Managing change in China: a computer based simulation from an external perspective

By Marianna Amy Crestani

INTRODUCTION: *On Saturday 19th November* **Sietar Italia** *offered its last seminar for 2011:* **David Trickey** *and myself,* **Marianna Amy Crestani,** *facilitated a chance to explore some of the strategic, tactical and emotional factors in introducing a process change into a Chinese operating context. Working in Change Teams, the participants created a strategy and then implemented it through taking a variety of change initiatives over a 22 week simulated timeframe. The computer simulation provided immediate feedback on the Chinese managers' reactions to the actions, which respond according to Nanjing University's research into what works (and what doesn't work) when implementing change into Chinese corporations. The participants—mainly trainers and consultants— also had the possibility to see themselves from an external perspective since the emotional roller coaster experienced during the simulation was carefully immortalized by pictures taken on the spot. Thanks to the permission given by the participants to use these pictures, in the following article I will provide a brief introduction to the context as from which the computer based simulation was developed followed by an exploration of the different moments of the workshop through a gallery of pictures.*

SOME BACKGROUND INFORMATION:

As organizational change, and in particular change driven by information and communication technology, has become an important way to improve the efficiency of business processes, more and more organizations are paying increasing attention to helping their managers acquire the necessary knowledge and skills to better manage such change.The LingHe Simulation is a computer-based interactive multimedia simulation which models the dynamics of organizational change in a typical Chinese business environment. The simulation aims to stimulate and

Albert Angehern

A caricature of Albert Angehern, the 'mind' behind the simulation game

enhance managerial understanding of organizational resistance to change and of how to more effectively implement changes.

THE CONTEXT: THE LING HE COMPANY

The Ling He Company (LHC) is a switching equipment manufacturer founded in 1975 and located near Changsha in Hunan province (southern China). LHC is a state-owned enterprise controlled by the Ministry of Information Industry, and a major supplier to the local telecom industry. As with most state-owned enterprises, LHC has no board of directors but essentially operates under the direction of its general manager, Mr. An Cheng. In spite of its respectable financial performance, the Ministry of Information Industry recently decided to sell a 60 percent stake in LHC to SinoCom, China's largest national telecom operator and internationally considered one of the country's best-managed enterprises. This move was intended to induce LHC to adopt managerial best practices and to consolidate the national telecom industry to better handle foreign competition.

THE CHANGE PLAN

SinoCom's success was attributed to a combination of solid but lean management, tight financial and operational performance measurement, and employment of an enterprise-wide, computer-based **performance management system (PMS).** The management team at LHC was left intact following the change in ownership, in no small measure due to Mr. An Cheng's negotiating skills. However, SinoCom insisted that the management structure had to be simplified and LHC was to introduce the managerial best practices found in its operating units. Initial actions included a significant reduction in the workforce. It was also seen as essential that each senior manager set and adopt both personal and departmental goals

"The pace of change is so fast [in China] relative to a lot of other places that, unless it is well articulated as an evolution, the corporate headquarters often find it hard to understand why the company had strategy A in China and now has strategy B"
Gordon Orr Director, Shanghai Offices McKinsey & Co

and start using the corporate PMS to monitor and report on progress toward the achievement of these goals. Thus so far, no such PMS has been introduced, much to the dismay of Sino-Com.

Your Challenge

- You are sent by the HQ of the largest and best managed Chinese Telecom Company (SinoCom) to introduce an important innovation into LingHe which SinoCom has recently acquired a 60% stake.
- LingHe has a financially successful and autonomy-oriented management team. The team members head the departments with full and sole responsibility, reporting to An Cheng the GM. SinoCom wants them to set and monitor & report on departmental goals performance targets.
- You should ensure a PMS is adopted by top management as part of a restructuring & best practices process to be able to compete with future foreign entrants. Until now LingHe has delayed the introduction of the PMS.
- But systems now need to be harmonized with the ones of the whole group.

AND HOW TO GO ABOUT IT:

Define your Strategy

CLEAR OBJECTIVES → HOW TO GET THERE? →

- Determine **which tactics** will you use,
  with **whom**,
  and **when**

**THE SIMULATION GAME: FROM A TO Z**

The LingHe simulation game, therefore, provides a 360 degrees learning experience during which the change strategists (the participants) define a strategy followed by a change implementation process for which they receive constant feedback from the change recipients. The end goal it to have insight into the dynamics of diffusion, change and resistance in China while operating in a risk-free context in which quick solutions, though, do not work. More specifically, the participants can choose among many different initiatives to meet the goal. In some
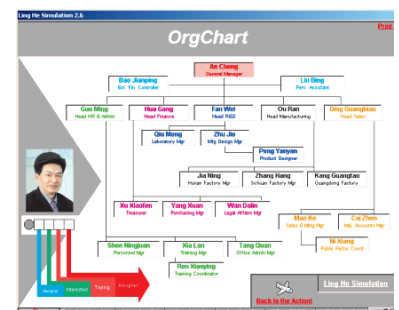
For Westeners there is the need to introduce innovation by adapting their managerial styles to suit the context

