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**Explore the best organizational change model for Chinese state-owned enterprises in the financial service industry to address global challenges**

Chenyang Feng

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Pepperdine University  
Graduate School of Education and Psychology

EXPLORE THE BEST ORGANIZATIONAL CHANGE MODEL FOR CHINESE STATE-  
OWNED ENTERPRISES IN THE FINANCIAL SERVICE INDUSTRY TO ADDRESS  
GLOBAL CHALLENGES

A dissertation submitted in partial satisfaction  
of the requirements for the degree of  
Doctor of Philosophy in Global Leadership and Change

by

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## ABSTRACT

Chinese state-owned enterprise (SOE) in the financial service industry has reached a tipping point of making changes to address incoming global competition. The unprecedented wave of policy shifts in the market will uncage powerful rivals worldwide and demand the SOEs to change. This study reviewed the best practices and unique challenges to the SOEs in the context of organizational change and strove to explore the best organizational change model for Chinese SOEs in addressing global challenges. This study began by reviewing the background and literature about Chinese SOE development and organizational change, then developed an instrument consisting of critical items derived from the literature view, and last, established a four-step organizational change model based on the merged themes from the critical practices and steps identified through three rounds of the Delphi study. In terms of results, this four-step organizational change model highlights using effective communication to guide and coordinate the whole change process and establishing reliable change coalitions to address unique and persistent resistances to change, such as the iron rice bowl mentality, in Chinese SOEs. Moreover, this model suggests implementing change through clear metrics and goals to track and quantify the progress of planned change, ensure transparency of the change processes, and provide reliable feedback and guidance for leaders and coalition to adjust the change implementation stage accordingly. Furthermore, this change model advocates securing change through appropriate leadership styles to ensure the changed behaviors are safe from regression and ensure the change is institutionalized within the changed organization. With effective communication, reliable coalition, and strong leadership established through implementing this change model, the changed SOEs should be able to keep pace with the fast-changing world, turn challenges into opportunities, and thrive in global competitions.

## Chapter 1: Introduction

### Background/Historical Context

Back in the time of the planned economy era from 1949 to 1978, as with all other communist countries in the world, China had imposed a Soviet-type “centralized socialist planning system” (K. J. Lin et al., 2020, p. 36), which is also known as the command economy system. During this planned economy era of nearly 30 years, almost all business entities in the nation were state-owned and state-operated. That is to say, the strategic decisions of business entities in the nation, including their production, personnel, and sales, were operated by order of the government according to national planning agencies (An, 2001). In other words, before 1978, all business companies in China were considered SOEs, which were an integral part of the government and were made to execute these operation plans by the authorities. While the government provided funds that SOEs needed for operation and covered potential losses, all profits generated by SOEs were collected by the government. This Soviet-type economic system caused tremendous sociological and economic problems, such as inefficient resource distribution (Bíró, 2021), economic instability (Zieliński, 1973), inhibitions of incentives and innovation (Yanbing, 2012), and so forth. These problems soon accumulated and eventually added up to more than a decade of economic and cultural disasters (K. J. Lin et al., 2020). Learned from bitter experience and followed by the death of Chairman Mao in 1976, the new leadership of the 11th Central Committee of the Communist Party of China (CPC) decided to reform and open the economic system of China in 1978. During this national economic reform, the transformation of the troublesome SOE system was regarded as a vital component of the opening-up processes.

