THE QUEST FOR CONTINUOUS IMPROVEMENT
IN A MALAYSIAN CHINESE FAMILY OWNED COMPANY
– AN INTERPRETIVE CASE STUDY

by

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Finally, I wish to thank my family members for their kind understanding and co-operation to enable me to focus on my research. The indulgence and tolerance they extended to me during my PhD journey is deeply appreciated.

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AC	Appraisal Cost
Bo li duo xiao	A Chinese term, meaning 'low margin, more sale'
C.I.	Continuous Improvement
Comp time	Compensatory time. It is an alternate way of rewarding overtime work. Instead of monetary compensation, extra time off is given as compensation.
COQ	Cost of Quality. This refers to the costs incurred by (a) investing in the prevention of non-conformances to requirements, (b) appraising a product or service for conformance to requirements, and (c) failing to meet requirements (Campanella, 1999)
DO	Delivery Order
EDP	Electronic Data Processing
EFC	External Failure Cost
ERP System	Enterprise Resource Planning System
Ganqing	A Chinese term, meaning caring relationship
GLC	Government-linked company
Guanxi	A Chinese term, meaning personal relationship
ICT	Information and communication technology
IFC	Internal Failure Cost
ISO	International Standard Organisation
IT	Information technology
MD	Managing Director
Mianzi	A Chinese term, meaning 'face'
MNC	Multinational company
NIS	New Institutional Sociology

PAF	Prevention-Appraisal-Failure
PBRS	Performance-based Reward Scheme
PC	Prevention Cost
PO	Purchase Order
QIT	Quality Improvement Team
Quality Management	It is a system that aims to control quality in the critical activities of an organisation, such as resources, equipment, people and procedures (Bedi, 2006)
Quality Policy	An overall, high statement that gives a general idea of the organisation's quality goals
Quasi-stationary Equilibrium	A term coined by Kurt Lewin. He suggested that all living systems are always in a state of some change, but always tend towards some kind of equilibrium. The state of no change does not mean a stationary state. It only means the opposing forces strike a balance, and change is minimized to a low level.
Renqing	A Chinese term, meaning gratitude or moral obligation
Renzhi	A Chinese term, meaning rule by human power or discretion rather than governed by systems
Root Cause Analysis	A structured investigation that aims to identify the true cause of a problem and the actions necessary to eliminate it.
SME	Small and medium enterprise
SOP	Standard Operating Procedures
Towkay	A Chinese Hokkien dialect. Literally it means head of the family. It is used to refer to the boss of an organisation.
TQM	Total Quality Management
Xinyong	A Chinese term, meaning the reputation of being trustworthy
Yi shen zuo ze	A Chinese term, meaning leadership by example

Yin and Yang The Chinese belief of the two complementary forces in the universe. Yang represents the positive or masculine forces and Yin is characterised as negative or feminine. A harmonious relationship is reached when the two forces are in balance.

USAHA PENAMBAHBAIKAN YANG BERTERUSAN
DI SEBUAH SYARIKAT PEMILIKAN KELUARGA CINA DI MALAYSIA –
KAJIAN KES INTERPRETIF

ABSTRAK

Tesis ini merupakan satu kajian kes mendalam atas usaha untuk meneruskan peningkatan kualiti dalam sebuah syarikat kepunyaan keluarga Cina di Malaysia. Kajian ini menunujukkan bahawa pertumbuhan pesat syarikat ini semasa ia masih kecil ialah disebabkan oleh amalan yang tertanam dengan falsafah Confucius. Penekanan kepada kepercayaan, kerajinan, fleksibiliti dan berjimat-cermat membolehkan syarikat ini mempertahankan keunggulan kempetitif dengan kos transaksi yang rendah dan dasar pengeluran yang fleksibel. Walaupun syarikat itu telah memperolehi pensijilan ISO 9000, ia masih mengekalkan amalan pengurusan yang sama dengan mengasingkan sistem pengurusan ISO daripada amalan harian yang sebenarnya.   Syarikat ini masih berkeadaan inersia, dan tidak melihat keperluan untuk mengubah amalan sedia ada.

Apabila inisiatif untuk mengembangakan syarikat ini kepada saiz yang lebih besar, amalan-amalan tradisional telah menghalang syarikat untuk lebih berdaya saing. Akibatnya, syarikat ini mengalami penurunan yang mendadak dari segi jualan dan keuntungan. Akibat dari kesedaran ini, syarikat telah meminta bantuan dari perunding TQM (Pengurusan Kualiti Total). Dengan inisiatif yang sama, pengurus-pengurus yang lebih professional dan berkelayakan telah diambil untuk menguruskan perniagaan syarikat.

