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Change Leadership in Small Enterprises: Evidence from Singapore¹

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Abstract: Leading change processes in an enterprise is a challenge for many entrepreneurs. Numerous elements influence the outcomes of such transformation processes, including the adopted change leadership style, the implementation skills of the entrepreneur, the particular scenario of change in terms of urgency of change and resistance, the scale of change as well as macro variables. This article sheds light on the change leadership approaches of small Chinese entrepreneurs in Singapore. It aims at examining widespread common-sense assumptions that ‘Asian’ small entrepreneurs adopt mostly directive-coercive (autocratic) change leadership approaches. We argue that there is indeed a great diversity and heterogeneity amongst small firm owners in Asia with regard to their change leadership practices and that the respective change leadership implementation approaches are contingent upon both demographic variables and situational forces such as the urgency of change, the degree of resistance to change and/or the dynamics of the environment in which the firms operate. Data from a SME survey in Singapore (n = 101) serve to substantiate our hypotheses about change leadership in Singapore’s SME sector which will have to be systematically tested based on a bigger, representative sample.

Key words: change leadership, organizational change, SMEs, Singapore

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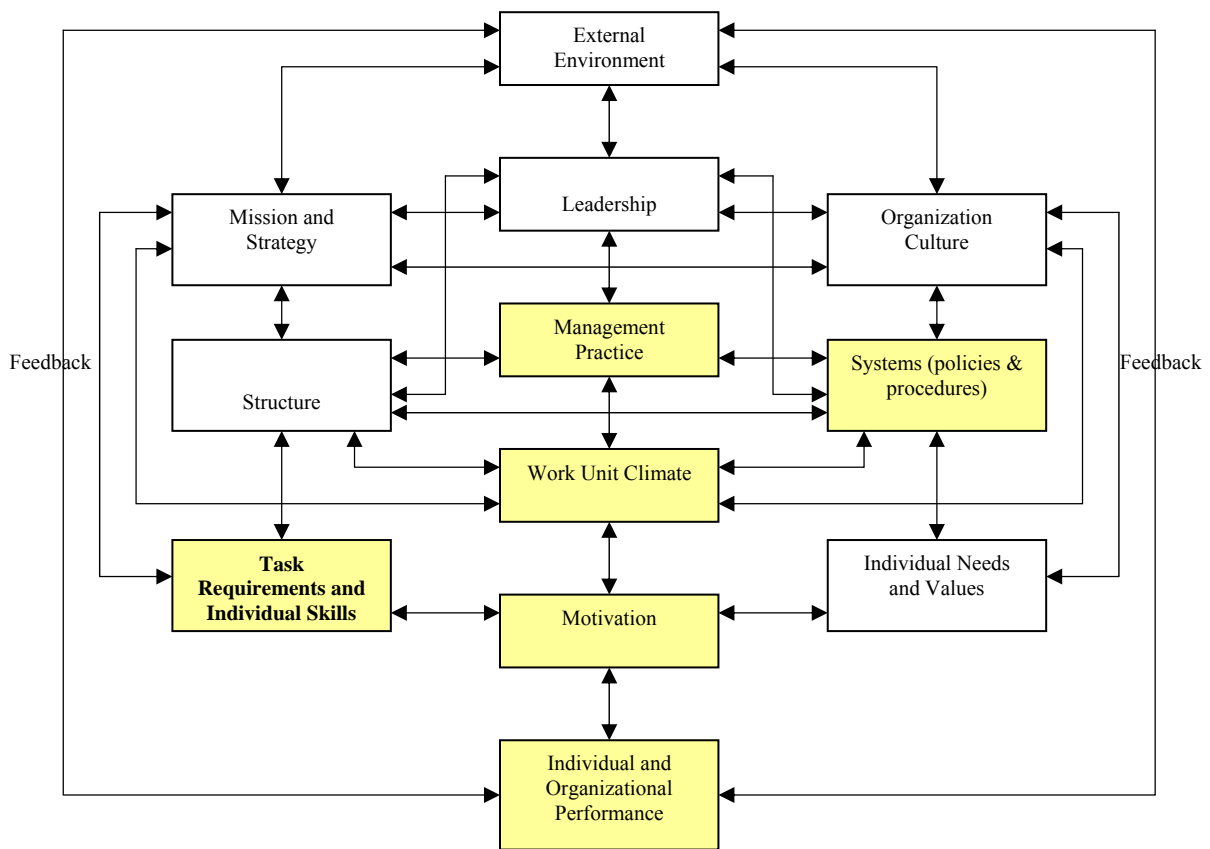
Introduction: Small Enterprises between Continuity and Change

Major environmental changes such as the on-going process of economic globalization, intense competition, the rapidly evolving knowledge-based economy, continuous IT innovations such as E-commerce etc. have focused management's attention on managing discontinuities in organizations' lives. As business management gurus argue, these external forces of change require not only 'adaptive', 'flexible' organizations and 'new' management approaches but also competent managers able to adapt to changing times and to manage organizational change (Beckhard 1969; Beckhard and Harris 1987; Tushman et al. 1997; Schaefer and Thomsen 1998; Bjerke 1998; Menkhoff and Gerke 2002, 2004). In view of turbulent markets, the need for SME owners to make strategic responses towards the changing environment is crucial for sustaining success and survival (Pfeffer and Salancik 1978; EIU and Andersen Consulting 2000).

Organizational change refers to both planned and unplanned transformations of an organization's structure, technology and/or human resources (Leavitt 1965). Planned organizational change entails activities that are intentional and purposive in nature and designed to fulfill some organizational goals. It emphasizes managerial *choice* (Child 1972, 1997) in contrast to unplanned change, which implies shifts in organizational activities due to forces that are external in nature and beyond the organization's control. In the literature on organizational change, planned change is often used synonymous with organizational development (OD) while unplanned change is discussed in the context of adaptation (Dyer 1985; Kirkpatrick 1985). Planned organizational change interventions are typically designed and sequenced by an internal or external change / OD agent, following a detailed diagnosis of an organization's shortcomings and needs. One of the core competencies of change agents is 'change management' which professional change

management consultants define as a systematic process of aligning the organization's people and culture with changes in business strategy, organizational structure, systems and processes resulting in ownership and commitment to change, sustained and measurable improvement and improved capability to manage future change.