In the early 1980s, the 12th Central Committee of the CPC made a remarkable but relatively conservative decision on permitting private ownership and separating ownership and

operating rights in the SOEs. The *Decision of the Central Committee of the CPC on the Reform of the Economic System* (The State Council of the People's Republic of China, 2008) passed by the Third Plenary Session of the 12th Central Committee mandated the government reduce the intervention in SOEs and hold SOEs responsible for their own profit and loss. Although the CPC has not relinquished the control of business entities, this decision was considered as the first policy attempt of transformation toward marketization. Followed by this remarkable policy shift, in 1985, the first private-owned business entity, a photo studio, was established in China (Hong & Wang, 2008). Soon, the birth of the first securities company in 1987 and the two stock exchanges in 1990 marked the foundation of the modern capital market in mainland China (Wu & Fang, 2021). Nevertheless, since Day 1 of establishment of the capital market, the financial industry in China has been monopolized by SOEs and rigorously regulated by China Securities Regulatory Commission (CSRC) and China Banking and Insurance Regulatory Commission (Chi, 2018).

The dissolution of the Soviet Union in 1991, symbolized the complete collapse of the Soviet-type planned economy (Brzezinski, 2016). In the view that the planned economy had been proved to destabilize severely society and undermine economic growth, Deng Xiaoping, also known as the chief architect of China's economic reform and opening up, delivered a series of important speeches in 1992, "promoting the role of the market in economic development" (K. J. Lin et al., 2020, p. 38). In responding to the top-down wave of the promoting market economy, CSRC partially opened the financial service industry by lifting the political restrictions on domestic private capital in 2001 (Cheng, 2005). In 1993, the Third Plenary Session of the 14th Central Committee of the CPC passed the *Decision of the Central Committee of the CPC on Several Issues Concerning the Establishment of a Socialist Market Economic System* (The State

Council of the People's Republic of China, 1993) and pointed out that economic reform will involve separating government and enterprise in the future. Since then, the government gradually attempted to turn its administrative control over the SOEs into marketized capital control. From 1992 to 2002, the decade that is classified as Stage 3 of the SOE reform, China was striving to develop a Western enterprise system based on market principles.

From the early 1990s to the early 2010s, Chinese SOEs in the financial service industry have experienced stable growth in size and profit as a result of the fast-growing domestic market and protectionism. Despite such protectionism have undermined the economic flow and development, it built a policy shelter for a nascent Chinese financial service industry from global competition. In 2012, the 18th Central Committee of the CPC plotted the 1+N policy, which mandated the State Council of China to open further the domestic financial industry for global competition. Based on the 1+N policy, in 2019, the State Council of China decided to reduce its support and protectionism to commercial SOEs, such as state-owned financial service companies, and “allow them to compete freely with the private sector while providing more resources to public service SOEs” (K. J. Lin et al., 2020, p. 39). Moreover, another goal of the 1+N policy aims to strengthen the CPC's leadership and control in SOEs. As a result, a number of former professional leaders of the SOEs have been replaced by bureaucratic party officials since then.

### **Statement of the Problem**

In Western economic theories and practices, the primary meaning of the existence of state-owned enterprises is that business entities in certain industries, such as the infrastructure of the transportation system, required significant amounts of fixed investment, but the anticipated return on the investment was disproportionate. For example, serving 46 States in the U.S. and

nine cities in Canada, the National Railroad Passenger Corporation, also known as Amtrak, is considered a state-owned enterprise of the United States federal government since the secretary of Transportation owns all of Amtrak's issued and outstanding stocks (Amtrak, 2021). Taking into consideration the massive up-front investment in building intercontinental railways and stations, the meager revenue generated from operating the train routes is unattractive to private profit-seeking corporations. Therefore, intercontinental railways are typically invested in and managed by state capital as key and necessary infrastructure to a nation's transportation system. Moreover, in some countries, the industries that involve concerns for national security and strategy, such as the nuclear energy industry or petroleum industry, are solely controlled by SOEs.