Justeru, kesan daripada latihan kesedaran kualiti telah mendorong syarikat itu untuk mempelopori usaha meneruskan peniningkatan kualiti dengan menggunakan alat-alat kualiti (Quality Tools).   Penggunaan alat-alat kualiti membolehkan pihak

pengurusan mengenalpasti kos kualiti yang tersembunyi di persekitaran di mana kedua-dua tindakan pencegahan dan korektif diperlukan. Hasil pembelajaran ini telah mencetuskan pelaksanaan pelbagai langkah dan inisiatif dalam amalan pengurusan kualiti. Namun, pelaksanaan amalan pengurusan kualiti tidak dapat dijalankan dengan lancar. Pelaksanaan ini telah dilanda dengan penentangan dan penolakan dari sebahagian pekerja yang sedia ada.

Penyelidikan ini telah menghuraikan sebab-sebab di sebalik usaha untuk meneruskan peningkatan kualiti kepada kebimbangan hidup dan kesedaraan terhadap kepentingan kualiti. Kajian ini juga bertujuan untuk menganalis bagaimana angota organisasi (boleh) menentang perubahan dan memberikan sebab atas punca penolakan usaha perubahan tersebut.

Kajian ini mempelopori percanggahan antara budaya perniagaan Cina dan amalan pengurusan kualiti yang berorientasikan Barat. Perkara ini menunjukkan paradoks budaya pengurusan paternalistik yang membolehkan syarikat untuk mengatasi banyak pertahanan terhadap perubahan, namun dalam beberapa hal yang lain, menjadi halangan kepada usaha perubahan. Tesis ini mengesyorkan bahawa untuk mencapai objektif perubahan, maka usaha perubahan harus selaras dengan budaya syarikat.

THE QUEST FOR CONTINUOUS IMPROVEMENT
IN A MALAYSIAN CHINESE FAMILY-OWNED COMPANY
– AN INTERPRETIVE CASE STUDY

ABSTRACT

This thesis is the result of an in-depth case study of the quest for continuous quality improvement in a Malaysian Chinese family-owned company. The study reveals that Confucian philosophical values can be accounted for the company's phenomenal growth when it was relatively small in size. The emphasis on trust, diligence, flexibility and frugality enabled the company to maintain a competitive edge in low transaction costs and flexible production policy. Even though, the company was granted the ISO 9000 certification, it still maintained the same management practices by decoupling the ISO quality management system from actual practice. The company was in a state of inertia, and did not see the need to change its traditional practices.

However, when the company grew to a certain size, these traditional practices were found to be unable to cope with the increasing trading volume and competition. As a result, the company encountered a sharp decline in sales and profitability. The rude awakening of this reality has driven the company to enlist the help of a TQM consultant as well as the recruitment of more professionally qualified managers to its rank.

Consequent to the quality awareness training, the company began to embark on a quality journey of continuous improvement with the aid of quality tools, such as quality cost analysis, root cause analysis and problem-solving techniques. The use of quality tools helped the management to identify hidden quality costs and areas where

both preventive and corrective actions are needed. This learning in turn acted as a catalyst for the implementation of a series of improvement initiatives. However, the implementation of which was not smooth sailing. It was beset by a myriad of resistance.

This study attributes the reasons behind the forces for change to survival anxiety, and quality awareness. This study also seeks to illustrate how organisational members resisted the change, and provides an analysis on the reasons behind the resistance to change.

The study highlights the contradictions between the Chinese business culture and the Western oriented quality management practices. It shows the paradox of how the paternalistic management culture enabled the company to overcome many of the resistance to change, but in some other instances, it became a stumbling block to change. Based on the analysis of the findings, this thesis suggests that in order to accomplish its objective, change initiatives need to be congruent with the target company's culture.

CHAPTER 1

INTRODUCTION

1.0   Purpose of the Chapter

The central theme of this study is to gain an insight into how a Malaysian Chinese family company improved its competitiveness by embarking on a quality journey of continuous improvement. The process of continuous improvement has resulted in changes to the company's business strategy, operating procedures and quality policy. This study seeks to understand the forces for and against the continuous improvement initiatives with the hope that the knowledge gained would be of use to prospective change agents.

This chapter commences with an introduction on the background of study, and a discussion of the research objectives as well as the research questions. This is then followed by an explanation of the research process, and the significance of study. Finally, this chapter concludes with an outline of the contents of this thesis and a definition of the concept of 'continuous improvement' as is used throughout this thesis.

