resolved in a manner that would be culturally compatible as opposed to culturally inappropriate. For example, it was important during the 1980s and 1990s for Hong Kong to try to resolve the 'problem' of low quality. However, it soon became apparent that the selected 'solution', QCs, had some cultural limitations. The challenge for practitioners in Hong Kong was then to invent a better solution to the quality problem. Interestingly, some organizations managed to do just that. The Mass Transit Railway Corporation, despite being largely led by western expatriates at that stage, cleverly used an understanding of local cultural norms to introduce successfully a form of QCs (Work Improvement Teams) (Kirkbride and Tang, 1993). What was interesting about this example was that significant changes were made to both the technique and its presentation and implementation to take account of local cultural values. Another good example was in the service sector, where Giordano, a local clothing retailer, massively improved its service levels in stores using a quality improvement process designed and implemented by local Chinese consultants who were cognizant of and sympathetic to local cultural norms.

Are Change Tools and Techniques Transferable Across the World?

So far in this chapter we have seen that it may be easier said than done for global companies to attempt to create global cultures. We have also seen that certain 'changes' such as QCs may be culturally rooted and therefore difficult to transfer to other cultures. But is all change culture specific? Do cultural barriers limit the whole change process? Are the change tools and techniques commonly used by western global corporations equally effective around the world? To answer these questions we can return to Hofstede's cultural dimensions and analyse how cultures at the poles of each dimension would tend to handle change (see Table 4.4). In doing so we are producing a stereotypical view of each dimension, but, nevertheless, one that contains useful hints for potential problem areas.

Table 4.4 The effects of Hofstede's cultural dimensions on change

High power distance	**Low power distance**
■ Top down	■ Bottom-up
■ Autocratic	■ Participative
High uncertainty avoidance	**Low uncertainty avoidance**
■ Change resistant	■ Experimental
■ Incremental	■ Flexible
■ Structured	■ Unstructured
Individualist	**Collectivist**
■ Individual accountability	■ Team accountability
■ The cult of the leader	■ Decisions by consensus
■ Radical	■ Incremental
■ 'Winners and losers'	■ Harmonious
Masculinity (tough minded)	**Feminine (tender minded)**
■ Task focused	■ Process focused
■ Goal focused	■ Social outcome focused
■ Efficiency focused	■ Consideration for casualties

In high power distance cultures, change would tend to be the prerogative of top management and to be managed in a very top-down and autocratic manner. In low power distance cultures, a range of views will often be taken into account through participative mechanisms. High uncertainty avoidance cultures do not like risk and would therefore tend to shy away from change and be relatively change resistant. When change becomes inevitable they would approach it in an incremental way to minimize risk and their uncertainty avoidance needs would lead to change being very structured. In contrast, low uncertainty avoidance cultures would be less fearful of change and, as a result, would tend to be more willing to experiment and to try different options in a relatively unstructured manner. Individualist cultures, with their ego-driven personal focus, would tend to stress the individual accountabilities for change and would revere 'macho' change leaders. As a result, change would tend to be more radical and characterized by winners and losers. In contrast, collectivist cultures would stress team accountabilities and focus on establishing a consensus around the change. As a result of the compromises necessary for consensus, the changes implemented may well be less radical and more incremental than under an individualistic culture. Finally, masculine (tough-minded) cultures would tend to be more task, goal and efficiency focused, whereas feminine (tender-minded) cultures would tend to be more process oriented and to have a greater consideration for the casualties of any change process and for social outcomes.

Of course, in the real world cultures are not simple positions on the extremes of these scales, but are the complex interactions of positions on all four (and other) dimensions. If we look at 'western' and particularly American culture, we can see from Hofstede's data (see Chapter 3) that it is characterized by extreme individualism, relatively low power distance and a tendency towards the masculine. Thus it is no surprise that organizational change in the West has in recent years been characterized by the cult of the 'change leader' and a focus on radical transformations, as noted earlier in this chapter. Yet multinationals are often trying to effect the change in subsidiaries located in cultures that may be high in power distance and collectivist. These cultures would naturally tend to handle change in a completely opposite manner. They would tend to launch the change fairly autocratically, but then involve all staff in an attempt to build consensus and roll out any change in a relatively incremental and harmonious manner. Or consider the American multinational trying to manage change in Scandinavia, with its much higher femininity score. The US parent, with its more macho inclinations, would tend to provoke some resistance from the Scandinavians, with their much more involving styles and greater attention to both people and social outcomes.

IS 'CHANGE' A UNIVERSAL TRUTH?

Finally, we can question whether the concept of 'change' itself is regarded in the same way around the world. Given that many of the world's global corporations are rooted in Anglo-Saxon (American, Australian, British, Canadian) or European (Dutch, French, German) culture, it is not surprising that many of these large organizations share a common perception of 'change' and the change process. Change, for most global organizations, is a taken-for-granted concept that can only be made explicit by surfacing sets of deeply hidden assumptions. However, many of these organizations make the natural, but often fatal, mistake of assuming that their subsidiary organizations and local managers around the world share these views. But do they?

