Establishing a Change Management Model for Precision Machinery Industry in Taiwan

Feng-Tsung Cheng, Shu-Li Wang, Mei-Fang Wu, Hui-Yu Chuang

Abstract—The rapid development technology and widespread Internet make business environment changing a lot. In order to stand in the global market and to keep subsistence, “changing” is an unspoken rule for the company's survival. The purpose of this paper is building up change model by using SWOT, strategy map, KPI and change management theory. The research findings indicate that the company needs to deal with employee's resistance emotion first before building up change model. The ways of providing performance appraisal reward, consulting and counseling mechanisms that will great help to achieve reducing staff negative emotions and motivate staff's efficiencies also. To revise strategy map, modify corporate culture, and improve internal operational processes which is based on change model. Through the change model, the increasing growth rate of net income helps company to achieve the goals and be a leading brand of precision machinery industry.

Keywords—Organizational change, SWOT analysis, strategy maps, performance indicators.

I. INTRODUCTION

INDUSTRY is crucial for nation’s economic development. Core competeny represents nation’s competitive advantage. The economic growth and development stages are: agriculture, manufacturing, knowledge-based service, and high-tech industries. The traditional industries play important role for half century in Taiwan. Human resources are important assets for the organization. Therefore, change people value and behavior patterns will create company’s value as well. Globalization makes competition advantage more intense and brutal. In order to survive and gain an operation profit, organization is not only need to change and innovation continuously but need changing external environment also. Therefore, organization change is necessary. Three of management tools and process steps of change is explored by literature review. The change model contains four elements: SWOT, strategy maps, performance indicators and change management. The paper uses case studies to verify the feasibility and reproducibility of the model. The practical study explores the reasons why the case company not able to implement SWOT smoothly. First, companies need to confirm the success or failure of change programs, and propose change plan and steps for resistant situation. This study uses two common management tools: performance indicators (PI) and strategy maps as a supplementary tool. Second, we need to assess the completeness of two of management tools carefully. Finally, this study revises strategy map and performance indicators for case company and propose outcome. Performance indicators primarily used as an assessment mechanism after plans executed. Through PI score, company may catch the current status and strategy map may help case company to develop various management strategies precisely to achieve company goals.

II. LITERATURE REVIEW

The literature review includes SWOT, strategy maps, performance indicators, organizations, and organizational change.

A. SWOT Analysis

SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a strategy tool to assess core competencies and may evaluate company's strengths, weaknesses, opportunities, and threats of the enterprise in the market. The company needs to analyze deeply and completely what their market power are before making any strategy. SWOT analysis is a basic management tool to develop the most influential model. This paper chooses steps and model cited as the reference. Steps and basic model [1], [2] are shown in Figs. 1 and 2.

B. Strategy Map

Strategy maps contain four dimensions with financial, customer relationship, internal processes, and learning and growth. The maps may present policy objectives for the four facets and provide a causal relationship between organizational values with graphic. It aims to show organization's strategy clearly and effectively for all of the supervisors and employees of sectors. Simply description is the strategy connotation materialized from abstract into definiteness. Scholars sorted out the strategy map of the construction of the basic model to provide a reference to establish strategic map of the steps. [3] The basic construction of the strategy map is shown in Fig. 3.

C. Performance Indicators

Performance indicator (PI) is a quantitative management indicator. It can effectively and precisely evaluate and measure company's performance of the strategy. The company needs to implement performance management that will cause success or failure to the company. The SMART principle (Specific, Measurable, Attainable, Relevant, Time bound) is framework of PI implementation [4].

Feng-Tsung Cheng, Mei-Fang Wu, Hui-Yu Chuang are with the Department of Industry Engineering and Systems Management of Feng Chia University, Taichung, Taiwan, ROC. (e-mail: fcheng@fcu.edu.tw, mfwu@fcu.edu.tw, hychuang@fcu.edu.tw).

Shu-Li Wang is with the Department of Dental Technology of Central Taiwan University of Science and Technology, Taichung, Taiwan, ROC. (e-mail: Slwang@ctust.edu.tw).
difficulties and competitive of internal and external clearly, strengthen own strengths, improve own weaknesses, reduce the damage of external threats that will help to develop strategic plans to achieve vision target. SWOT analysis is the first step for individuals or groups. [6] Construction of SWOT analysis is divided into three steps and shows in Fig. 5.