1.1 Background of the Study

The challenge posed by globalisation and trade liberalisation has given rise to a highly competitive business environment. The business environment is changing in a rapid and unpredictable fashion. The challenge of a wide range of global issues such as privatization, public sector reform, mergers and acquisitions, outsourcing, advances in ICT, sustainability aspects of growth and environmental awareness, have left organizations with no choice but to respond to this rapid pace of change, or risk being drowned in the sea of relentless competition. The actions taken by organisation management may involve the adoption of new technology and/or the adaptation of organisational structure with the explicit objective of improving organisational effectiveness and efficiency. The process of undertaking either form of innovative actions may be broadly described as organisational change, which is a process of moving from an organization's current state to some desired future state (Jones, 2007). Currently, organisational change has drawn enormous amount of interest from both the academics and the practitioners across the world (Rees, 2008). Literature indicates that organisational change has been researched from a multitude of perspectives, such as quality management (Breja, Banwet & Iyer, 2011; Marin-Garcia & Poveda, 2010; Murphy & Leonard, 2009; Singh, 2008; Sower, Quarles & Broussard, 2007; Walsh & Antony, 2007), accounting (Burns & Scapens, 2000; Siti-Nabiha & Scapens, 2005; Tsamenyi, Cullen & Gonzalez, 2006), organisational culture (Maull, Brown & Ciffe, 2001; Henri, 2006), and information systems (Jeyaraj, Rottman, & Lacity, 2006; Law & Ngai, 2007). In essence, literature demonstrates

the multi-disciplinary nature of organisational change theory and practice (Rees & Hassard, 2010). One thing in common is that majority of the studies focus on large organisations and government-linked organisations. Comparatively, there is a paucity of research on organisational change in the small and medium enterprises (SMEs) despite the vital role of SME's in the economic growth. For instance, Pang (2008) noted that SME's account for over 90 per cent of business establishments and about half or more of output and export shares in the developing countries. In term of contribution towards the labour market, Pang (2008) pointed out that SME's provide as much as 70 per cent of employment opportunities in many developing countries and in fact in developed economies as well. It is also reported that at least 85 per cent of all businesses in USA are family-owned (Bork et al., 1995, quoted in Yu, 2001). Hence, more research into how SME's cope with the rapid pace of economic growth would certainly enhance our knowledge pertaining to organisational change management.

Another feature of the organisational change literature is that Western establishments appear to take the centre stage. Comparatively, there is little coverage in organisational change literature that focuses on Non-Western business organisations. In their literature review, Bruton and Lau (2008) found that only 6.3 per cent of the articles published in ten high quality journals during the period from 1996 to 2005 addressed Asian management. This state of affairs began to change during the last few years, as a result of China's phenomenal economic growth. There is now increasing research interest in understanding Chinese business and managerial practices (Rarick, 2009). However, Chinese business does not confine to the

People's Republic of China alone. Kao (1993) pointed out the perception of the word Chinese now encompasses an array of political and economic systems, but share the same tradition. Chinese outside of China identified themselves with the countries of their chosen domicile, and adapt the local values which made them appear to be different from Chinese inside China. Nevertheless, as observed by Kao (1993) the Confucian tradition is remarkably persistent to Chinese entrepreneurs regardless of whether they are inside or outside of China.

What distinguishes the Chinese entrepreneurs from their Western counterparts is probably their Chinese way of business management.   Yu (2001) noted that Chinese family businesses are based on patriarchal leadership and manage their businesses like a family. The Confucian tradition of hard work, thrift, and respect for one's social network is deeply embedded in the Chinese way of business management. Nonetheless, over time, Chinese entrepreneurs do assimilate Western management practices, and this has led to the development of a new Chinese management model that is grounded in both traditional Chinese values and Western management practices (Kao, 1993). Acer Group in Taiwan is an exemplar of successful blending of the traditional with the modern management practices. On the other hand, there are also cases of failure, such as Wang Laboratories in USA where the conflicts of East and West values contributed to its eventual decline (Kao, 1993). A further observation of Chinese family businesses as pointed out by Kao (1993, p. 27) is "how quickly they hit snags when they expand beyond the limits of family control". The family style of management control which relies on trust and loyalty to reduce transaction cost, may also limit the potential to grow.   This study argues that

in order to achieve excellence and grow, Chinese family companies need to blend their traditional value with the Western oriented quality management practices. Reports of successful Chinese family companies are mostly based on anecdotes and not on fact. How Chinese family companies manage organisational change is still not well documented. Menkhoff and Sikorski (2004) asserted that how overseas Chinese family business concerns operate their business remains an enigma due to its lack of transparency.