Based on these two categorizations, firstly, the lite-asset financial service industry does not require a heavy up-front investment in infrastructure and is lucrative to private investors from both domestic and overseas markets. Secondly, as China gradually transformed its economy from a centrally planned system to a free market model, the domestic financial service industry could no longer be counted as "the country's strategic industries" (Y. Liu, 2009, p. 46) that were supposed to be guarded by state protectionism. The opening of China's financial market to the world could be seen as a regulatory response to the country's economic development. Prior to 2001, the Chinese government had kept the domestic financial market under strict supervision; even domestic private capital was not allowed to invest in the chartered financial industry, let alone foreign investors. Such intense supervision and protection of major domestic industries had caused catastrophic economic recession as well as ongoing criticism from academia. Scholars who studied Chinese SOE reform, such as J. Y. Lin et al. (1998), sharply pointed out that despite the massive subsidies and favorable policies that the state has imposed for SOEs, ironically,



more than 40% of SOEs were not profitable. From this standpoint, a primary reason for this dilemma was the “endogeneity of the SOE management in a Soviet-type economy” (J. Y. Lin et al., 1998, p. 423).

Unlike giant, global-reaching Chinese SOEs, such as the well-known Sinopec Group or State Grid, which are owned directly by the central government, a number of Chinese financial service companies are middle size, domestically serving SOEs whose controlling shareholders are local governments. Regardless of their scale or affiliations, all Chinese SOEs are considered a significant factor in ensuring the efficient functioning and operation of the nation’s strategic industries (Y. Liu, 2009) and thus used to be free of globalized competition because of the protectionism from the Chinese government (Leutert, 2016). Such protection policies in the financial service industry include, but are not limited to, preventing foreign capital from controlling domestic financial institutions or providing financial services in mainland China. Lying behind policy barriers, Chinese SOEs have experienced steady growth in past decades. Nevertheless, as China’s economic reform and opening to the world progresses, an increasing number of scholars are criticizing the negative consequences of the economic ascendancy of SOEs (Yu, 2014), especially the lack of industrial competition caused by low production efficiency and low innovative efficiency (Yanbing, 2012). Compared to the moderate and conservative criticism from Eastern researchers, Western scholars gave out more radical and sharper comments and depicted Chinese SOEs as “relics of a failed economic experiment” (Woetzel, 2008, p. 59) that lack of managerial fare, employee motivation, or concern for profit (M. W. Meyer et al., 2002). In responding to the ongoing appeals for extensive SOE reform and by order of the CPC, the State Council of China decided to lower the policy protections in the

financial industry and unban international capital from entering the Chinese financial service market in 2019.

The new regulation issued by the State Council of the People's Republic of China (2019) would bring the Chinese financial industry into a revolution. Overseas bulge bracket investment banks and financial institutions, such as JP Morgan and Goldman Sachs, will soon be able to join the historically locked Chinese market and bring major impacts and challenges to domestic SOEs in the financial service industry. In addition to the incoming global challenges, Chinese governments are providing less and less financial and policy support to the SOEs while replacing professional leaders with bureaucratic officials conforming to the 1+N policy. In other words, the CPC aims to secure the ultimate control of the SOEs by ensuring their top leaders are loyal party officials. Combing these background facts, many Chinese state-owned financial service companies are at a critical disadvantage in facing global challenges without professional leadership or backup support from the government. Facing collapsing protective barriers and incoming international competition, domestic SOEs in the financial service industry demand plans for organizational change with a global mindset to confront powerful rivals from all over the world. As Bolman and Deal (2017) pointed out, "Organizations needed restructure to respond to major problems or opportunities, such as the environment shifts, technology changes, organizations growth, or leadership changes" (p. 87). Chinese SOEs in the financial service industry are in need of a change plan to adapt to the leadership change and the environment shift of emerging global competition.

### **Purpose Statement**

As a result of the policy and market shift, the SOEs used to monopolize the financial service industry under the planned economy have to change to confront power rivals worldwide.

While organizational change for the SOEs in the financial industry is necessary and inevitable, organizational leaders, as practitioners and conductors of the organizational change plan, are advised to adopt proactively the best evidence-based practice to facilitate the change processes (Rousseau & Gunia, 2016). Such best evidence-based practices manifested as the best organizational change model in the literature of organizational change study. However, since most of the established organizational change models are developed by Western scholars with statistical data taken from Western organizations, these organizational change practices may have to be modified to accommodate the unique characteristics of Chinese SOEs.