SWOT analysis is common tool for the enterprise. This model is from McKinsey & Company. The company sorts out a SWOT analysis of thinking model by many years of experience. McKinsey & Company is an influential management consulting firm in the world. In Harvard Business Review and published books indicates that McKinsey & Company is the largest consulting company in the field of the world and be recognized as a leader of knowledge management strategy. [7] The contents of model show in Fig. 6.

III. RESEARCH METHOD
This research interviews senior manager and staffs to identify the most crucial problems in the company. The company needs to analyze operation condition, conjecture the causes of the problem as an amendable point. According to amendable point, this research collects literature, finds out most commonly methods, and presents basic model as a reference. The research process is shown in Fig. 4.

A. Construction of SWOT Analysis
The main purpose of SWOT analysis is to define the

<table>
<thead>
<tr>
<th>Internal &amp; External</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities</td>
<td>SO</td>
<td>WO</td>
</tr>
<tr>
<td>(Type of Development strategy)</td>
<td>(Type of contraction strategy)</td>
<td></td>
</tr>
<tr>
<td>Threats</td>
<td>ST</td>
<td>WT</td>
</tr>
<tr>
<td>(Type of expansion strategy)</td>
<td>(Type of Conservation strategy)</td>
<td></td>
</tr>
</tbody>
</table>

Fig. 2 SWOT analysis model

Fig. 3 Steps of Strategy Map
Fig. 4 Research framework flowcharts

- **Steps**
  - Collect industrial data
  - Explore literature
  - Select methods and tools to solve problems.

- **Description**
  - Collect information and explore the company's operational problems according to company's operational problems to browse related to literature
  - According to literature, choose methodology

- **Methodology**
  - Expert interviews
  - Literature Reviews

- **Outcomes**
  - Relevant information of management
  - Steps in literature, find methods to solve company's management

**Analysis of the company's competitiveness**

- **Set and define company's goals**
- **Select performance indicators**
- **Analysis feasibility of Organizational Change Model**

- **SWOT analysis**
- **SWOT analysis tables**
- **BSC**
- **Strategy Map**
- **SOPs**
- **Performance indicators**
- **Performance evaluations**
- **Give a reference of performance indicators for company**

Fig. 5 SWOT analysis procedures and explanations

- **Analysis factors**
  - Through various investigation methods, such as questionnaires, expert visits and analysis of project groups to analyze company's external and internal environment. External environment directly affect the development factors, including favorable factor (opportunities) and unfavorable (threats) factor, and the internal environment contain positive (advantage) and negative (weaknesses) factors. During the analysis, not only to consider the history and current situation of enterprises, but also to consider the future development of enterprises.

- **Construct matrix**
  - Results of the survey are based on prioritize or impact to construct a SWOT analysis.

- **Make plan**
  - When the analysis of environmental factors and construction of SWOT matrix are completed, we can make corresponding plans. The basic idea of the plan are developing advantage - overcoming the weaknesses - using opportunities and defusing threat. Anyone should consider the past, hold on current and pay attention to future. The various factors need to links to each other and combine to get a series of countermeasures.
### B. Construct Strategy Map and Performance Indicators

1. **Strategy Map**

The importance and definition of strategy map may quote concept of Balance Score Card (BSC). BSC contains financial facets, customer relationship facet, internal processes facets, and learning and growing facet. According to the goals of each facet, company may describe causal relationship between facet and goals that construct a graph, strategy map, in next step [8]. Kaplan constructs strategy map model focus on operational objectives and important management factors. [1] The model is shown in Fig. 7.

---

**Fig. 6 SWOT analysis of thinking model**

**Fig. 7 Strategy map based model**
2. Performance Indicators

Performance indicators is known as the performance of the company which implement operation system and plans that may follow and control development situation, propose improvement projects to promote operation effectiveness.

C. Organizational Change

The purpose of the organization is to execute the company's strategy to achieve their goals. Organizations change needs to follow the company's strategies that should follow the external operation environment. The strategies and organizations change if the external environment changed. Organization executes change continuously since overall benefit of company remains still or decreasing.