Figure 1: Burke and Litwin's (1994) Model of Organisational Change



Organizational change practitioners have developed various models detailing such change processes. Burke and Litwin's (1994) "diagnostic" model (see Figure 1) is a notable example. Figure 1 illustrates the complex interrelationships between environmental forces, intraorganisational change targets, feedback loops etc. Burke and Litwin distinguish between transactional change and transformational change. Transactional changes are defined as "alterations [which] occur primarily via relatively short-term reciprocity among

people and groups” (Burke and Litwin 1994:76). Transformational changes are seen as “alterations caused by interaction with environmental forces and therefore requiring entirely new behaviour sets on the part of organization members” (Burke and Litwin 1994:75). Effective transformational change with regard to management practices, organisational climate, communication and/or motivation patterns (as indicated by the shaded areas in Figure 1) requires special competencies, and is much more difficult to implement compared to changes in the area of leadership, structure or strategy as indicated in Figure 1.

Research on ‘Asian’ firms (e.g. Menkhoff, Kay and Loh 2002) suggests that the response of many family-owned SMEs to the new wave of economic and technological forces is insufficient. Systemic management of change targets² such as strategy, people, technology and so forth represent challenges for SME owners. A survey (Chua 2001) of 158 ethnic Chinese enterprises in Singapore showed that a relatively large proportion of these firms pay insufficient attention to IT skills upgrading, innovation as a source of competitiveness, product customization, customer satisfaction and e-commerce operations. Based on these indicators, the authors concluded that many SMEs in Singapore are not yet ready for the new economy. Predictors and key ingredients of entrepreneurial ‘new economy compliance’, however, remain unclear.

Whether ethnic Chinese small enterprises in Singapore are ‘ready’ for the new economy is a hotly debated issue in the dynamic city state. SME policy makers are hopeful that new economy related assistance schemes would motivate more local small entrepreneurs to embrace related changes proactively. To increase the online transaction

² According to Leavitt (1965:1145), change targets such as structure, technology, people and tasks are highly interdependent whereby “change in any one usually results in compensatory (or retaliatory) change in others”. The task variable refers to the goal of organizations in producing goods and services, “including the large numbers of different but operationally meaningful sub-tasks that may exist in complex organizations” (Leavitt 1965:1144); actors (people) refer to individuals who, in return for a variety of inducements, make contributions to the organization; technology refers to the setting and techniques whereby work is performed; and finally, structure refers to the systems of communication, authority and work-flow that exist among participants of the organization.

capability of local SMEs and to encourage small entrepreneurs to adopt “ready-made” e-commerce solutions, both Singapore’s Standards, Productivity and Innovation Board (SPRING) and the Infocom Development Authority of Singapore (IDA) have implemented various new economy related SME upgrading schemes in the past few years. The characteristics of those small entrepreneurs who took up the challenge (and those who did not) have yet to be ascertained by empirical research.

The present study was carried out to discover the change propensity of the local business community vis-à-vis the rapidly changing business environment. The following research questions guided our inquiry:

Research Questions

Initiation of change: To what extent are planned or unplanned transformations with regard to the organizational structure, technology, human resources and so forth initiated by local SME owners?

Change targets: What kind of changes and adjustments have been implemented in key organizational change components (structure, technology, people etc.)?

Nature of change: Has organizational change initiated by Singaporean SME owners been largely *unplanned and reactive* in nature (i.e. as a response to forces that were external in nature and beyond the organization’s control), or *planned and proactive*, i.e. based on measures which were intentional and purposive in nature?

Scale of change: Were the change measures adopted mostly *continuous and incremental* (first-order change) or more *fundamental and transformative* (second-order change)?

Change leadership style: What kinds of change leadership styles are prevalent in Singaporean SMEs? Are they mostly collaborative, consultative, directive and/or coercive?

Change leadership approaches to incremental change: What is the most frequent *change management scenario* local SME owners encounter in their firms in terms of urgency of change and resistance level in the context of *incremental change*? What kind of change management approach is used to implement incremental change? Is the approach appropriate and effective in terms of performance outcomes?

Change leadership approaches to transformative change: What is the most frequent *change management scenario* local SME owners encounter in their firms in terms of urgency of change and resistance level in the context of *transformative change*? What kind of change management approach do the owners of Singaporean SMEs use in implementing transformative change? Is the approach appropriate and effective in terms of performance outcomes?

Appropriateness and effectiveness of chosen change implementation approach: How many of Singapore's SME owners make use of autocratic change management styles and how effective are they? Does successful organizational change in local SMEs require shared participative management approaches?

Conceptualization and Hypotheses

Leading change processes in an enterprise is a challenge for entrepreneurs. Key elements that influence the nature and outcomes of change processes include the adopted change leadership style of the entrepreneur, his/her personality, the particular scenario of change in terms of urgency of change and resistance levels, the extent of change as well as macro variables. While it is easy to argue that "effective" change leadership represents an essential precondition for the positive outcome of change measures, it is difficult to measure it. Perhaps due to the methodological and access problems of doing research on change leadership patterns in Chinese firms, there is a dearth of empirical studies on corporate change in Asian firms.

Studies of local firms suggest that a large number of Singapore's owner managers of SMEs do practice an autocratic style of management characterized by "concern for production" (rather than people), "telling" and "directive" leadership behaviours and the dearth of "transactional" or "transformational" leadership (Menkhoff 1993; Menkhoff and Kay 2000; Tong and Yong 2002, Tsui-Auch 2003). Autocratic managers are often believed to be less receptive to change compared to those who are more participative in their management style. According to the early entrepreneurship literature, entrepreneurs who adopt a 'one-man rule' (i.e. combining the role of both chairman and CEO) often tend to dominate rather than to lead, practice a non-participatory board, have an unbalanced top team and lack of management depth and ultimately, respond badly to change. "One-man

show” owners (Smith and Miner 1983) tend to be autocratic in style, unilateral in decision making and short term orientated and may not adapt well to change. One conclusion which could be drawn from such a view is that change initiatives implemented by managers who practice a more participatory management style are more likely to achieve positive outcomes in form of employee buy-in, improved firm performance etc. than those implemented by autocratic managers.