Developing an optimal model from many existing organizational change theories and practices is a challenging task. According to an incomplete statistic by Schmieder-Ramirez (2018), there were more than three dozen influential change theories, frameworks, or strategies prevalent in the field of organizational change. Each organizational change theory or practice has its specified area of focus, advantages, and disadvantages. For example, Kotter (2012) presented an eight-step change model, which is commonly referred to as Kotter's eight-step change model for organizational change and strategic implementation. Kotter's (2012) eight-step change model was considered a practical change approach famous for its direct and usable format but criticized for the lack of scientific consensus or validation (Appelbaum et al., 2012). For another example, Lewin (1947a) presented a "changing as three steps" (p. 34) theory that he described as "unfreezing, moving, and freezing" (p. 35). Depicting the change process in terms of phase transition, this change model has provided a straightforward tool for guiding the overall direction of organizational change and served as a grand foundation for several successive organizational change models (S. Cummings et al., 2016). Despite its virtues, its limitations and drawbacks, such as failing to recognize situations that require more directive approaches in times of crisis

(Kanter et al., 1992) and assuming that all stakeholders in a change process will willingly adopt and implement it through mutual consent (Burnes, 2004), should not be ignored.

Moreover, the unique traits of Chinese SOEs that were inherited from the planned economic era have presented another challenge for directly deploying Western-developed organizational change models. For Western scholars, despite much research being done on the possible reformation of the CPC and the state government, little effort has been put into the transformation and change of the SOEs in the overarching context of public sector reform (Brødsgaard, 2014). For example, as for the general employees, the state-owned identity of their organizations prolongedly offered them the iron rice bowl mentality (Berkowitz et al., 2017), a Chinese term that stands for guaranteed job security, steady incomes, and immunity to layoff as a job for life. In addition to general employees, since the government appointed the leaders and managers of Chinese SOEs instead of a board of directors, the executives have a lifelong term of office without performance pressure until retirement age or they are replaced by the government. Although the office of SOE reform of the State Council announced its plan to expedite the process of implementing a limited term of office based on the market economy (Xinhua News Agency, 2021), so far, both managers and employers of Chinese SOEs are still subject to the longstanding system of the iron rice bowl. In terms of organizational change, the iron rice bowl mentality, acting as Lewin's (1947a) "shell of complacency" (p. 35), prevents the accumulation of internal urgency among employees by resisting external tension and internal performance pressure.

Furthermore, unlike Western business entities whose ultimate managerial authority typically resided with the board of directors, according to the *Regulations on the Work of Basic-Level Organizations of State-Owned Enterprises of the Communist Party of China* (The State

Council of the People's Republic of China, 2020), the party committee of an SOE must discuss and reach consensus on major decisions before the board of directors and executives can proceed. In other words, the boards of directors of the SOEs are merely figureheads of the party committees and are only capable of dealing with trivial managerial issues. From this perspective, the chairman of the board of directors serves as the nominal leader of the SOEs, while the secretary of the party committee is the locus of real power. Besides, as discussed in previous sections, some other unique characteristics of Chinese SOEs, such as the iron rice bowl mentality, that are distinct from classic Western business organizations should be carefully considered when evaluating and developing organizational change models.

### **Research Questions**

To explore the best organizational change practices for Chinese SOEs in the financial service industry with consideration of the unique circumstance of Chinese SOEs and the unprecedented challenge of the financial service industry, the following research questions (RQ) were addressed.

- RQ1: What are the critical characteristics and steps to implement change for Chinese SOEs in the financial service industry?
- RQ2: Can an organizational change model be created using the critical characteristics and steps identified in RQ1?