CHANGE STRATEGISTS

CHANGE IMPLEMENTATION PROCESS

CHANGE RECIPIENTS

TO HAVE INSIGHT INTO:
The dynamics of diffusion, change & resistance in China

For China, change is happening at a pace where there is little past experience

cases, people may want to gather information on the managers (for example, who has lunch with whom, etc.) In other cases, taking direct action to convince the managers and thus influence their willingness to adopt the proposed innovation could be the best option. The **end objective** is to get as many adopters as possible in the shortest time. The simulation also provides the possibility to continuosly monitor the progress of the strategists in getting the Chinese management team to move though the phases of AWARENESS, INTEREST, TRIAL and, finally, ADOPTION of the Performance Management System.

THE SIETAR ITALIA WORKSHOP
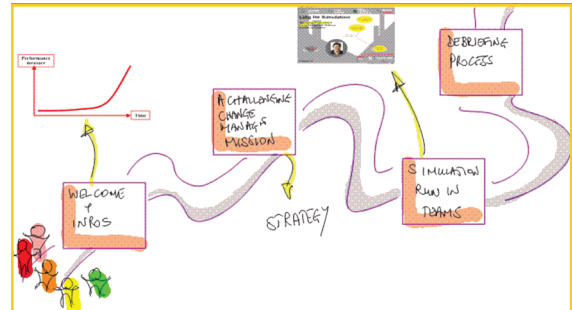
STEP 1: DEFINING THE STRATEGY

The group of participants was divided into 3 subgroups and assigned the first task of writing down the strategy in 10 minutes. This change strategy had to guide the groups through the project and could to be chosen among a 'top-down', 'bottom-up', 'impose it' and 'selling' strategy. At any

The LingHe organizational chart

moment during the simulation, the strategy could be reviewed and revised though the important starting point was that to try and understand the context in which they were going to operate.

3 SUBGROUPS—3 KEY WORDS: each subgroup defined a strategy and each strategy was clearly guided by one key principle:

- Harmony

- Relationship

- Structure

STEP 2: IMPLEMENTATION

After defining the strategy, the implementation phase begun during which precise actions had to be taken for which immediate feedback was received…

Within 30 minutes some dominant reactions were clearly visible starting with a certain degree of impatience, frustation but also culturally driven change strategies came to the surface. Most of the participants, in actual fact, showed a tendency of interpreting the feedback from a Western perspective according to which change is 'implementation by doing' and not 'informing the whole range of networks within the LHC about the change'. Little time was spent looking into the background of all 22 change recipients in order to identify the 6 key players that could actually be persuaded to use the PMS. Meanwhile, time pressure made the participants act more and more in accordance to their natural predisposition of 'discussing less and acting more' while justifying as a lack of trust on behalf of the Chinese recipients the negative feedback received to the suggestions implemented.

In addition to this, the emotional crescendo was clearly visible from the outside and confirmed by the people who would say:

'This is real culture shock!'...

'We need to act…
time is running out…'

'What shall we do?'

After 60 minutes, another 10 were given and despite the scores reached by each subgroups, no group managed to get any adopters!

STEP 3: DEBRIEIFING

The key lessons related to managing change in China can be summarised as follows:

Key Lessons

Change is a Process :
- Match *Tactics* to
  - *Profiles* (e.g. Innovator vs Late Majority),
  - *Strategies* (e.g. networking), and
  - *Timing*   (when in 4 phases of adoption)
- Make use of the *Bandwagon Effect*

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East vs West : lessons for Western managers
- double "tipping point"
  - *Lower management will not commit before top management*
  - *Top management will not commit unless certain outcome*
- need to communicate at *all* levels
  … time consuming
  … use range of communication channels
- reduce uncertainty & highlight benefits

LingHe Simulation®

East vs West: lessons for Chinese managers
- *overestimation of Emotional Intelligence*
  - *Too much time spent on developing relations*
- ignoring lower management levels
  … may *under*estimate their (informal) influence
  … may overestimate one's authority
- *risk avoidance* when faced with uncertainty
  … yet risk is *inherent / unavoidable* !

And, as far as, the experience of seeing yourself from an external perspective while going through a highly engaging simulation, here are some comments:

' It was very insightful and great to be on the other side for a change'

'It was so real that Martina and I had back and shoulder ache from the anxiety of trying to get those adopters in the bag'

'Very interesting to see ourselves and our reactions'

The 'learning by doing' experience guaranteed by the LingHe simulation, therefore, emphasises that introducing change not only involves making the right choices but also implementing them the right way… which can be pretty complex tasks especially in a cross-cultural context!

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