

CHANGE PROCESS IN GROWING SMES IN HO CHI MINH CITY AND A HUMAN RESOURCE APPROACH TO ORGANIZATIONAL RESTRUCTURING

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ABSTRACT: *In the transformation of Vietnam's economy, change management is always required for both organizational survival and sustainable development. This research takes the human resource perspective to consider change process and corporate responses to change in small and medium enterprises (SMEs) in Ho Chi Minh City. The research shows that SMEs' managers at present have not yet looked over changes in systematic and process-oriented approach. They are still prior to result-oriented manners, and ignore the risk of passive and pessimistic attitudes, which are also obstacles to change. Thus, communication is necessary to reduce misunderstanding and equip people with sufficient information about any new things in their job. However, for further vision, training must be an effective tool in long-term to facilitate people for change, especially in terms of organizational culture, to change people's perception about change.*

INTRODUCTION

One of the characteristics of SMEs in Vietnam, particularly in Ho Chi Minh City (HCMC), is that they have grown quite fast in recent years thanks to the renovation of government's policies (since 90s), but now their human resources cannot catch up the requirements of their business growth in the markets. The growth therefore seems to be out of control. Change for sustainable development become a frequent topic in most of the meetings in these companies, but then goes fade when the practices incur frustrating.

Actually, it is not the problem only in Vietnam. Harvard Business Review (June, 2000) provided a statistic of 70% of change initiatives that failed in practice. Failure or success of a change can be conceptualized, metaphorically as a DNA that includes two strands (Robert French, 1999): positive capability that refers technical aspects of the change process, and negative capability that refers psychological aspects of the change process. Most of resistance to change come from the latter. Change is ultimately human dimension. It is emotional. People resist to change because of inertia, fear of uncertainty, of economic or power loss, of losing face due to social disruption, or because of their "big assumptions" that are contrary to the change (Kegan and Lahey, 2001), etc.

This paper therefore researches into the change process with taking human behavior to change. The paper covers two main objectives: (1) to describe a conceptualized change process in growing SMEs in HCMC by common changes and common attitudes to change, both for and against; (2) to suggest a human resource approach for organizational restructuring as an important change of these companies.

Scope of the research

According to some previous researches of HCMC’s government (1999-2001), it was reported that SMEs would be those facing biggest challenges to the integration of Vietnam into the region in the upcoming years. Moreover, those SMEs at 10% growth per year and above (in the context of the City’s GDP growth approximately 10% over the last few years) were identified as the growing enterprises that were facing difficulties due to the gap between their business growth and their human resources’ growth. For a clear cut of a cluster of SMEs in HCMC, the research therefore focuses on those SMEs of 10% growth per year and above in average during the last three year.

Methodology

This paper is based on some important results from an exploratory research in HCMC, March-April, 2002. The research composed of two steps: of 12 managers at different managerial levels previously (in 2 large companies which are Holcim and Unilever Vietnam, and 4 SMEs as a preliminary benchmark), and then, an exploratory survey. It reports the perception of 60 managers in 28 out of these SMEs about change process in their own companies. The questionnaire was designed based on information from the in-depth interviews. The approach to change process in common prior to human factors which support or resist to change is described in Figure 1.