### **Frameworks**

The primary theoretical framework chosen to construct this study is Appreciative Inquiry (AI), developed by Cooperrider and Srivastva (1987). Different from the traditional problem-solving approach in organizational development that assumes that an organization is a problem to be solved, Cooperrider and Whitney (2001) built the AI approach by viewing an organization

as a mystery to be embraced. From this conceptual standpoint, Cooperrider and Whitney (2001) proposed five principles of AI: (a) The constructionist principle, which emphasizes stimulating new ideas and possibilities of organizational development through daily interactions and thoughts. The constructionist principle fundamentally advocated coconstructing and coreconstructing the organizations in which people coinhabited; (b) The principle of simultaneity, which is proposed for initiating organizational change by inquiring into human ecologies and changing how people think and learn. The direction of organizational development will be consequently aligned with the trend of topics that people enthusiastically discuss; (c) The poetic principle, which argued that the lives of organizations were essentially vitalized by stories and words that people shared with each other. The stories and words shared by people carried more weight than their original meanings but also served as media of emotional connections and mutual understandings that stimulate the best traits in people; (d) The anticipatory principle, which assumes that people's actions and behaviors today are substantially shaped and regulated by their imagination and conception of the future. Based on the powerful influence of today through people's expectations of tomorrow, the AI approach strived to depict aesthetically and purposefully a vista on a collective basis to realize such anticipatory reality; and (e) The positive principle, which proposes that positive emotions and sentiments will cultivate positive force and social bonding that initiate and maintain organizational change. The shared positive emotions and sentiments, such as excitement, happiness, joy, and so forth, could not only establish strong interpersonal relationships among people but also resolve conflicts between groups.

AI theory promotes the idea of a group examination of the best practices to envision potential possibilities, and then collectively creates a desirable and attractive future state that does not need incentives, pressure, or persuasion for planned change to happen (Bushe, 2013). In

other words, the AI approach and its underlying five principles strived to examine and explore the positive potentials within given organizations or situations. In order to facilitate this goal, Cooperrider et al. (1995) proposed a cycled four-step 4D model, which was known as discovery, dream, design, and deploy (or destiny). While discovery stands for identifying optimal and practical organizational processes as explained in the positive principle, the dream means imagining and visualizing those positive processes in the future as proposed in the anticipatory principle. The design indicates outlining and planning the processes that have been proved effective. The deploy or destiny stands for executing and implementing the planned optimal processes. Rather than conventional problem-solving approaches, this 4D process vitalized and utilized the positive potentials of current organizational processes by envisioning the possibilities of the future.

S. Lewis et al. (2016) further expanded Cooperrider et al.'s (1995) four-step 4D model into a five-step 5D model in the context of organizational change management. This AI approach for change management added define before discovery and formed a cycled 5D model that consists of define, discovery, dream, design, and destiny. S. Lewis et al. (2016) placed define in the front of the 4D cycle to urge reappraising and redefining organizational problems based on the AI approach instead of the conversational problem-solving approach. Moreover, they compared those traditional approaches, which view organizations as organic and living human systems, rather than as machines, with workers as cogs and management as a control process from the AI perspective. To underline this argument, their study examined multiple organizational change cases through the AI approach that ranged from BP Castrol Marine to a South African coal mine. In brief, S. Lewis et al.'s (2016) work demonstrated that the AI

framework was effective and progressive in addressing problems of organizational change in addition to optimizing organizational processes.