The ferocity of global business competition fuelled by the trade liberalisation and continuing industrialisation has resulted in local family businesses having to readjust their management philosophy and practices. Attempts to implement quality management practices appear to be the logical proposition. Locked in this proposition is "the debate as to how far business theories and concepts drawn primarily from the industrialized, market-oriented (often Western) economies can be extrapolated for use in the economies of the East" (Andrews, Chompusri & Baldwin, 2003, p. 3).

Studies have shown that managing organisational change is a complex process. The change process has been found to be influenced by vast array of factors both from within and from without the organisation (Cutcher, 2009). Factors that have been identified to have influenced the change process include culture (Hernandez-Mogollon, et al., 2010; Long & Mills, 2010), identity (Fotaki, Bohm & Hassard, 2010; Reissner, 2010), power and politics (Burns, 2000; Hope, 2010), and memory (McCabe, 2010). Majority of the research on organisational change management focus on Western organisations. Rees and Hassard (2010) noted that

there is a lack of focus on change management research in the Asian contexts. Given the increasing economic influence exerted by companies owned by entrepreneurs of Chinese descent and also the dearth of documented literature on change management in the developing economies of South-East Asia, there is a need for more focused research into how these entrepreneurs assimilate total quality management concepts into their traditional management practices.

Originally, the researcher aimed to conduct a study to examine the process of implementing quality cost system in a medium sized company. The researcher approached several companies for permission to conduct case study. Three companies accepted the researcher's request, but only one of them met the criteria (i.e. the company is tracking quality costs and on-site research could be completed within the time frame agreed by the host company). However, after started the field work, it was discovered that the implementation of quality cost system was only one of the continuous quality improvement initiatives of the case company's overall change programme. This comprises the ISO quality management system, the cost of quality system, the Enterprise Resource Planning system, and the performance-based reward system. All of which are interrelated, with the same objectives of improving the company's quality management system. Some of the improvement initiatives acted as the catalyst to either modify or implement other initiatives. A study confining to the quality cost implementation will not provide a full understanding of the change process. After discussing with the researcher's supervisors, it was decided that the study should cover the whole change process to gain a panoramic view of the intricacy and complexity of the change initiatives instead of focusing on

a portion of the change process. This approach is in line with Neuman's (2007) argument that:

> The qualitative researcher is open to unanticipated data and constantly reevaluates the focus early in a study. He or she is prepared to change the direction of research and follow new lines of evidence (p.86).

Similar view was also expressed by Moilanen (2008) who claims that, "[…] doing field studies entails continuously modifying the research topic as new data are gathered" (p. 169).

The research of this thesis aims to explore and understand the process of implementing continuous improvement initiatives in a Malaysian Chinese family company. Specifically the focus of the research is on the forces for and resistance to the change initiatives. It is argued that a case study using the Lewinian approach (which will be elaborated and justified in Chapter 3) will be able to enhance the existing knowledge on why and how traditional Chinese family companies modernized their management practices.

Having briefly described the background of the study, the next section provides an outline of the research objectives and specific research questions.

1.2 Research Objectives and Questions

This study is about why and how continuous improvement initiatives were being undertaken in a Malaysian Chinese family-owned company. The focus of this study is to identify the forces for and against the process of continuous improvement. The primary objective is to seek explanations for organisational members' actions

and reactions to the continuous improvement initiatives. Additionally, this research by using the interpretive case study approach aims to gain further understanding on how the forces for and against the continuous improvement initiatives reveal themselves by tracing the historical and contingent background that underlies such opposing forces.

The main research question which will be investigated to meet the objective of this study is:

Why and how did the case company embark on a quality journey of continuous improvement?

In connection with the main research question, the following specific questions will also be investigated:

(1)   How was the company managed prior to the embarking on a quality journey of continuous improvement?

(2)   Why did the company embark on the quality journey of continuous improvement?

(3)   What are the nature and scope of the continuous improvement initiatives?

(4)   Who promoted the continuous improvement initiatives?

(5)   How did organisational members react to the continuous improvement initiatives? Who supported the initiatives? Who opposed them?

(6)   Why did organisational members act and react in the way they did?

(7)   How did the interactions of the organisational members impact on the processes and outcomes of the continuous improvement initiatives?

(8)   What are the effects of these continuous improvement initiatives?

The main research questions are based on the assumption that the implementation process is complex and is shaped by the interplay of both the driving and restraining forces. The above research questions were formulated based on the theoretical framework which is discussed in Chapter 3 and literature in the area of change management, a review of which is presented in Chapter 2.

This research is guided by Lewin's integrated model of planned change on the assumption that the continuous improvement approach, which formed part of the Total Quality Management (TQM) concept that the company management was trying to adopt in its management practices, is a planned change, rather than a natural evolutionary change. This study contends that even though it is a planned change, the direction and outcome of the change process are likely to be influenced by the interactions of the organisational members involved.