Change Process in Growing SMEs in Ho Chi Minh City

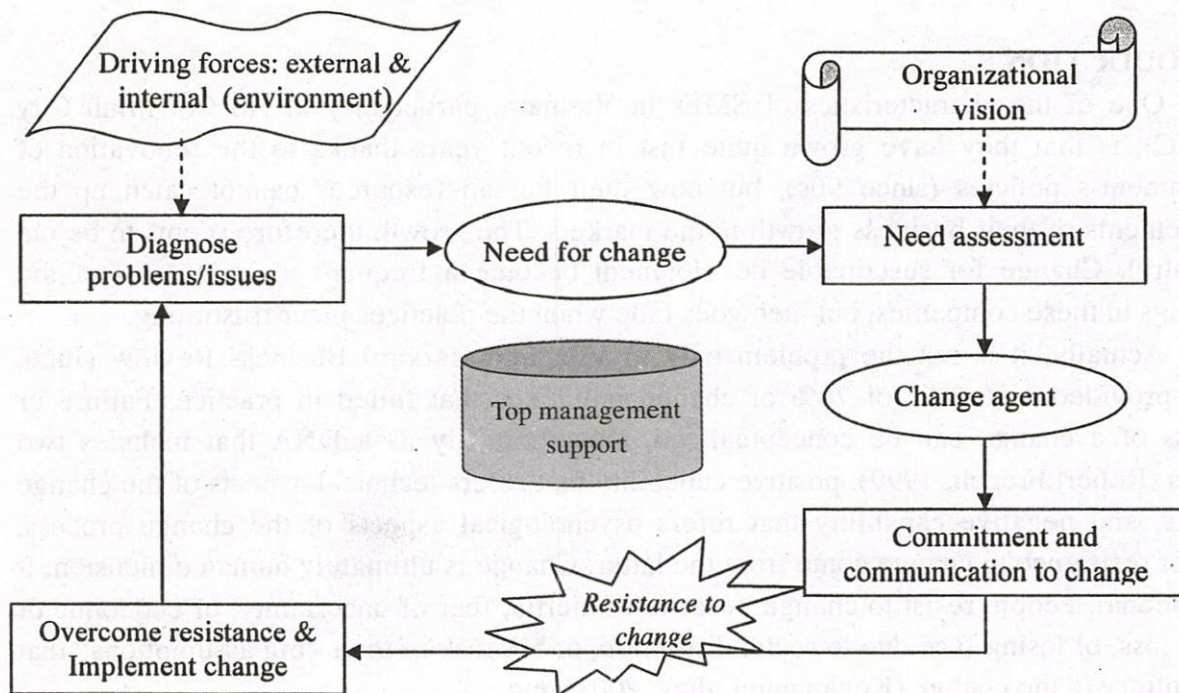


Figure 1: A conceptualized change process from human approach

Driving Forces of Change

External forces

Trends of globalization (WTO), regional integration (APEC, AFTA, Vietnam-U.S. Trade Pact, etc.) challenge Vietnamese business circles with larger and more diversified markets as well as business environment. Competitive dynamics are increasing in both domestic and international markets. This leads to increasing demands for qualified products. Especially industrial customers of Vietnamese companies (e.g. those from European, American, Japanese, etc.) often consider such accreditability of quality control system as ISO 9001:2000, HACCP, GMP, and recently of social accountability like SA8000, etc. In addition, government's restructuring programs in industries (e.g. SOEs' consolidation of Vietnamese government with equitization, downsizing, merging, etc.) encourage as well as challenge SMEs with a business environment of more flexible and dynamic entities.

Internal forces

Technological changes booth the companies' growth and hence enlarge the gap between technology and human resources appropriateness. Employee turnover increases in SMEs due to work stress, "shocks" caused by changes, "head hunting" by large companies, etc. Cultural change happens spontaneously as results of increasing employee turnover and diversity. Such forces drive many companies to need for a synchronic change rather than just technological change as before. Figure 2 and Table 1 indicates the most common changes in the repondent companies perceived by their managers. The shaded cells show the answer from the large companies in the initial interviews.

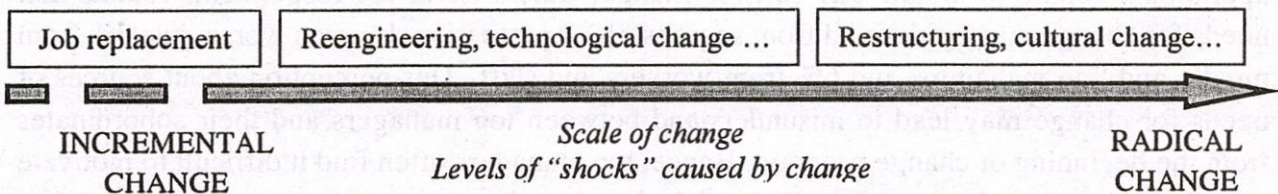


Figure 2: Types of change

There are various types of change perceived by respondent managers which vary from incremental changes to radical changes. All of the managers in the interviews have experienced the increasing in "shocks" caused by changes from their subordinates. There must be a question about the role of communication in these company: do they have any communication programs to have their people ready for change? More important, do they themselves perceive to which scale that these changes impact on their companies?

They agree with those changes in policies, regulations, corporate or business strategies, philosophy, culture, or restructuring, etc. which are in organization wide. But the problem here is their perception about reengineering or process improvement, and even technological change which are just in individual or task wide. Such limited assumption may lead to less total involvement of all stakeholders of the change, and more resistance to change from those who are not the process owners or technology majors in the company.