The secondary theoretical framework chosen to construct this study is the best practices method, which is also referred to as evidence-based practices (EBP; Rousseau & Gunia, 2016). Although best practices and EBP are considered generally interchangeable in most cases, some scholars (Marchington & Grugulis, 2000) advocated using the term EBP instead of best practices since the latter sometimes were misleadingly mistaken for popular practices that lacked evidence or scientific base. Despite the definition of best practice slightly varying by industry and focus, according to the Merriam-Webster dictionary (n.d.), it is defined as a method that has been proved through research and experience to produce the best outcomes, and is considered or suggested as a standard that can be widely implemented. In view of certain critics who argued EBPs conducted on a massive scale were unlikely to be generalizable to accommodate individual differences (Robinson & Norris, 2001), instead of looking for the best approach for all SOEs, this study focuses on the SOEs in the financial service industry and seeks to explore the best change management model for addressing their challenges in the context of unique circumstances of globalization and marketization while maintaining the state-controlling identity. From this perspective, this industry-specified and context-specified study could be further classified as a contextual practice under the best practices framework, as advocated by Billsberry and Birnik (2010) and Patton (2014).

### **Significance of the Study**

The SOEs in the financial service industry have undergone decades of planned economy and protectionism from their inception. Simply following and fulfilling the government's production orders, the SOEs do not need to be changed in response to the ever-changing market



condition in terms of supply and demand. As the CPC and the central governments lower the barriers of protectionism and march toward marketization, the SOEs are forced to be changed to address challenges from global competitors. J. Wang (2007) pointed out that the most critical challenge of the Chinese economy is to transit from a centrally controlled economy to a market economy, and such urgency of the nationwide transformation of the economic system is applying a considerable amount of pressure on the government's SOEs, which are having to change to survive in an ever increasing open and competitive global market. From this standpoint, it will be the first time the leaders of Chinese SOEs thoroughly consider the need for organizational change in their true sense. However, it also implied that no modern organizational change model or practice had been field tested by Chinese SOEs. Facing incoming global challenges, the SOEs in the financial service industry have reached a tipping point of choosing and implementing the best organization change model among dozens of change theories and practices to survive.

In addition, to explore the best organizational change model for Chinese SOEs in addressing the change in the economic system and the challenge of global competition, this study serves more purposes and audiences to a greater extent. For practitioners and leaders of Chinese SOEs, this research serves as the best available evidence for implementing organizational change based on EBP. Since more and more studies suggested that managers and practitioners of businesses and organizations did not read scholarly articles or consult scientific evidence when making management decisions (Barends et al., 2017; Gopinath & Hoffman, 1995; Ratnatunga, 2012), contemporary researchers (Rousseau, 2006; Walshe & Rundall, 2001) called on the joint efforts from educators, executives, and researchers to close this “‘research-practice gap’—the failure of organizations and managers to base practices on the best available evidence” (Rousseau, 2006, p. 256). From this standpoint, the best available evidence concluded from this

study contributes to filling the chronic gap between academic research and managerial practice. Moreover, a recent study by Kwiatkowski and Augustynowicz (2015) indicated that the growing importance of SOEs in the modern globalized economy is evident from the increase in the number of SOEs among the largest world companies in the *Fortune* Global 500 list, from 9.8% to 22.8%. More specifically, Kwiatkowski and Augustynowicz (2015) pointed out that the significance of SOEs in the global economy has been rising in recent years, primarily because of the expansion of China and other developing economies. In view of the increasing influence of Chinese SOEs upon the world economy, for scholars and consultants of the SOEs, this study serves as professional and peer-reviewed research for further appraising Chinese SOEs' change and transformation toward globalization and marketization. Regarding the relationship between SOE's globalization and government-control mechanisms, the state ownership control has applied increasing impact on the SOE's change and the degree of globalization (Liang et al., 2015). In other words, as discussed in the previous section, the change of government policy and its subsequent market shift is the fundamental drive of organizational change of Chinese SOEs, while the party officials and legislators mandate the change of policy. Therefore, for legislators and policymakers of the CPC, this study serves as an academic reference for estimating the outcomes from the best change management practice of Chinese SOEs in adjusting relevant state-ownership policy.