Part of the difficulty in answering this question lies in the deeply seated nature of some of these assumptions. Ask managers around the world about organizational change and you tend to get regurgitated rhetoric from popular managerial textbooks such as those mentioned at the start of this chapter. And most of these books are of Anglo-Saxon, particularly American, origin. Thus managers around the world are slowly and gradually inculcated into a largely Anglo-Saxon view of change, which they then verbalize when the topic is raised. However, under the surface often lurks a rather different, though often unarticulated view.

For the last ten years I have been attempting to research this phenomenon and get to grips with some of the deeper views of the change process. In order to do so, I have made use of the methodology of drawing pictures. Managers on training programmes are asked to draw a picture, diagram or symbol to illustrate what 'change' means to them. To date my associates and I have collected over 1000 pictures from managers originating in countries such as China, Germany, Hong Kong, Netherlands, the UK and the US. We have analysed the various types of picture or diagram that tend to be drawn by managers from different cultures. Although this research is still not complete, the early results show some interesting differences across cultures.

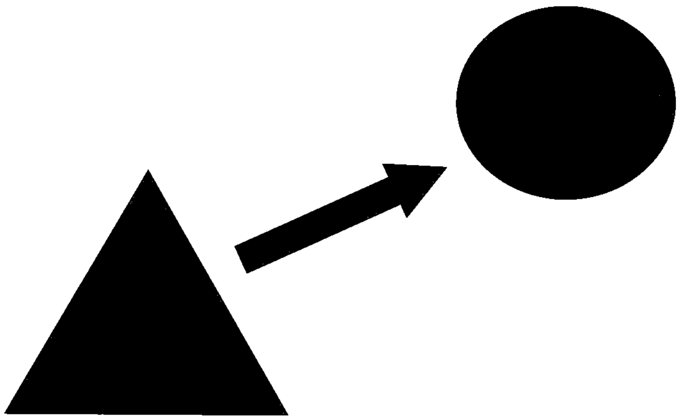

Figure 4.5 A 'state' model of change.

By far the most common picture drawn by managers around the world is what may be termed the 'state' model of change (see Figure 4.5). This is drawn by around 70 per cent of all western managers. Change is seen as a move from one 'state' to another. This is quite a static model of change, as it sees it as a move from one situation of stasis to another via a period of change that is unusual in some regard. Thus stasis is normal and change 'punctuates' the normal equilibrium. This is what has been termed 'punctuated equilibrium' theory (Tushman and Romanelli, 1985; Tushman, Newman and Romanelli, 1986). The pictures are also interesting in that they usually draw the move from one state to another as a move from a 'lower' (bottom left) state to a 'higher' or 'better' state (upper right). Thus 'progress' and positive transformations are obviously implicit in these state models.

The origins of the model are quite interesting. The pictures that managers draw are obviously related to Lewin's (1951) model of change. This has been widely used in managerial texts and is probably the most commonly understood model of change with managers. Lewin suggested that in order to make a change you first need to 'unfreeze' the organization, after which you can make the 'change', and then you need to 'refreeze' the organization again into the new equilibrium position. Most commentators would argue that this is a rather outdated view of organizational change in an increasingly turbulent environment. Yet the model is actually much older than Lewin's exposition. In drawing on systems theory for his underlying framework, Lewin simply reflected an existing view of change that can be traced back to Newtonian classical mechanics. Newton talked of billiard balls at rest and that in order to make them move a 'force' had to be applied that could overcome the natural inertia and resistance (through friction) of the inertial or equilibrium position. After the force was removed, the object would come to rest and revert to an inertial position. That this metaphor is still informing managers' internal views of change after 300 years is quite remarkable and yet disappointing, in that it is increasingly an inappropriate metaphor for organizational change in the modern world. What is interesting is that this relatively static view exists deeply within managers despite the continuous change rhetoric of both organizational pronouncements and managerial texts.

Have managers internalized these notions of continuous change at all? In western cultures we have found very little evidence of this. Yet when we look at the pictures drawn by our Chinese and Japanese subjects, we find a much greater incidence of examples of continuous change (see Figures 4.6–4.8).

Indeed, it is possible to argue that western and eastern conceptions of change are radically different. Change in the West tends to be seen as:

- Linear
- Progressive
- Destination oriented
- Based on the creation of disequilibrium to reach a later equilibrium

- Planned and managed by people outside the system being changed
- Unusual

In contrast, change in eastern cultures tends to be seen as:

- Cyclical
- Processual
- Journey oriented
- Based on the maintenance or restoration of harmony and equilibrium
- Observed and followed by people who are within the system experiencing change
- Natural