Table 1: Types of change perceived by the respondent managers

List of Changes	Scale of changes in your company (*)		
	Organizational wide	Division/Department wide	Individual/Tasks wide
Policies or regulations change	72%	20%	8%
Corporate or business strategies change	60,9%	26,1%	13%
Restructuring	58,3%	25%	16,7%
Change in business philosophy, culture, management style, etc.	54,2%	29,2%	16,7%
Reengineering or process improvement	30%	26,7%	43,3%
Technological change	27,3%	27,3%	45,5%
Replacement, modifying or creating new jobs	25,7%	51,4%	22,9%

(*) The results were computed via distribution of different scales in each type of change listed (rows).

Organizational Vision and Who perceive Needs for Change

Most of the managers perceive these driving forces being true to their companies. But this “feeling” is not clear and keen enough to stimulate them to volunteer as pioneers in change initials. Nearly 60% of the respondents just follow what their top managers have schemed for change. The centralization in management style in these SMEs restricts operational people to initiate and call for change. Only 14% of the respondents realize that needs for change may be derived from senior staff or professionals, even worse, just 7% from middle and line managers, and 6% from workers and staff. This perception about sources of needs for change may lead to misunderstand between top managers and their subordinates from the beginning of change program. Hence, top managers often find it difficult to motivate and direct their people toward desired results because they are just the top managers’ needs not the employees. Organizational vision therefore affects needs for change just from the top management’s point of view and is not sold down to the lower levels.

Change agents

Again most of the respondents do not sufficiently realize the role of change agents in change programs of their companies, just attribute it to their top managers because they have all “authority to make decisions” (Table 2). Hopefully in the future, those operational process owners such as line managers will emerge to be change agents thanks to their expertise to identify and solve problems of these processes (nearly 43% agree). There is still 13% of the respondents who perceive staffs and workers being conservative or opposite to change. Such passive attitudes to change from operational levels may be due to lack of communication about individual benefits from change as well as training to prepare for change down to the frontline.

Table 2: Role of change agent in managers’ perception

Change agents	Roles in the changes (**)			
	Have authority to make decisions	Have considerable influence to other people	Have the expertise to solve problems	Be too conservative or opposite to change

Top managers	90%	28%	20%	0%
Middle managers	17%	31,3%	34%	8,5%
Line managers	17%	17%	42,6%	8,5%
Senior, professional people	12,8%	27,7%	27,7%	2,1%
Staffs, workers	4,3%	4,3%	19,6%	13%

(**) Multiple choices in the questionnaire, total in column/row may be larger than 100%. The shaded cell shows the answer from the large companies in the initial interviews.

Furthermore, while there is no identification of external change agent in both the interviews and survey most of managers can list out a lot of consultant organizations which have helped them to operate new technology, carry out ISO9000, solve their quality or human resources problems such as SGS, BCC, ICC, Arthur Andersen – KPMG, PriceWaterhouseCooper, Dragon Capital, Ernst&Young, NetViet, L&A, SMEDEC, etc.

Common Responses to change

As Vietnamese culture is high context (Geert Hofstede, 1998), employees' responses to change in practice are very diversified. They mostly expose their attitudes to change through activities rather than speaking out what they think of the change. They show their sympathy and support to change through active responses like high responsibility and commitment to their stakes in change projects (Table 3). However, the necessary concern should be those *passive responses* which are common in daily works such as turning to be "forget-it" people who ignore or deny to access change activities, even spreading out distorted rumors about disadvantages of the change, etc. This negative attitudes may become more dangerous if the change managers forget to keep eyes on the informal communication channels in their companies.

Table 3: Common Responses to Change – For and Against Behaviors

Support to change	Resist to change
1. Be highly responsible for accomplishing the assigned job of change	1. Be ignored, "forget-it" people to change
2. Often give constructive opinions to change and problem solving	2. Make no effort for the assigned job of change, keep silent on purpose even when realizing problems in change
3. Volunteer to take part in the job of change, call other people for involvement in change	3. Argue others out of doing change, create distorted rumors, incite others to ignored change
4. Be risk takers and assertive to make decision of change	4. Give destructive opinions, oppose to change, create conflicts, sue change agents for any problems happened
	5. Sabotage, play dirty tricks to change

In comparison to large companies, SMEs face more complex responses to change due to their neglecting of training and communication to facilitate change beforehand. Psychologically, in such competitive environment for SMEs as in Vietnam, they are so eager to change technically that they do not allow time for their people who are mostly not high educated to digest the change ideas and benefits. Hence, sabotage or playing dirty tricks to the change implementation can happen in these companies.