IV. PRACTICAL VERIFICATION

A. Case Company

Case company founded in 1975, it was engaged in the processing punch and manufacturing lathe parts. After years of efforts, they successfully product first domestically produced machine tools of dedicated chip conveyor. Thus, company becomes the most important manufacturer specializing in the chip conveyor design Industry. Company insists on quality first, efficiently work, extensive use of computerized and making robotic welding more precise to have a perfect product quality. They also invest in machinery and equipment and training professional R & D personnel to expand the scale of company and make company getting better.

B. Organizational Structure of Case Company

The company employees about 100 people, organization can be broadly divided into two managing blocks, Facility Department and Administration Department. Facility Department primarily aimed at management of field work, and in addition to management of field work, other processes almost belong Administration Department. Beside these two departments, other positions are associate and general manager. Associate main work is helping general manager to manage company and dealing with operational matters. The organizational structure shows in Fig. 8.

C. SWOT Analysis of Case Company

Case Company's competitiveness table of SWOT analysis is based on the current status of the company listed internal strengths and weaknesses, external opportunities and threats is referring the most influential DMG MORI SEIKI AG Annual Report 2013 of machine tool industry. [9]

According to SWOT analysis which is shown in Fig. 9, this study explores the focus topics of the company need to improve. The first one is employees' tough resistance with old
thinking and behavior. The resistance coupled with performance indicators or human resources training deficiency. This paper uses high-feasibility and universal management tool, such as human training program with core courses and professional courses to assist enterprises to educate staffs with expert skill and thinking to achieve organizational goals and enhance the outcomes of strategy map and performance indicators. Finally, exams and excesses the benefit after the change.

D. Strategy Map and Performance Indicators of Case Company's

The biggest goal of case company is to be a professional Chip conveyor leader in the market. The company may upgrade inventory and accounts receivable turnover through research and development capabilities and customized-make to achieve overall profitability for financial facet. Customer facet expects to improve service quality, customer satisfaction, shorten new product development, and promote market shares. Internal process facet expects to increase professional knowledge, improve quality, reduce costs of development, and research development capability of employees to meet the expectations of enterprise for operations of employees. Finally, the company expects employees to strengthen the professional and practical skills and knowledge through training program with core courses or instructors, implementing new technology to improve the quality of staff to achieve company's goals. Four facets of strategy map after aggregating targets which is drawn as Fig. 10.

The case company proposes performance indicators bases on strategy map. Main targets of case company are high-quality products and fine customer satisfaction. Therefore, the performance indicators are all about time completion and high yield rate of materials and final products which are coupled with basic performance with offering the turnover rate, the actual shipping rate, efficiency, equipment utilization rate etc. The list of the company's existing assessment indicators are shown in Fig. 11.

E. Importing Organizational Change

The senior managers expect all of the staffs locate the business goals clearly to sustain the undefeated status in the global market. This paper establishes steps of change model compliance with SWIH idea, why should change (WHY), who is the object of change for (WHAT), where do need to change (WHERE), what is the best time for change (WHEN), who do it (WHO), how to perform (HOW). After understanding direction of implementation clearly, the company begins to promote and execute organizational change program. The case company resolved employees' resistance problems firstly. All of puts forward reasons those may occur and how to solve ways of the resistance factors is shown in Fig. 12.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The domestic market share over 80%.</td>
<td>1. Each country join the ranks of competition.</td>
</tr>
<tr>
<td>2. Develop customized machines and improve customer satisfaction.</td>
<td>2. Talent hard to find.</td>
</tr>
<tr>
<td>3. The company adopted automated production system.</td>
<td>3. Government tax system is unfair: Government deducedly publicize high-tech. industries.</td>
</tr>
<tr>
<td>4. Low labor costs.</td>
<td></td>
</tr>
<tr>
<td>5. Flexible organizational structure: one person can do more than one job.</td>
<td></td>
</tr>
<tr>
<td>6. Delivery of orders is accurate.</td>
<td></td>
</tr>
<tr>
<td>7. Quality by certain: through ISO certification.</td>
<td></td>
</tr>
<tr>
<td>8. Have CE certification.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Foreign manufacturers in Taiwan entrust processing and get high willingness to cooperate.</td>
<td>1. Many processing equipment from abroad, it's difficulties in obtaining service or parts.</td>
</tr>
<tr>
<td>2. Company joining the WTO in favor of international competition.</td>
<td>2. Experience and knowledge are limited transmission range.</td>
</tr>
<tr>
<td>3. Strategic Alliance: same industry can cooperate with each other to achieve data sharing and profit sharing.</td>
<td>3. Traditional industries are almost a family industry, it taken over by family members. So, company's core beliefs and values are difficult to change.</td>
</tr>
<tr>
<td>4. Company use government resources: Government set up a &quot;traditional industries counseling center.&quot;</td>
<td>4. Family enterprises can refer more opinion, but it will can't quickly decide and accurately select policy.</td>
</tr>
<tr>
<td>5. The company signed the ECFA with mainland China. We have a new opportunities of Taiwan market transformation and development.</td>
<td></td>
</tr>
</tbody>
</table>