Notwithstanding the dearth of empirical data, Asia watchers often assume that Chinese small entrepreneurs adopt mostly autocratic change leadership approaches which we define as (i) *directive* styles based on use of authority as well as (ii) *coercive* styles whereby the top decision-maker forces or imposes change on the organization (Mackie 2003:20). We argue that there is a great diversity and heterogeneity amongst small firm owners in Asia with regard to their change leadership styles and that the respective change leadership approaches are contingent upon both demographics and situational forces such as the urgency of change, the degree of resistance to change and/or the dynamics of the environment in which the firms operate. There are different routes to achieving change such as compliance or commitment both of which incur certain costs, but at different stages. Business environments and situations do differ from industry to industry and might necessitate either more participatory or more coercive change leadership approaches to implement sustainable changes according to circumstances. Therefore, we believe that contingent and situational leadership theories (Lussier and Achua 2004) are more appropriate conceptually to serve as heuristics in understanding change management (leadership) approaches used by the owner-managers of Singaporean SMEs.

Due to the wide variety of potential frameworks and difficulties to operationalize and to measure change leadership competencies objectively, we adopted a pragmatic approach and used two matrices developed by Dunphy & Stace (1990) and summarized by

Buchanan and Huczynski (1997:464-467) as heuristics to gain more insights into the change leadership behavior of local SME owners with regard to both incremental and fundamental change. The essence of their situational change leadership model is illustrated in Figures 2 and Figure 3.

Figure 2: Change Leadership Styles to Incremental and Transformative Change

		<u>Scale of Change</u>			
		Fine Tuning	Incremental Adjustment	Modular Transformation	Corporate Transformation
<u>Style of Change</u>					
Collaborative Consultative	<i>Type 1</i>	Participative Evolution		<i>Type 2</i>	Charismatic Transformation
Directive Coercive	<i>Type 3</i>	Forced Evolution		<i>Type 4</i>	Didactical Transformation

Source: (Buchanan and Huczynski 1997:465)

Dunphy and Stace distinguish between four different categories of *change leadership style*:

- Widespread employee involvement in key decisions affecting their and the organization's future (*collaborative style*);
- Limited involvement in setting goals relevant to employees' areas of responsibility (*consultative style*);
- Use of managerial authority in reaching decisions about change and the future, and about how change will proceed (*directive style*);
- Senior management forcing or imposing change on the organization (*coercive style*).

The *scale of change* is defined in terms of four main categories:

- Improving and refining methods, policies and procedures, typically at the level of the division or department (*fine tuning*);
- Distinct modifications to strategies, structures and management processes, but not radical enough to be described as strategic (*incremental adjustment*);
- Radical realignment or restructuring of parts of the organization (such as departments and divisions) but not the whole (*modular transformation*);
- Revolutionary changes throughout the organization, to structures, systems and procedures, to mission and core values, and to the distribution of power (*corporate transformation*).

The matrix above suggests that there are *four ideal change strategies* depending on the particular change management scenario: *participative evolution, charismatic transformation, forced evolution and didactical transformation* (Buchanan and Huczynski 1997:465). In line with their contingent change leadership approach, it is argued that *incremental, collaborative-consultative modes* are not always appropriate, esp. where there is a high urgency of change combined with high resistance towards change. In such situations, transformative, directive-coercive modes might be more efficient ways of implementing necessary changes quickly.

Figure 3: Dunphy and Stace's Contingency Approach to Change Implementation

<u>Modes</u>	<u>Incremental Change Strategies</u>
Collaborative-Consultative Modes	Participative Evolution Use when the organization needs <i>minor adjustment</i> to meet environmental conditions, where time is available, and where <i>key interest groups</i> <u>favour</u> change.
Directive-Coercive Mode	Forced Evolution Use when the minor adjustments are required, where time is available, but where <i>key interest groups</i> <u>oppose</u> change.
	<u>Transformational Change Strategies</u>
Collaborative-Consultative Modes	Charismatic Transformation Use when the organization needs <i>major adjustment</i> to meet environmental conditions, where there is little time available, and where there is <u>support</u> for radical change.
Directive-Coercive Modes	Didactical Transformation Use when <i>major adjustments</i> are necessary, where there is no time for participation, where there is <u>no</u> internal support for strategic change, but where this is necessary for survival.

Source: (Buchanan and Huczynski 1997:466)

While in reality, a blend of different change leadership approaches might be used to tackle different situations and challenges, the change leadership concept of Dunphy and Stace represents a helpful device to explore the contingent change leadership behaviour of Singaporean SME owners.

Propositions

The key propositions which are of interest in this study are as follows:

Nature of change: Changes implemented by Singaporean SME owner-managers have mainly been *unplanned and reactive* by nature, i.e. shifts in organizational activities were conducted to adapt to forces that were external in nature and beyond the organization's control. The number of SME owner-managers who implemented *planned change*, i.e. measures, which are *proactive*, intentional, purposive in nature and designed to fulfill

certain organizational goals, is small compared to those whose change measures were unplanned.

Scale of change: Change measures implemented in local SMEs have been mainly *continuous and incremental* in nature (first-order change), consisting of minor improvements and adjustments that do not change the system's core, and that occur as the system naturally grows and develops. The number of local SMEs who have implemented *transformative* change approaches (fundamental, radical, second-order change), involving many different levels of the organization, technology, structure and/or culture in terms of a paradigm shift, is comparatively small.

Change leadership style: We argue that directive-coercive modes of change leadership styles dominate amongst Singaporean SMEs and that collaborative-consultative modes are not so common.

Change leadership approaches to incremental change: The most frequent change management scenario local SME owners do face in the context of incremental change is characterized by / perceived as one of low urgency and low resistance. *The most frequent change leadership approach used by local SME owners to implement incremental change can be characterized as directive-coercive (forced evolution).* Change initiatives implemented by managers who practice a more participatory and persuasive change leadership style are likely to bear positive outcomes in form of improved firm performance than those implemented by autocratic managers.