A planned Change Process for Human Resource Restructuring

It is experienced that the most critical factors to overcome resistance to change process are human related: (1) *Top management's commitment*, and (2) *Change agents' capability*. Employees often question about whether their top managers will retain their promise of support to change during the change process. They even do not know who are the change agents so that they can rely on whenever they have problems in change. That lead to

lack of people's readiness to change. Therefore, *training and communication beforehand and during the change process* should be an important core of a planned change.

Building Employees' Readiness to Change

Building organizational culture that facilitate change

In order to facilitate change process in companies, the initial job is to inspire people to be more open to change as a part of their daily works. Then the first challenge is to positively influence or even change their perception about change. People there should open to listen to different or new ideas. Building or even change such culture takes time. But when people become more opened to change, in other words change become a constant requirement of company's people, the company can reduce time for its people to digest the change's ideas and benefits before the change project is carried out because people are ready to change.

Training and development are effective tool for preparing and communicating change in long-term

It is necessary that managers' perception about change should be in readiness to plan for proactive changes. Like researching and development in new product launch, training and development should be scheduled and conducted before the change event. Hence, the operational levels will not endure shocks caused by change in their daily works. Training is not only for providing employees with necessary knowledge and skills to occupy new tasks or procedures or technology but also for gradually changing their ways of thinking and behaviors to fit the coming situation. The following human resource (HR) restructuring plan is suggested as a framework for tracking HR problems periodically. There must be two types of change agent: a consultant firm as external change agent, and a HR manager as internal change agent who will build up his/her team as internal change team for monitoring change process according to problem identification.

Human Resource Restructuring Plan (Framework, Figure 3)

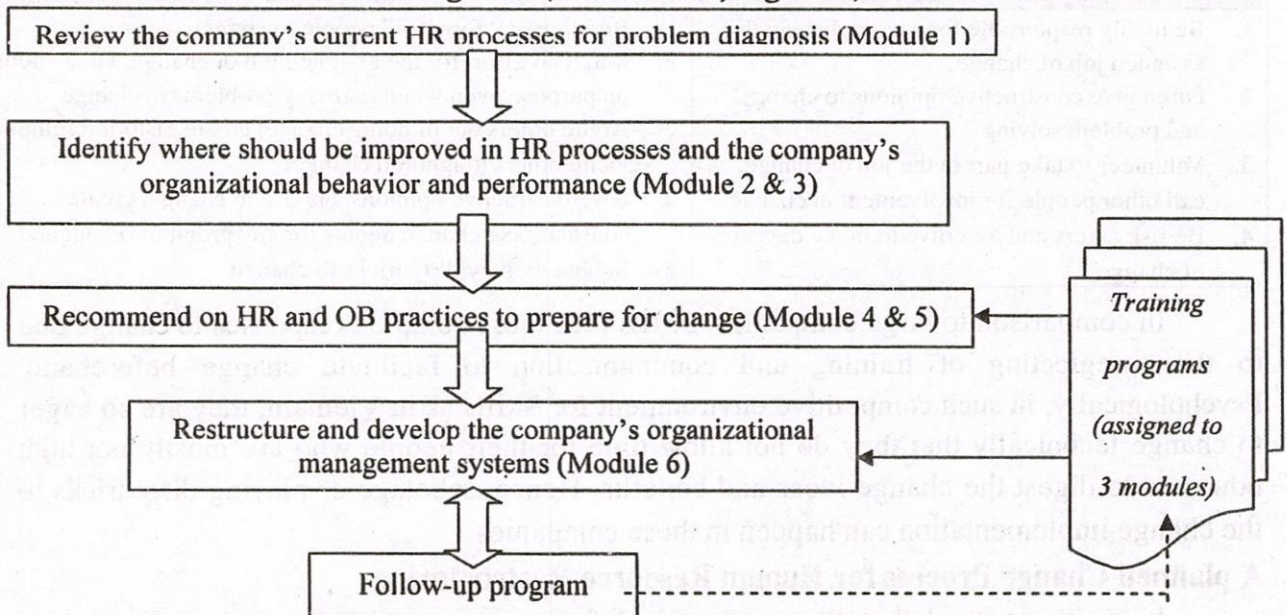


FIGURE 3: Human Resource Restructuring Framework

Preliminary assumptions/conditions

- *Change agents must be empowered.* One HR manager should be appointed to be the internal change manager. This manager will conduct some of the change modules and

cooperate with the consultants if the company asks for an external change agent. Therefore, this manager must have appropriate authority, responsibility, and accountability to conduct the change plan and cooperate with the consulting firm, apart from his/her daily work.