1.3   Research Process

This study adopts an interpretive case study method to research for answers to the above-stated research questions. As mentioned in the previous section, the main research questions for this study consist of 'how' and 'why' questions. This kind of questions requires a study in detail which might be too complex for a survey-type of research (Denscombe, 2003; Yin, 1994). A case study approach is deemed appropriate for this particular research, because it involves an investigation of real-life interventions at the case site. The direct contact with organisational members in

the case company helped the researcher to understand how the quality improvement initiatives were being implemented in the day-to-day organisational activities.

The researcher gained access to the case company through personal contact. Data was gathered through semi-structured interviews with key organisational members, including the company's first chairman cum managing director (retired) who provided the researcher with very useful information regarding the company's history and the shareholders' family background. The interviewed data was triangulated with direct observations of organisational members at work, and analysis of documentary records. In addition, the researcher also had numerous informal conversations with the organisational members which provided the researcher with a better understanding of the change process than the formal interviews, as the participants tended to talk more freely in informal conversations.

The process of data analysis was done concurrently with data gathering. It was during this iterative cycle of data collection and data analysis that the researcher decided to modify the research focus. Originally, the researcher set out to study the process of implementing quality costing system. However, as the research progressed, the researcher noticed that the quality cost implementation formed only a part of the case company's overall continuous improvement initiatives. In addition, it was also noted that the interviewees tended to intersperse their answers on quality cost implementation with the entire change programmes most of time. In order to gain a holistic picture of the forces at play in the change process, it is imperative that the researcher should study the entire change process, rather than focusing on only a

small part of it. By studying the entire change process, the researcher was able to obtain a holistic and deeper understanding of the change process.

The process of data gathering was considered complete when the researcher found that the evidence obtained from multiple sources correspond with each other and draw the same conclusions. Furthermore, information elicited from subsequent interviewees repeatedly echoed information provided by earlier interviewees. The case findings are analysed using the framework of Lewin's integrated change model. The justifications of using this framework are discussed in Chapter 3.

1.4   Significance of the Study

This study aims to explicate change management in a specific cultural setting and to understand the complexity and intricacy of continuous improvement initiatives. In term of theoretical significance, this study is expected to contribute to the theory and practice of change management in the small and medium sized Malaysian Chinese family companies whose management style is deeply influenced by Confucian values. Previous research on the implementation of specific types of quality improvement programmes focuses largely on Western organisational settings and emphasises on the functional aspects of implementation. This study offers some insights into the assimilation of TQM philosophy and practices into a family owned company that subscribes to the traditional Confucian values. In particular, it provides an insight into the contradictions of the typical Chinese traditions which in some instances, facilitated the change initiatives, but in another instance became an

obstacle to the implementation process. This finding draws attention to an area where further research is required.

In term of practical contribution, an understanding of the complexity of the change process will be of value to practitioners who are planning to implement change. The forms of resistance and their sources identified in this study will shed some light on what can be expected in the change process, and probably act as guidance to prospective change agents.

The findings of this study add further practical significance by providing an analysis on the psychological reasons underlying the behaviours of the organisational members. This study argues that mere understanding of the observable acts and behaviours of resistance does not help us to find the solutions to overcome the problems of the implementing improvement initiatives unless we also understand the psychological reasons beneath such problems. Thus, "[g]oing back to the roots of the problem may enable us to evaluate our solutions through a new lens" (Steiner, 2001, p. 150). Additionally, the knowledge gained from this study of a Chinese SME can be used to compare and contrast with existing organisational change literature which predominantly focused on larger organisations. The lessons learnt could be useful to practitioners who intend to implement change programmes in similar situations.

In summary, this study is relevant to both academics and industry practitioners. It provides a better understanding of the complexity of managing change. Lastly, it helps to unravel the root cause of the resistance to change which may act as a direction to identify solutions.

Since the main focus of this study is on how and why organisational members acted and reacted to the continuous improvement initiatives, the next section provides a definition of the concept of continuous improvement as used throughout this thesis

1.5 Definition for Continuous Improvement

Continuous improvement is one of the four fundamental principles of Total Quality Management (TQM). The others are: customer focus, defect prevention rather than detection, and recognition of universal responsibility for quality (Berk & Berk, 1995). The Japanese Union of Scientists and Engineers defined TQM as:

> a set of systematic activities carried out by the entire organisation to effectively and efficiently achieve company objectives so as to provide products and services with a level of quality that satisfies customers, at the appropriate time and price (cited in Bedi, 2006, p. 431).