Change leadership approaches to transformative change: The most frequent change management scenario local SME owners do face in the context of transformative change is characterized by / perceived as one of high urgency and high resistance. *The most frequent change leadership approach used by local SME owners to achieve transformative change can be characterized as directive-coercive (didactical transformation).* Change initiatives implemented by managers who practice a more participatory and visionary change leadership style are more likely to bear positive outcomes in form of improved firm performance than those implemented by autocratic managers.

Methodology and Sample

The data for the present study was collected by means of semi-structured interviews and survey questionnaires. In depth interviews were conducted with two groups of participants. The first group of interviewees comprised management consultants and representatives of organizations promoting SME, for instance, SPRING. Senior executives, HR specialists and junior-level employees of SMEs were also interviewed.

Information concerning participant and organizational characteristics was collected by means of survey questionnaires. The English version of the questionnaire was translated into Mandarin and back-translated into English to insure accuracy and consistency in the translation process. The questionnaire was pre-tested on a group of small business owners and subject matter experts to ensure that all the questions were adequately formulated and understood.

The target survey group was drawn from corporate members of the Singapore Chinese Chamber of Commerce and Industry (SCCCI), which has a total membership of about 3,000. Survey questionnaires were sent to 1,000 SCCCI members, randomly selected from the membership list. 101 completed questionnaires were returned with a response rate of 10.1 percent. The final sample comprised small and medium-sized firms (defined as firms with less than 200 employees) operating in different sectors that included manufacturing (28.7 percent), trading (23.8 percent), professional services (20.8 percent), retailers (8.9 percent) and others. 84 percent of respondents were male.

Survey Results: How Singapore's Small Entrepreneurs Manage Organizational Change

Business Characteristics and Entrepreneurial Profile

The typical firm surveyed was a 100% locally-owned, private limited company established in the early 1990s by the respondent, who owns a substantial proportion of the business without any involvement of external parties, such as institutional and/or equity investors. The average respondent turned out to be a middle-aged (42.4 years), English-educated, male Chinese Singaporean with tertiary education and a specialization in engineering or

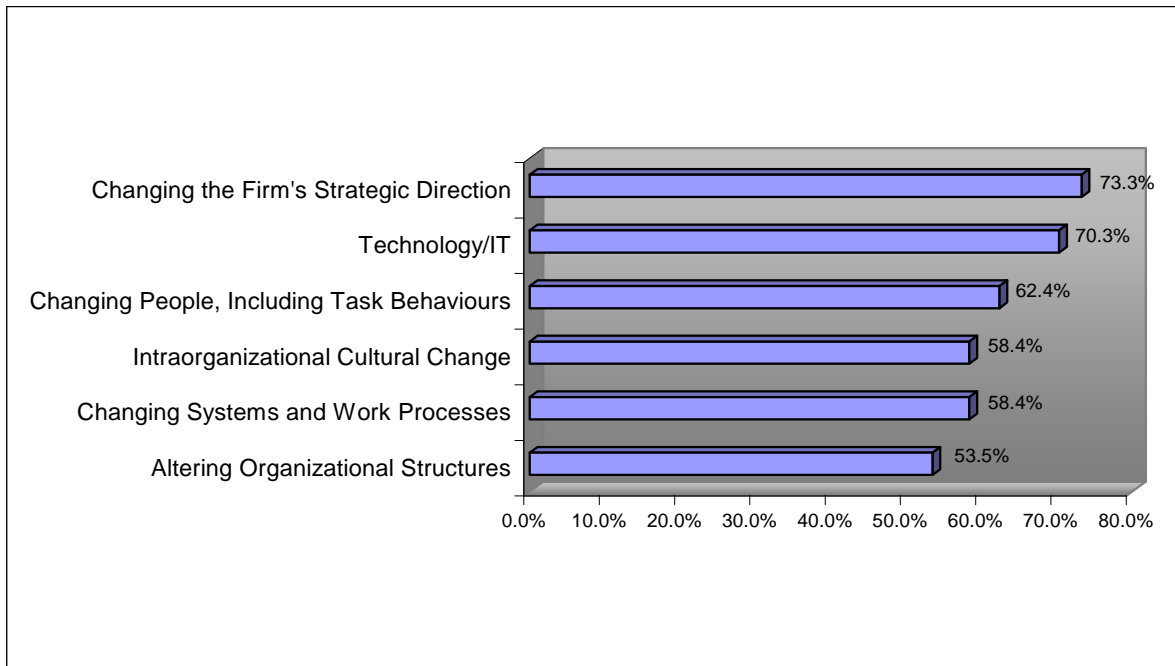
management. He has been in his current position for 10.5 years, with an average organizational tenure and total working experience of 13.3 years and 20.8 years respectively.

Most respondents perceived themselves as ‘opportunistic entrepreneurs’ (46.5%) who are achievement-oriented, effective in terms of adaptation, business planning etc., and willing to take risks (Smith 1967; Carland, Boulton and Carland 1984; Bracker, Keats and Pearson 1988). ‘Craftsman entrepreneurs’ typified in the entrepreneurship literature as relatively non-adaptive and more risk adverse persons aiming for a comfortable living rather than the highest possible level of performance (Filley and Aldag 1978) made up 36.6% of the sample. About 17% of the respondents could not be categorized. Most local entrepreneurs (52.5%) classified themselves as risk-takers while 36.6% appeared to be more risk-averse (i.e., not willing to take risks); 10.9% were neutral. With regard to the degree of change propensity, 76.2% of the sampled entrepreneurs turned out to be receptive to change while 13.9% were not (about 10% were neutral).

Initiation of Change and Change Targets

The survey suggests that the sampled Singaporean SME owners implement organizational change measures on a routine basis. Changing the firm’s strategic direction and technology, IT-related changes, and changes related to people and their task behaviours were the most frequently adopted measures (See Figure 4).