Fig. 9 SWOT analysis of case company
Fig. 10 Current strategy map of case company

Fig. 11 Current performance indicators of case company
<table>
<thead>
<tr>
<th>Item</th>
<th>The key success factors</th>
</tr>
</thead>
</table>
| Factors of goal setting and change management | Setting clear vision for organizational change and performance targets.  
Organizational changes have ambition.  
Developing appropriate change management plan.  
Creating innovative spirit.  
Founding influential change leadership team.  
The success of the initial organizational change.  
Establishment new management evaluation criteria. |
| Factor of finishing change | Creating a sense of crisis for organizational change.  
Combined with Enterprises growth strategies.  
Organizational change focus on the enterprise Integrative changes.  
Entire workflow as a responsibility of the employees. |
| Factors of supervisor promotion and education of employees | Executives come forward to promote and personally.  
Beginnings and ends of persistence and perseverance.  
Education and training of employees. |
| Factors of human resources and communication | Adequate communication with related staff of organizational change.  
Full integration of human resources and information systems plan.  
Adequate budgetary and financial resources.  
Using appropriate tools and methods of change management.  
Understanding of customer needs and focus on customer.  
Providing employee of satisfaction.  
Referring other organizational change successful companies approach.  
System of assessment of the performance indicators become part of the. |
| Methods for change | Effective using information technology to assist the operation of reengineering and workflow.  
Factors of all of employees recognition and support | Commitment and support of executives.  
Getting across the company's recognition.  
Factors of inter-departmental Working Team | Through interdepartmental working group to implement processes.  
Using the perspective of cross-functional departments to re-examine processes.  
Factors of improving ways of doing things | Escaping from the limitations of existing organizational structure and way of doing things. |
According to reasons of resources limited, the paper is looking for the best solutions to solve the problems. [10] There are nine key factors and a lot of the sub-factors of successful change which is shown in Fig. 13. The company can refer those key and sub-key factors to explore the ways to reduce impede of change, improve execution, and reduce the risk of failure of organizational change. The change steps and explanations are:

1. Build up a sense of crisis: held conference with specific topic for company per month to promote point as a theme tune. Promote the senses of crisis to all of the staffs so as to motivate the willingness for participating organizational changes.

2. Establish teamwork: Choice one project leader from senior managers and organize team members from multiple departments by senior manager to recommend one to two faculties in the company.

3. Announce and post vision: Announce Company’s vision by posting on stairs floor, corridors, elevators and other places, in addition, upload on web site to declare the vision of the company. All of employees need to know what the vision is and work for the targets.

4. Communication vision: Use all the channel in the company, such as intranet of the company, black board or declaration system, and job training system to spread the company’s vision continuously.

5. Encourage participation of overall staffs: encourage all of the faculties to join projects programs to develop a sense of security and belonging.


7. Consolidate victories and redouble efforts: to maintain the short-term rewards system, modify or reject anything unfitted vision. Proposes adjusting program for management systems, organization structures, and operational policies.

8. Embedded corporate culture: the company’s culture need to embed in staffs mind and to develop concept of change thinking to remote effectiveness for the long-term period.