Continuous improvement is process oriented. It directs attention to the improvement of production processes and not simply to the characteristics of the products (Winter, 2000). The process of continuous improvement comprises of measuring quality, identifying and prioritizing the areas for improvement, and taking actions to improve them (Berk & Berk, 1995). Continuous improvement is a perpetual ongoing process with the objectives of enhancing customer satisfaction and reducing the cost of attaining this objective. It does not have an ending, and may consist of various improvement initiatives undertaken at different points and times in the quality journey. In sum, it is an open-ended change process. Continuous improvement activities "range from new products, or services, to new manufacturing

methods, or new markets, or changing suppliers, or new business models" (Marin-Garcia & Poveda, 2010, p. 594). As argued by Berk and Berk (1995, p. 15), continuous improvement concept focuses on:

> finding shortfalls and sources of variability in administrative, manufacturing, and service processes that can detract from a quality output, and improving the process to eliminate undesirable outputs.

For the purpose of this study, continuous improvement is defined as the ongoing initiatives undertaken to improve the company's effectiveness and competitiveness

1.6   Organisation of the Thesis

Apart from this chapter, the remaining of the thesis is organised as follows: Chapter 2 reviews the literature pertaining to organisational change, with specific emphasis on the kinds of change programmes implemented in the case company. This includes ISO registration, Quality Cost Programme, ERP, team problem-solving efforts, and performance-based reward scheme. The chapter first discusses about organisational change literature in general, and quality improvement programmes in particular. This is followed by a review of the barriers to organisational change as identified by earlier researchers. Chapter 2 concludes with a discussion on insight gained from the literature review.

Chapter 3 provides a review of Lewin's integrated model of change which comprises of the Field Theory, Group Dynamics, the iterative cycle of planning, fact-finding, and execution as used in his Action Research approach, and the 3-Step

model of change. This is followed by a discussion on the criticisms levelled against the Lewinian approach, and its relevance in the contemporary setting. Finally, the chapter provides an explanation and justifications for the theoretical framework used to guide the research process and to help making sense of the data gathered.

Chapter 4 explains and justifies the research design. It begins with an overview of the case company. This is followed by a discussion of the methods employed to gather and analyse data. A discussion of the quality and reliability of data collection forms the conclusion of the chapter.

Chapter 5 presents the findings of the case study. It provides a historical background of the case company by classifying the company's developmental history into four periods: i) the Formative Years, ii) the Rapid Growth Period, iii) the Declining Period, and iv) the Recovery Period.

Chapter 6 discusses the contextual as well as the human factors which led the company into a quality journey of continuous improvement. The chapter also provides a finding on how organisational members resisted the continuous improvement initiatives.

Chapter 7 provides the theoretical analysis of the case findings through the lens of Lewin's integrated change model. It provides theoretical explanations for the actions and reactions of the organisational members in the change processes.

Chapter 8 concludes the thesis with a discussion of its contributions and limitations. Some suggestions for future research are also given in this concluding chapter.

CHAPTER 2

LITERATURE REVIEW

2.0   Purpose of the Chapter

Chapter 1 provides an overview of the thesis including the research questions and the research design adopted to study the continuous quality improvement process in a Malaysian Chinese family-owned company.   This chapter reviews existing literature on organisational change in general, and the type of continuous quality improvement programmes implemented in the case company in particular.   It begins with a general introduction of the concept of organisational change and past research on change management.   An overview of the concept of total quality makes up the next section.   The ensuing section presents a review on the concept and practices of the types of quality improvement programmes implemented in the case company. This includes the ISO Quality Management System, Cost of Quality System, Enterprise Resource Planning system, and the performance-based reward system.   In the case company, these quality improvement programmes are treated as part of its quality management system.   Since the focus of this study is organisational change and the various quality improvement programmes are discussed because they constitute the continuous improvement initiatives of the overall change process in the case company.   A review of the literature pertaining to the analysis of barriers to

organisational change forms the next section of this chapter. Finally, the chapter concludes with a summary of the insight gained.

2.1   Organisational Change

The core interest of this study is how and why change occurred in a business organisation. Change is a phenomenon that has caught the attention of humankind since time immemorial. Many philosophers attempted to explain the nature of change in the universe. For instance, I-Ching (the classic of changes) which dated back to 1034 B.C. was the cumulative knowledge of ancient Chinese philosophers' inquiry into the change phenomena. One of the cardinal tenets of I-Ching is that everything in the universe is continually changing. An understanding of this nature of impermanency may help to cultivate a flexible approach to deal with the multiplicity of changing situations. Heraclitus (c.535 B.C – c. 475 B.C.) the ancient Greek philosopher is quoted to have said that all things are in a state of flux like a river, and that nothing is permanent except change. The inquiry into the nature of change continued to attract enormous academic interest till this day. Because of the pervasive nature of change, researchers nowadays tend to focus on different aspects of change. One of the frequently researched topics is organisational change. So, what is organisational change? Jones (2007, p. 269) defined organisational change as "the process by which organisations move from their present state to some desired future state to increase their effectiveness". Under this definition, the ultimate end of change is to increase organisational effectiveness. In reality, change does not