- *Top managers must prove their commitment and involvement* in the planned change their tracking plan on the change process and periodical events.
- *Training is considered a compulsory tool to communicate and facilitate changes.* Training needs therefore should be identified beforehand.

Step 1. Review the Company's current Human Resource Processes for Problem Diagnosis
Module 1: Human resources review and "Road Map" for going forward (Table 4).

Table 4: Scheme for Human Resources review

Issues	Respondents
The corporate strategy and Human resource strategy	Top managers
HR strategy and HR core processes	HR people
§ HR core processes and key HR transactions in the company	HR people
§ The current role of HR and the interaction between HR and other processes in the company.	Middle and line managers, employees
§ Root cause analysis and strategic business impact: from "downstream" perspective (root cause analysis) and "upstream" perspective (i.e. strategic business impact).	Managers at all levels.
§ Linkages between the strategic business impacts and the key transactions: to find out where the "bottle neck" in processes are.	
Priorities of HR processes and transactions for leveraging successes and remedying difficulties.	Top manager and HR managers.

_ Methodology: system approach by in-depth interviews, focus groups, and exploratory survey.

_ Expected outputs:

- Description of how HR processes integrate in the company; statement of HR's key transactions (both successful and difficult transactions);
- Root cause analysis and strategic business impact by HR transactions, with preliminary leveraging and remedying to pave the way from the organization's current state to their desired state; (this should be documented, communicated, and referenced on at least a monthly basis);
- Diagnosis of HR problems.

_ Suggested module conductor: HR change manager with assistance of external consultant.

Step 2. Identify Where should be improved in HR processes and the Company's Organizational Behavior (OB) and Performance

Module 2: Human resources assessment (Table 5)

Table 5: Scheme for Human resources assessment

<i>Issues</i>	Respondents
Job satisfaction and performance	Employees
Affects of HR policies and equity (internal and external)	Employees and managers
Relationships	Employees and managers
Operations of the HR core processes	Top managers and HR people
Management techniques and HR skills assessment	Managers at all levels and HR people

Methodology: problem approach by attitude surveys and gap analysis.

Expected outputs:

- Assessments of the current HR core processes (e.g. job description and specification, HR planning, recruiting and orientation, training and development, performance appraisal, compensation and reward systems, etc.);
- Assessments of employees' satisfaction in the company;
- Management training needs;
- Conclusions with quantitative illustrations about areas to be improved, how much they should be improved, and the priorities.

Suggested module conductor: consulting firm.

Module 3: Organizational behavior assessment (Table 6)

Table 6: Scheme for OB assessment

Issues	Respondents
Individual processes	Employees
Group/Team processes (team working, leadership, goal setting, decision-making styles, conflict management ...)	Employees, team leaders
Organizational processes (organizational culture, resistance changes ...)	Managers at all levels
Organizational structure and design	Top managers

Methodology: problem approach by attitude surveys and gap analysis.

Expected outputs:

- Employees feedback about the quality of worklife and morale in the company (which are the consequences of the company's HR strategy);
- The gaps between desired and current behaviors at the three levels (individual, team, and organization) in the company;
- Assessment of possible obstacles to change (cultural, management/priorities, and technical obstacles);
- Where should be improved in terms of organizational culture, structure, and what should be planned for organizational change;
- Interpersonal training needs

Suggested module conductor: consulting firm.

Step 3. Recommend on Human Resources and Organizational Behavior Practices to prepare for Change

Module 4: Workforce requirements and development (Table 7)

Table 7: Workshop design for Module 4

Areas to be checked up	Suggested module conductor
<ol style="list-style-type: none"> 1. HR planning and policies 2. Recruitment programs 3. Orientation and socialization 4. Training and development 5. Promotion system 6. Compensation and rewards system 7. Regulations and discipline system 8. Communication systems in the company 9. Executive coaching and Mentoring programs 	HR change manager

Step 3 and 4 are the “hands-on” steps of this plan. Training courses are provided beforehand by the consulting firm according to the areas to be checked up of each module. Then HR change agents are empowered to be in charge of each area in compliance with the schedule for organizational restructuring action plan designed by the change manager. This schedule consists of 3 modules (Module 4, 5, and 6). During the “hands-on” periods, the consultants should be available for alternatives in practices. By the end of each module (according to the schedule), consulting firm will provide several appraisal tests in order to evaluate the effectiveness and efficiency of the practices. A follow-up program for each module will be designed based the report of these appraisals (see Step 5).