Figure 4: Most Frequently Adopted Change Measures

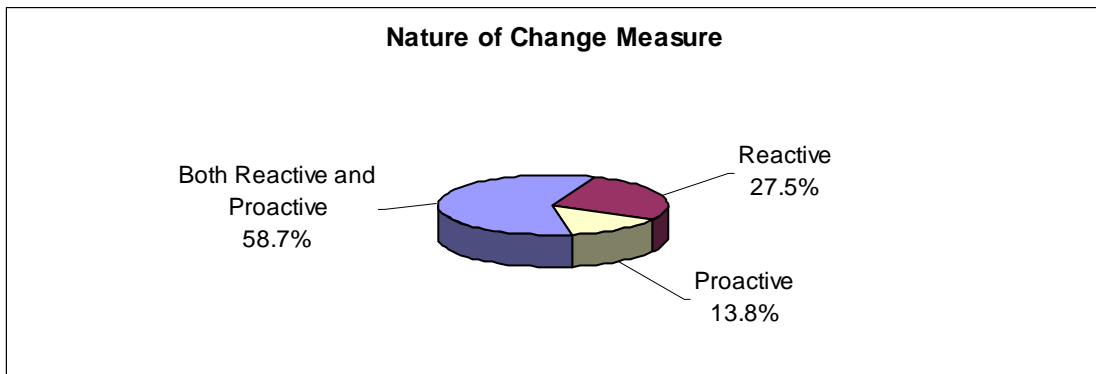


In terms of technology-related changes, internet and E-commerce, purchase of new tools and equipment, and office automation and implementation of online procedures were classified as the three most important, major and critical change areas. Significant people-related changes included the provision of employees with more company-related information, more consultation, and more staff participation in decision-making processes.

Nature of Organizational Change Measures

Figures 5 and 6 present summaries of the planning of organizational change. Most respondents interpreted the nature of organizational change measures, which had been initiated in their firms during the post-Asian crisis years, as both reactive and proactive (58.8%); 27.5% assessed the changes as reactive in nature.

Figure 5: Nature of Organizational Change Measures



Most respondents interpreted the nature of organizational change measures, which had been initiated in their firms, as both reactive and proactive (58.8%); 27.5% assessed the changes as reactive in nature. Only 13.8% of all respondents had proactively implemented organizational change measures in anticipation of future difficulties, threats and opportunities.

The majority (66.3%) claimed that the adopted change measures were based on a detailed plan of action.

Figure 6: Planning of Organisational Change Measure Yes/No

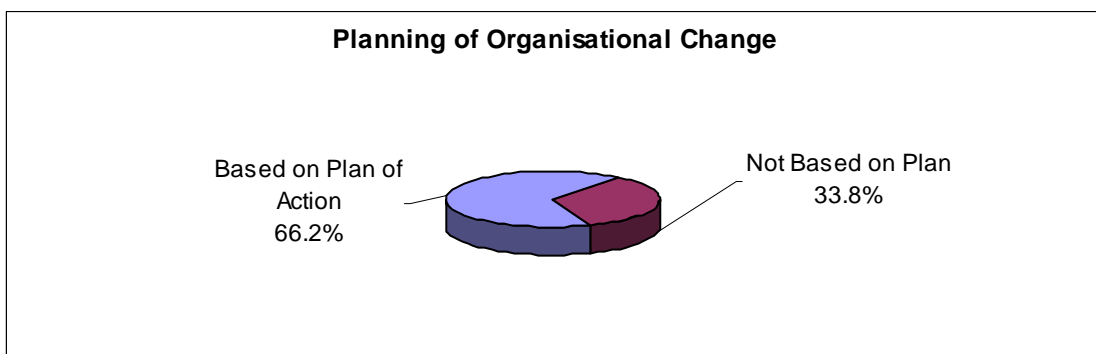
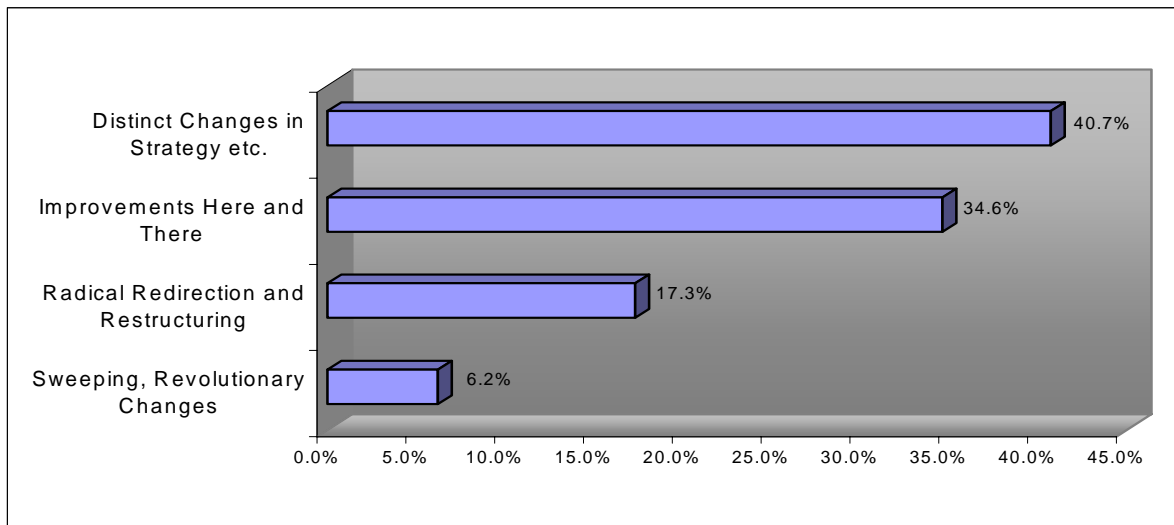


Figure 7: Scale of Organizational Changes initiated by Respondents



Scale of Organizational Change Measures

As Figure 7 shows, more than two thirds of the respondents had implemented *incremental* change strategies (75.3%). Those who characterized the scale of change which had occurred in their firms (eg, changes with regard to strategies, structures and/or management processes) during the post-Asian crisis years as *distinct (incremental adjustment)* made up 40.7% while those who had refined methods and procedures (*fine tuning*) comprised 34.6%.