necessarily bring about improvement. As noted by Burnes (1992), organisation will change, sometimes quite dramatically too, but not always for the better. Sometimes the change process might instead exacerbate the problem, giving rise to more instability, more uncertainty, more mistrust of and anxiety about change (Steiner, 2001). Review of the literature indicates that organisational change is a complex process, and it comes in different forms and sizes (Burnes, 1992).

Changes are either planned or unplanned. Natural evolutionary changes are unplanned. They refer to the self-evolving learning processes that occur within any organisation. Organisational members are learning all the time and are making change to adapt to the vagaries of their environment. Some of these changes are beneficial to their organisations, but some are not. All too often, some organisational members "use ingenuity to make their own lot easier at the expense of the organisation" (Schein, 2002, p. 34). Thus, the outcome of natural evolutionary changes is not necessarily progressive, or benign (Burnes, 1992). The discovery of the regressive side of natural evolution has led to the effort to plan and manage change. In general, planned organisational changes may be classified into two broad categories: evolutionary change and revolutionary change (Jones, 2007). Evolutionary change is gradual and incremental in nature. Usually, it is more narrowly focused than revolutionary change, which is broad-based and effected dramatically.

Planned changes are related to efforts to improve, adapt, and adjust strategies and practices to be in tune with environmental changes (Jones, 2007). Planned evolutionary changes are continuous and usually piecemeal in nature. Total quality

management, and related quality improvement programmes are the exemplars of this category of changes. On the other hand, planned revolutionary changes refer to bold attempts to swiftly make changes in the ways of doing things, and in achieving new goals. Reengineering, restructuring and innovations have been identified as the important instruments of revolutionary change.

2.2   Research in Organisational Change

A broad review of literature shows that research on organisational change in general, and management accounting change in particular has been informed by numerous theoretical models of change. However, as noted by Pettigrew, Ferlie, and McKee (1992) majority of the research tend to focus on the functional aspect of change and only a limited number of studies "allow the change process to reveal itself in any kind of substantial temporal or contextual manner" (p.6). This is especially true in the case of TQM-based change studies as shall be reviewed in the following sections.

There has been calls to "examine the processes of organisational change" (Siti-Nabiha, 2000, p. 32) with emphasis on "the managerial challenges involved in implementation and change processes" (Modell, 2007, p.335). Research on the implementation and change processes may be broadly classified into two streams: factor studies, and process-orientated studies. Factor studies focus on the identification of the motors and the barriers to the effective implementation of change initiatives. Process-orientated studies are "more concerned with the intricate

social and political dynamics of implementation" (Modell, 2007, p. 335). However, as pointed by Burnes (1992), most of these models stem from the work of Kurt Lewin.

2.2.1   Factor Studies

Factor studies seek to identify "what organisational and contextual factors contribute to and hamper their effective implementation" (Modell, 2007, p. 337). Lewin's (1942) may be considered as the pioneer of factor studies through his force-field analysis of the factors that drive social change as well as the factors that inhibit social change as shall be discussed in more details in the next chapter. Although Lewin focused more on the process of interactions between the driving forces and inhibiting forces to change, subsequent researchers in this stream initially appeared to be more interested in identifying success factors of implementation. For example, Shields (1995) conducted a study on the implementation variables that are associated with the successful implementation of Activity-based costing (ABC). In his study, he concluded that organisational factors, such as top management support, linkage to competitive strategy, and performance evaluation, training, non-accounting ownership and consensus about the objectives of the new systems, were more important that technical factors.

Maelah and Ibrahim (2007) used similar approach to investigate the status of ABC adoption among manufacturing companies in Malaysia, and the factors influencing its adoption. Their study indicates that ABC adoption rate in Malaysia

was very low, and that its adoption was influenced by decision usefulness of accounting information, organisation support and internal measures of performance.

Other researchers explored on the success factors that affect the different stages of implementation similar to Lewin's 3-stage change model (see Chapter 3). For example, Krumwiede and Roth (1997) classified ABC implementation process into six stages: Initiation, Adoption, Analysis, Acceptance, Action and Activity-Based Management. They concluded that the inability to successfully implement the new system was the failure to recognize the unique behavioural and political aspects at each stage of implementation processes.