F. Revision of Strategy Map and Performance Indicators

This paper assesses benefits of current strategies map and propose revised strategy map model to intend high-compliance strategy map again [2], the current and new strategy map is shown in Fig. 14.

The benefits after revising policy map are:

1. Control sound financial structure strategy: reduce unnecessary financial expenditure.

2. Improve asset utilization: reducing the waste of resources and asset management efficiency.

3. To increase market share: consolidation of the consumer market and increase profits.

4. Establish a good corporate and brand strategy: to retain old customers and create new customers.

5. Improve market insight strategy: seize the opportunity to improve the competitiveness of the enterprise.


7. Improve the level of management performance: to improve work efficiency.
(8) Improve overall labor productivity: increase outcomes and efficiency and profitability. Through this research to avoid capital waste and increase profitability.

(9) Embedded enterprise culture: to enhance the core competitiveness of enterprises.

(10) Improve employee satisfaction: promote staffs to create customers’ value.

The performance indicators need to change after strategy map changed. This paper explores common and specific indicators for enterprises as a reference. [11] The new indicators are shown in Figs. 15-18.

The potential benefits for four facets are:

(1) Financial facets: review overall company's financial structure to explore the ideal situation of operational

<table>
<thead>
<tr>
<th>Item</th>
<th>Calculation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual turnover</td>
<td>Total annual turnover to reach the company's goals</td>
<td>View Enterprises operating objectives are achieved or not.</td>
</tr>
<tr>
<td>The proportion of the turnover of new products</td>
<td>New product sales / total sales</td>
<td>View the level of development of new products.</td>
</tr>
<tr>
<td>Net profit growth rate</td>
<td>(Current total net profit - total net profit the previous period) / total net profit the previous period</td>
<td>View companies continue to grow the business model to improve management efficiency and let profit reach maximization.</td>
</tr>
<tr>
<td>ROI(Return On Investment)</td>
<td>Net income / paid-up capital</td>
<td>View Enterprises return on investment results.</td>
</tr>
<tr>
<td>ROE(Return On Equity)</td>
<td>Net income / Equity</td>
<td>View the company's main financial structure, operational efficiency and profitability.</td>
</tr>
<tr>
<td>Management expense ratio</td>
<td>Management costs / Total turnover</td>
<td>View management fee ratio of enterprises.</td>
</tr>
<tr>
<td>Sales growth rate</td>
<td>(Current sales sales of the previous period) / sales of the previous period</td>
<td>View sales growth or reduction within a certain period.</td>
</tr>
<tr>
<td>Sales expense ratio</td>
<td>The total cost of sales / total sales</td>
<td>View performance of the marketing department within a certain period.</td>
</tr>
<tr>
<td>Accounts receivable turnover</td>
<td>Total sales of income / average value of accounts receivable</td>
<td>View accounts receivable frequency, a measure of Control Manager capabilities.</td>
</tr>
</tbody>
</table>

Fig. 15 Financial facet indicators of case company after the revision

<table>
<thead>
<tr>
<th>Item</th>
<th>Calculation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>Numbers of customers of Satisfaction Questionnaire average score more than 60% / total number of customers</td>
<td>View the company's customer satisfaction situation.</td>
</tr>
<tr>
<td>Customer complaint handling</td>
<td>Customer complaints processed during the period / total number of customer complaints</td>
<td>View customer complaint handling capability and effectiveness.</td>
</tr>
</tbody>
</table>

Fig. 16 Custom facet indicators of case company after the revision
This paper uses SWOT analysis, literature review and interviews senior managers to explore causes relationship of the change project for the case company. The most important reason for staffs to resist is thinking mind of employees. The employees do not want any change at all. The case company survives and faculties get salaries even though there are no SWOT analysis, no strategy map, and no performance indicators. Such thinking mind and current situation are the main problems that company is very hard to change the mode of operation and environment.

Company needs something to support for sustainability, to operate continuously. This paper provides the ways to build up change model for the case company. The change model is an operational tool to keep company surviving and reaching vision for the long-run period to build up goodwill and reputation in the global market.

V. CONCLUSION

REFERENCES