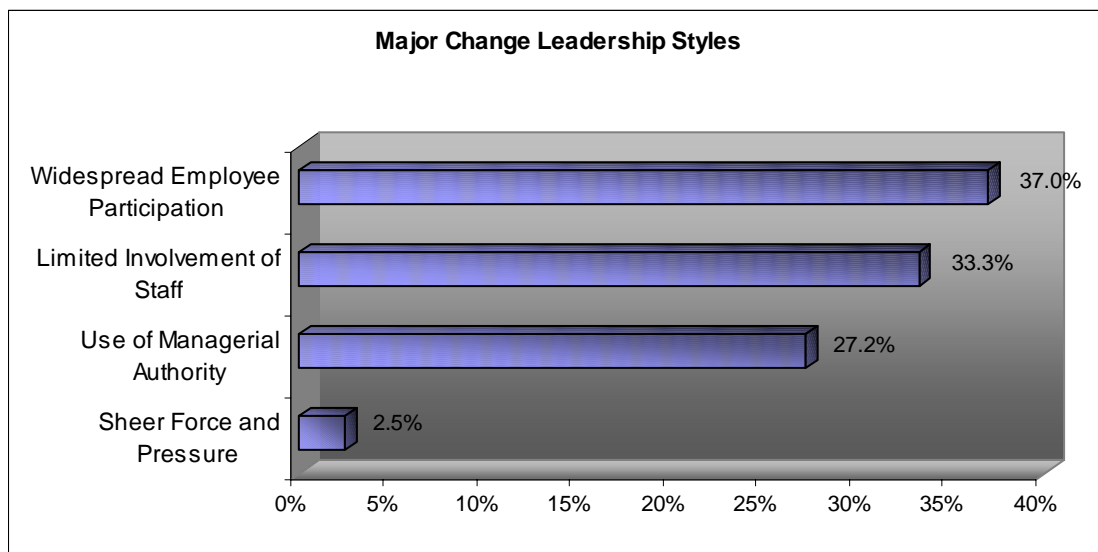
Those who had implemented *transformative* change strategies throughout their firms made up less than a third of the survey participants (23.5%). About 6% of these respondents characterized the changes as revolutionary (*corporate transformation*) while 17% categorized the scale of change as radical realignment and restructuring or what we have categorized as *modular transformation* (see Figures 2 and 7).

Change Leadership Style

Contrary to popular notions of ‘Asian’ small entrepreneurs as being mostly autocratic change leaders, our survey suggests that about two-thirds of the sampled entrepreneurs

(70.3%) used *collaborative-consultative* change leadership modes while the rest of the respondents (29.7%) had used *directive-coercive* change leadership styles (see Figure 8). Altogether, 37% of the sampled businessmen ensured widespread employee participation in key decisions (*collaborative style*) vis-à-vis about 33% whose approach entailed limited involvement of subordinates (*consultative style*).

Figure 8: Change Leadership Style



Of those who had used a more authoritarian approach, 27.2% argued that they use managerial authority to enforce change (*directive style*) while a small minority (2.5%) stated that they use force and pressure (*coercive style*) as shown in Figure 8. The data suggest that the respective change leadership styles are contingent upon situational forces such as the urgency of change, the degree of resistance to change and/or the dynamics of the environment in which the firms operate.

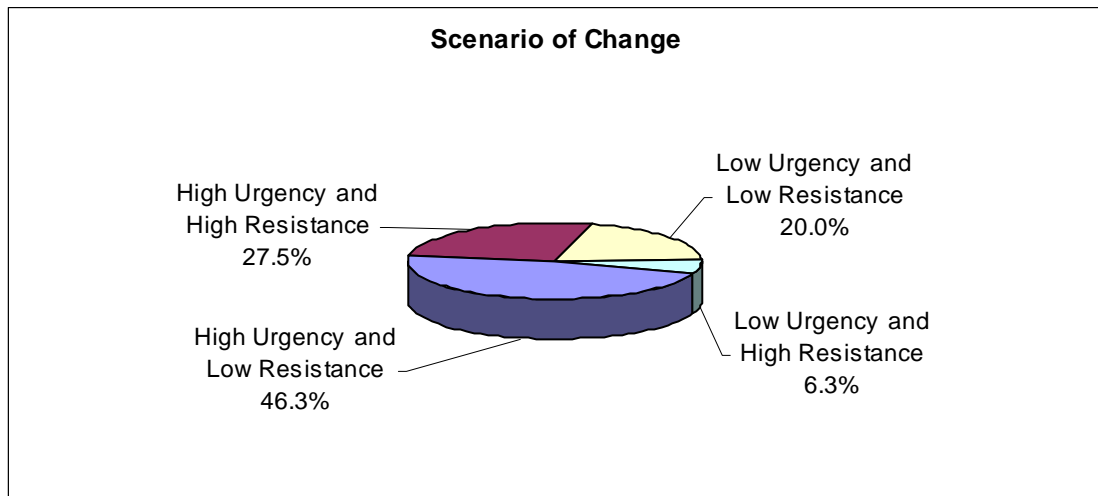
Resistance and Barriers to Change

All firms encountered resistance to change, particularly amongst non-executive employees but also amongst middle managers and top managers. Slightly more than half of the survey participants felt that they had been successful in tackling this problem (57.5%) while 41.3% interpreted themselves as somewhat successful. A small proportion (1.3%) felt that they were not successful in overcoming resistance amongst staff. Cost factors, fear, bad habits and mindset problems, inability of old staff to catch up with new developments, insufficient knowledge about new technologies, managerial perception differences and poor communication were cited as main barriers to change.

Scenario of Change

In terms of change management scenarios, most of the respondents characterized the situation they had faced in their firms during the post-Asian crisis period as one of *high urgency of change and low resistance towards change* (46 percent). As elaborated on earlier, such a scenario may require a “charismatic transformation” as an appropriate change strategy according to the literature. This was followed by *high urgency of change and high resistance towards change* (27.5 percent) – a situation which may legitimize what has been termed “dictatorial transformation” according to theory - and *low urgency of change and low resistance towards change* (20 percent). As stated earlier, the latter scenario can be described as “participative evolution”. About 6 percent of the respondents classified the change management scenario they had faced during the past few years as one of *low urgency of change and high resistance towards change*, justifying a change management strategy which has been termed “forced evolution” (Buchanan and Huczynski 1997:465-466).