In another study on the impact of contextual and organisational factors on ABC implementation, Krumwiede (1998) conceptualized the ABC adoption into ten stages: (1) not considered, (2) considering, (3) considered then rejected, (4) approved for implementation, (5) analysis, (6) getting acceptance, (7) implemented then abandoned, (8) acceptance, (9) routine, and (10) integrated.

Baird, Harrison, and Reeve (2007) examined the success of activity management practices and the organisational and cultural factors that impinged on the three levels of activity analysis, activity cost analysis and activity-based costing. It was found that the cultural factor of outcome orientation was associated with all the three levels, but the influence of other organisational factors differs in importance at each level. This study resonates with earlier research findings (e.g. Krumwiede, 1998; Krumwiede & Roth, 1997) that behavioural and contextual factors vary across different stages of implementation.

An insight gained from this literature review is that research on factors influencing ABC adoption "has progressed from relatively simple models, mainly ascribing implementation effectiveness to a range of contextual factors that may or may not be attributable to the implementation process, to increasingly elaborate analysis" (Modell, 2007, p. 340). Further development in the study of organisational change is the pursuit of a process-orientated research approach, which is grounded in the belief that change is inextricably associated with people management and organisational behaviour, regardless of whether the change is related to strategy, technology, finance, marketing or logistics (Rees and Johari, 2010).

2.2.2 Process-Orientated Studies

The centrality of the process-orientated approach is to gain deeper insights into the actions, reactions and interactions of the various interested parties involved in the process of change. This is a clear departure from the rational managerialists who conduct their analysis "as if organisations were purely rational and politically neutral entitles" (Knights & McCabe, 2002, p. 237), and overlook the complexity and dynamics of social interaction in the changing process which can be progressive or regressive and may lead to both intended and unintended consequences (Siti-Nabiha, 2000). Pettigrew, Ferlie and McKee (1992) contended that such kind of managerialist approaches "limit themselves to snapshot rather than time series data, fail to provide data on the mechanisms and processes through which changes are created" (p. 6).

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Advocates of process-orientated approach on the other hand suggest that research on organisational change should not only focus on performance outcomes, but "to engage with the range of contributory forces which produce them" (Pettigrew & Whipp, 1991, p. 2). This line of argument resonates with Lewin's view that change is "a complex and iterative learning process where the journey is more important than the destination" (Burnes, 2004a, p. 993). Predicated on this line of argument, a wide range of theoretical approaches has been advanced to examine the dynamics of change process.

Apart from Lewin's theories of change, other influential theories include New Institutional Sociology (NIS) which seeks to investigate external legitimisation process, and Old Institutional Economics (OIE) which aims to investigate issues such as resistance to change and power struggles within the organisations (Modell, 2007). While NIS focuses on inter-organisational influences, OIE lays emphasis on intra-organisational process of change. Based on these two institutional theories, Burns and Scapens (2000) developed a theoretical framework that extends "the casual relationships between rules and routines into actions and institutions" (Md. Shahbudin, 2006, p. 35).

Greenwood and Hinings (1988) on the other hand, developed a framework to gain a more explicit understanding of the dynamics of change. They argued that the processes of change and stability in organisations should be understood through the twin concepts of design archetypes and tracks. According to them, "the concept of design archetype, based upon the combination of structural coherence and underpinning interpretive scheme is, in the fact, the basis of typologies and

classification in organisational theory" (Greenwood & Hinings, 1988, p. 297), and the movements and the absence of movements in between archetypes, labelled as 'tracks' is the core of understanding the process of change and stability.

Drawing on Greenwood and Hinings (1988), Laughlin (1991) conceptualized organisational change into first order change and second order change. Under this processual model of organisational change, the first order change involves making things look different in appearance, but its shared fundamental values, belief and norm, which he collectively termed as interpretive scheme, remain basically the same as they have always been (Laughlin, 1991). This first order change may even turn back to its original structure and systems (referred to as 'design archetype') when rebutted. The second order change stems from environmental disturbance, and "will result in changes not only in those elements altered by first order change *but also* in the interpretive scheme" (Laughlin 1991, p. 215)(emphasis in original).

In sum, the broad review on organisational change literature indicates that there is a growing interest in the complexity and dynamics of organisational changes process. As Pettigrew, Ferlie and McKee (1992, p. 9) so aptly put it, "[T]he analytical challenge is to connect up the content, contexts and processes of change over time to explain the differential achievement of change objectives".

The following sections provide a review of the types of continuous improvement initiatives undertaken by the case company. A broad review of the literature shows that except for ERP implementation, majority of the studies focus on the intricacies of changes rather than the dynamics of the change processes.