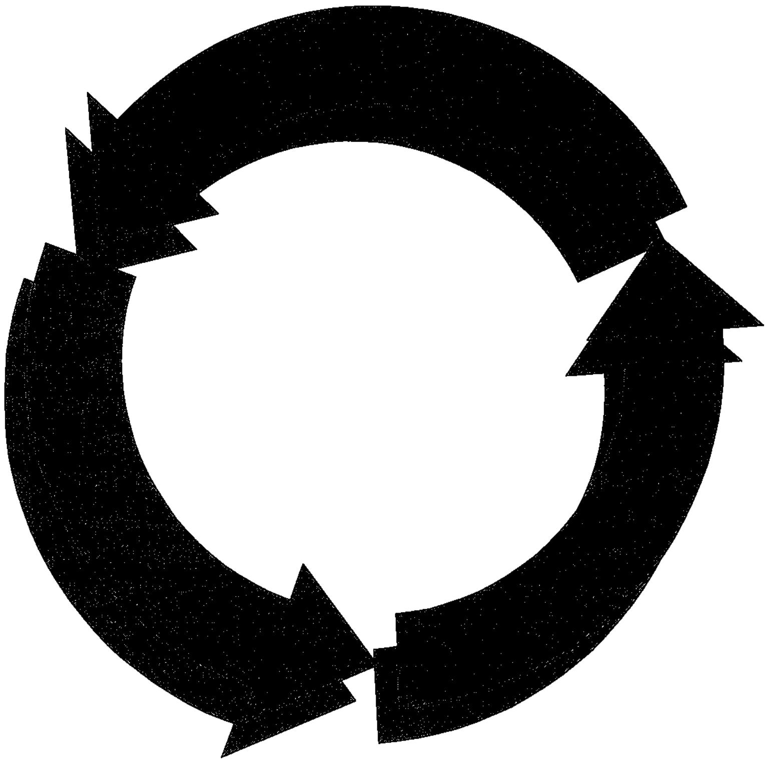

Figure 4.6 A circular model of change.

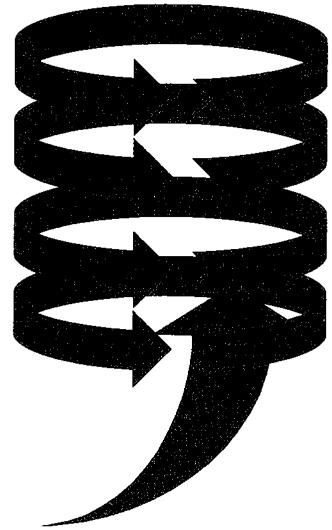

Figure 4.7 A spiral model of change.

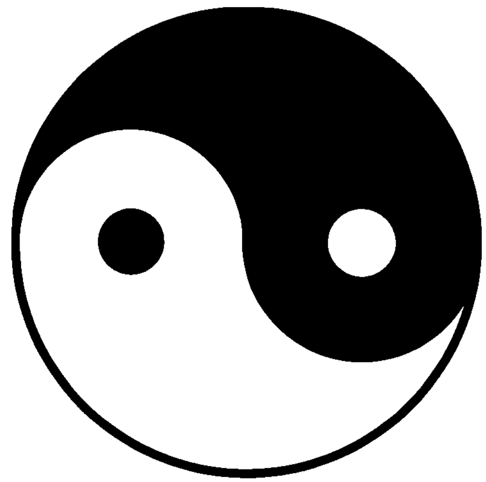

Figure 4.8 A yin and yang model of change.

These views of the circular and dynamic nature of change are deeply rooted in Chinese culture. For example, Chou Tun-I, the Sung philosopher, argues:

> Great Ultimate through movement generates yang. When its activity reaches its limits, it becomes tranquil. Through tranquillity the Great Ultimate generates

yin. When tranquillity reaches its limits, activity begins again. So movement and tranquillity alternate and become the root of each other, giving rise to the distinction of yin and yang.

Thus, while our research does not cover Africa or Arab countries, we are clear that people's conceptions of change are not uniform around the world, but are instead influenced by culture, religion, philosophy and history. The implication for western multinationals is clear. Do not expect everyone in your organization worldwide to accept or agree with your view of change as a positive and beneficial 'transformational' leap to a brighter future vision.

CONCLUSION

Our analysis has hopefully raised some of the *a priori* problems that organizational change poses for organizations that seek to be multinational, global or transnational. One of the biggest problems must be that of scale. Such organizations have to co-ordinate changes on a global scale across time zones, national boundaries and company divisions. In doing so, they are hampered by a myriad of communication and co-ordination problems. In addition to these simple barriers, such organizations face the additional problem that their own maturity may ensure that they are unable to transform themselves and thus unable to avoid inevitable decline.

The other major problem, as we have seen in Chapter 3, is that of cultural difference. This places severe limits on the extent to which such organizations can manage change in a uniform way around the world. Cultural differences also affect the 'what' and 'how' of change. That is, they affect the extent to which 'changes' are transferable around the world and they affect the extent to which change tools and methodologies are universally applicable.

So what should large multinationals or global companies do when faced with the need to change? On the basis of our argument here, they should seek to avoid radical transformations, restricting themselves to more incremental processes. They should also critically examine each potential organizational change prior to implementation and ask a number of key questions:

- Is this particular change (e.g. BPR, Six Sigma, customer focus etc.) a culturally appropriate solution for all the cultures where it might be applied?
- Are the methods we are planning to use to implement the change acceptable and transferable to all the cultures where they will be used?
- Is 'change' seen in the same way in all the parts of your 'global' organization?

With greater care paid to the cultural ramifications, such organizations should be able to improve their overall success rate for organizational change.

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