Figure 9: Change Management Scenario



Change Strategies and Leadership Approaches to Incremental and Transformative Change

Do Singaporean small entrepreneurs use ‘appropriate’ (Buchanan and Huczynski 1997:465) change leadership approaches? According to Dunphy and Stace’s contingency approach to change implementation, *incremental change strategies* carried out in collaborative-consultative modes are appropriate when the organization needs *minor adjustment* to meet environmental conditions, where time is available, and where *key interest groups favour change* (= low urgency of change / low resistance to change). In case *key interest groups oppose this type of incremental change* (= low urgency of change / high resistance to change), *directive-coercive modes* might be more suitable (see Figure 10).

Figure 10: Appropriate Change Leadership Styles for Incremental Change

INCREMENTAL CHANGE STRATEGIES	
MODE	
	<u>Participative Evolution</u>
<i>Collaborative-Consultative</i>	“Low Urgency of Change / Low Resistance to Change”
	<u>Forced Evolution</u>
<i>Directive-Coercive</i>	“Low Urgency of Change / High Resistance to Change”

Where *major and rapid adjustments* (revolutionary change) are necessary to meet environmental conditions, and where there is support for this type of strategic change (high urgency of change / low resistance to change), *transformative change* (e.g. based on managerial charisma) approaches can be effective. Transformative approaches carried out in directive and coercive ways might be suitable when there is no time for participation and no internal support for planned major adjustments, but where strategic change is necessary for survival (see Figure 11).

Figure 11: Appropriate Change Leadership Styles for Transformative Change

TRANSFORMATIVE CHANGE STRATEGIES	
MODE	
	<u>Charismatic Transformation</u>
<i>Collaborative-Consultative</i>	“High Urgency of Change / Low Resistance to Change”
	<u>Didactical Transformation</u>
<i>Directive-Coercive</i>	“High Urgency of Change / High Resistance to Change”

As illustrated in Figures 7-9, the majority of respondents characterized the change management scenario they had faced as one of high urgency and low resistance (46.3%)

and had used predominantly incremental change strategies (75.3%) as well as collaborative-consultative change leadership modes (70.3%) to deal with it. We label this approach as “participative evolution” in line with the concept by Dunphy and Stace (Buchanan and Huczynski 1997:466). The most appropriate change implementation approach for a situation of *high urgency of change and low resistance* is “charismatic transformation” according to Buchanan and Huczynski (1997:466). Did our respondents act in tune with theory or not?

Figure 12: Scenarios of Change and Adopted Change Leadership Modes

CHANGE SCENARIOS	LEADERSHIP STYLE	
	Collaborative-Consultative	Directive-Coercive
Low Urgency of Δ & Low Resistance to Δ	56.3%	43.7%
Low Urgency of Δ & High Resistance to Δ	60.0%	40.0%
High Urgency of Δ & Low Resistance to Δ	81.1%	18.9%
High Urgency of Δ & High Resistance to Δ	68.2%	31.8%

Table 12 shows the frequency / percentage of respondents who used a specific change leadership style for particular change scenarios. **The data is interesting as the collaborative consultative style dominates all 4 change scenarios (low-low, low-high, high-low, high-high) in contradiction to theory!**

Of those 46% of the respondents who had characterized the situation they had faced in their firms since mid 1997 as one of *high urgency of change and low resistance towards change* (see Figure 9), the majority (81.1%) used appropriate change leadership styles, namely collaborative-consultative modes. Most of those who had encountered a scenario of *high urgency of change and high resistance towards change* (27.5 percent) also used collaborative-consultative styles (68.2%) - contrary to the model by Dunphy and Stace who recommend directive-coercive modes to deal with issues such as resistance and urgent change requirements. Of those 20% of the sampled entrepreneurs who were confronted with a scenario of *low urgency of change and low resistance towards change*, more than 50% used appropriate (collaborative-consultative) leadership modes. A small group of respondents (6 percent) classified the change management scenario during the past three years as one of *low urgency of change and high resistance towards change*. Their predominant change management style was also collaborative-consultative in nature rather than directive-coercive as prescribed by theory.

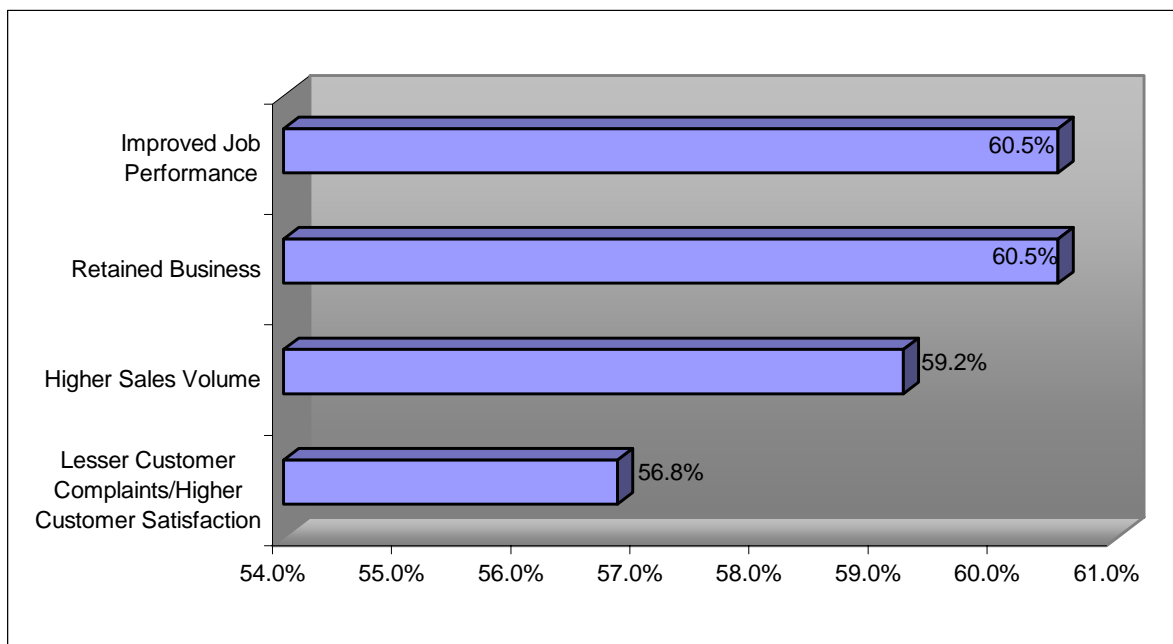
To sum up, the collaborative-consultative style has about twice as many respondents endorsing / using it compared to the directive-coercive. One possible explanation is that our sampled Asian-Chinese entrepreneurs, contrary to popular belief, use the collaborative consultative approach because they are more consensus-seeking than the previous generation (Ng 2002). Also, in the present work generation, directive coercive may not be the 'best' way to effect change; these are entrepreneurs and they know what is most likely to be accepted by employees. However, the downside to this is