Training courses are defined and provided based on those skills identified in module 2 and 3 (training needs). These training courses should be skill-oriented and schemed for motivating participants to understand those problems raised from the assessment, and even for further problem shooting.

Module 5: Performance management (Table 8)

Table 8: Workshop design for Module 5

Areas to be checked up	Suggested module conductor
<ol style="list-style-type: none"> 1. Performance appraisal and feedback 2. Employee assistance program and performance counseling 3. Reinforcement policies and skills 4. Recognition and Motivation (financial and non-financial tools) 	HR change manager. Consulting packages may offer customized training for supervisors and executives in this module.

Step 4. Restructure and Develop the Company's Organizational Management System

Module 6: Organizational restructuring (Table 9)

Table 9: Workshop design for Module 6

Areas to be checked up	Suggested module conductor
<ol style="list-style-type: none"> 1. Refine the company's mission, vision, business philosophy, strategies. 2. Redesign organizational structure. 3. Job analysis and rearrangement 4. Refine/create the company's system of job descriptions and specifications 5. Inspire the organizational culture to the new venture 	HR change manager

Step 5. Follow-up Programs

Follow-up programs are designed for module 4, 5, and 6. Top management track feedback of the restructuring based on these programs. A specific communication channel should be set up to transfer upward feedback about the change. Several formal and informal events such as achievement ceremonies, “bingo men and ladies”, “the best cheer-leaders” rewards, etc. in order to celebrate short-term wins. There is also a database of training needs that emerge during and after the restructuring process.

Conclusion

In sum, when technical aspects of the change in SMEs are positively conducted, their human aspects cannot keep with them. This illustrates the concepts of Robert French about the negative capability of change. In that context, managers' perception and commitment to change should be the key to open the first door that locks their company to change. They should be the ones who communicate, make decisions, and play the role of the first-movers in change toward their staff and workers. Top management commitment and appropriate change agents should be illustrated beforehand and during change process. Such HR restructuring plan should be conducted periodically (usually per two years) for an incremental change.

QUÁ TRÌNH ĐỔI MỚI Ở CÁC DOANH NGHIỆP VỪA VÀ NHỎ (TP HCM) VÀ CÁCH TIẾP CẬN THEO NHÂN SỰ ĐỐI VỚI VIỆC TÁI CẤU TRÚC TỔ CHỨC

Trương Thị Lan Anh

Khoa Quản lý Công nghiệp, Trường Đại học Bách Khoa – ĐHQG-HCM

TÓM TẮT: Trong bối cảnh nền kinh tế chuyển mình đi lên, làm cách nào để quản lý được quá trình đổi mới là một yêu cầu bức thiết đối với các doanh nghiệp Việt Nam, mà đa phần là doanh nghiệp vừa và nhỏ, cho cả mục tiêu tồn tại lẫn mục tiêu phát triển bền vững trong một môi trường kinh doanh năng động như hiện nay. Nghiên cứu này dựa trên cách tiếp cận nhân sự trong quá trình đổi mới để mô tả lại qui trình tiến triển tâm lý nhân sự trong đổi mới và những phản ứng bên trong các doanh nghiệp vừa và nhỏ ở TP HCM đối với đổi mới như thế nào. Kết quả khảo sát cho thấy, các cán bộ quản lý của các doanh nghiệp này chưa có tầm nhìn một cách hệ thống và chưa chú trọng vào tình quá trình của đổi mới. Họ vẫn còn chú trọng nhiều vào việc đánh giá dựa trên kết quả sau cùng mà bỏ qua những nỗ lực của người lao động trong suốt quá trình, cũng như bỏ qua những thái độ tiêu cực và bi quan, mà đây mới chính là những yếu tố trở ngại cho đổi mới. Bài viết cũng đề xuất một mô hình hỗ trợ

cho tái cấu trúc tổ chức theo cách tiếp cận nhân sự để sớm nhận dạng những yếu tố gây trở ngại như đã phân tích được từ khảo sát.

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