that some may argue that in high urgency situations, decisions have to be made quickly, so will a collaborative consultative approach hinder or slow down decision-making processes (Tong 2005)? As the focus of this essay is change management and not decision-making, we are unable to provide an answer to that question.

Outcomes and Benefits of Change Measure(s)

More than half of all survey participants characterized the outcome of organizational change measures as successful (55.6%) and claimed that they had measured the effects of implemented organizational change measures (75.3%). Improved job performance (60.5%) and retained business (60.5%), higher sales volume (59.2%) and lesser customer complaints /higher customer satisfaction were cited as the three most important benefits of change initiatives. (see Figure 13) Adverse administrative effects, increase in staff turnover and disruption of production were cited as the three most important negative consequences of implemented change measures.

Figure 13: Scale of Benefits Obtained by Change Measures



Discussion and Conclusion

This exploratory study attempted to examine change leadership approaches in SMEs owned and managed by ethnic Chinese business folks in Singapore. The findings surprised us in many different ways. Contrary to the sometimes negative image of small entrepreneurs as being backward, risk-averse and static, survey data on the respondents' demographics suggest that the sampled small businessmen and women are flexible, adaptable individuals who – due to their personality traits – are open to the initiation of change and willing to take risks. This hypothesis is supported by data on the firms' change management practices. First of all, there is evidence that the majority of the sampled small entrepreneurs in Singapore do indeed initiate organizational change measures in their firms on a routine basis - contrary to widespread assumptions about their backwardness and insufficient responsiveness to external changes. While we expected that technology changes would outnumber structural and other changes implemented by the owners of Singaporean SMEs, key change targets in order of importance comprised the firm's strategy, technology / IT, people, incl. their task behaviors, cultural change, systems and work processes as well as organizational structures.

As far as the nature of change is concerned, most of the changes implemented by the sampled small entrepreneurs were interpreted as both *reactive* (unplanned) and *proactive* (anticipatory) in nature. In 27.5% of all cases, interviewees characterized the nature of change as *reactive*, i.e. shifts in organizational activities were conducted to adapt to forces that were external in nature and beyond the organization's control. The number of SME owner-managers who had implemented *proactive* and intentional measures, purposive in nature and designed to fulfill certain organizational goals, was - with 13.8% - larger than expected. About two third of all respondents claimed that the adopted change

measures were based on a plan of action. With regard to the scale of change, change measures implemented in local SMEs turned out (as expected) to be mainly *continuous and incremental* in nature (first-order change), consisting of minor improvements and adjustments that do not change the system's core, and that occur as the system naturally grows and develops (75.3%). The number of local SMEs who had implemented *transformative* change approaches (fundamental, radical, second-order change), involving many different levels of the organization, technology, structure and/or culture in terms of a paradigm shift, was comparatively small (23.5%) - but bigger than expected.

Another (big) surprise was the analysis of our change leadership data. Contrary to our hypothesis that directive-coercive modes of change leadership styles would dominate amongst Singaporean SME owner-managers, we found a very large number of respondents who used collaborative-consultative leadership modes (70.3%). *Change leadership approaches to incremental change*: while we had expected that the most frequent change management scenario local SME owners faced in the context of incremental change would be characterized by / perceived as one of low urgency and low resistance, in actual fact it was one of high urgency and low resistance. The most frequent change leadership approach used by local SME owners to implement incremental change was collaborative-consultative (participative evolution) rather than directive-coercive (forced evolution) in line with our initial hypothesis. It seems that change initiatives implemented by business leaders who practice a more participatory and persuasive change leadership style are more likely to bear positive outcomes in form of improved firm performance than those implemented by autocratic managers. With regard to *change leadership approaches to transformative change*, the study found that about a quarter of the respondents (23.5%) turned out to be transformational change leaders.

While we had expected that the most frequent change management scenario local SME owners faced in the context of transformative change would be characterized by / perceived as one of high urgency and low resistance, resistance turned out to be an issue. This, however, was not tackled by using directive-coercive (didactical transformation) leadership styles as stated by the theory. Again collaborative-coercive methods prevailed, suggesting that change initiatives implemented by managers who practice a more participatory and visionary change leadership style are more likely to bear positive outcomes in form of improved firm performance than those implemented by autocratic business leaders.

While possible limitations of the study such as sample bias and lack of representativeness have to be taken into account, it seems that Singapore SMEs are more sophisticated when it comes to organizational change practices than we had anticipated. An important intervening variable in this context is probably the supportive role of Singapore's state as illustrated by Singapore's first *SME Master Plan* that operated from 1989 onwards and the subsequent launch of the second SME master plan (*SME 21*) in 2000. These policy and upgrading programme initiatives played a significant role in developing an entrepreneurship infrastructure (Tan, Tan and Young 2000; Tsui-Auch and Lee 2003), and it is very likely that the respondents are well aware of the benefits of change management and leadership. Therefore, future research will have to account for the areas in which government incentives have addressed areas of organizational change.

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