### **Assumptions of the Study**

The first and fundamental assumption is that the experts in the Delphi panel will make their decisions and recommendations based on the suitability and effectiveness of the change models rather than their popularity or prevalence. Since best practices were sometimes misinterpreted as popular practices (Marchington & Grugulis, 2000), it is presumable that the

preponderance of certain influential models may bias experts for making neutral decisions and recommendations. For instance, Kotter's (2012) eight-step change model, which originated from his best-selling book titled *Leading Change*, is considered one of the most notable and well-known change management models. This book has been cited extensively in Google Scholar with more than 18,000 references and continues to be a vital resource in the field of change management. Since Kotter's book was based on his personal business and research experience rather than academic literature and empirical study, his eight-step change management model derived from his book has been criticized for lacking rigorous fundamentals (Appelbaum et al., 2012). Although By (2005) pointed out that the widespread lack of empirical foundations was relatively common among most change management theories and argued that the existing theories and methods of change management for scholars and professionals are often conflicting, most have not been validated by empirical evidence or make unchallenged assumptions about the nature of modern organizational change management. As result, the prevalence and preponderance of these pragmatic change models may overwhelm empirically developed change theories that were poorly known by practitioners and managers. This phenomenon further led to practitioners' and managers' dependence on commonly used change models that often build upon their foundation on expert's opinions instead of scientific evidence (Stouten et al., 2018). Therefore, this study assumed that the experts in the Delphi panel had a considerable understanding of mainstream change management models and theories and were capable of distinguishing best practices from popular practices, as emphasized by Marchington and Grugulis (2000). In other words, it is preconceived that the experts in the Delphi panel would choose the best change model solely based on the unique circumstance of Chinese SOEs and the unprecedented plight of the financial service industry.

The second assumption is that leaders and managers of the SOEs were willing to participate and to be involved in the organizational change processes personally and adjust their leadership styles accordingly to fulfill each change stage, since many change management practices cannot be divorced from leaders' involvement and intervention. Regarding the interactions between leadership and the organizational change process, Appelbaum et al. (2015a) concluded that leadership played a role at multiple levels, impacting organizational outcomes both directly through ongoing shaping of employee attitudes during the change and indirectly through regulation of the factors that affect their readiness for change. Regarding the relationship between leadership and resistance to change (RTC), Appelbaum et al. (2015a) also indicated that the leadership style influenced the level of RTC, which was reflected in people's attitudes, dedication, and participation in the change process. From this perspective, leaders and managers of the SOEs are advised and assumed to be proactively involved in the process of proposed organizational change to guide the transformation more effectively. Moreover, in view that a significant number of leaders of the SOEs are political appointees rather than professional managers, Hatch and Cunliffe (2013) called on the bureaucratic-style leader to accept relinquishing some control and power in order to lead effectively and utilize a compatible leadership style by shifting from directing and controlling to inspiring, supporting, and facilitating in order to fulfill effectively the organizational change processes and lead the changed organization. Therefore, this study assumed that leaders and managers of the SOEs, regardless of their original leadership styles or professional backgrounds, are willing to comply with the guidance of the best change model and facilitate the change processes with reasonable dedication and participation.

## **Limitations of the Study**

A major obstacle to advancing organizational change study has been credited to an inadequate level of theory development (Edwards, 2010; Golembiewski, 1979; Sashkin & Burke, 1987; Woodman, 1989, 2014) and underdeveloped general theoretical formulations (Pettigrew et al., 2001; Piazza & Castellucci, 2014; Porras & Robertson, 1986). The insufficient general theoretical development in the field of organizational change study substantially led to the absence of a widely available agreement on basic change models or principles (Stouten et al., 2018). Subject to inadequate theory development and underdeveloped theoretical formulations, pioneers of organizational research still managed to develop a number of organizational change theories and practices based on different perspectives and focuses. For example, derived from the study of group dynamics and social change, Lewin's (1947a) change model emphasized guiding the overall direction of organizational change on the theoretical level. In contrast, based on the long-term observation of leaders and organizations, Kotter's (2012) model leaned toward instructing leaders and managers in practical actions for change. Because of the lack of general theoretical formulations, each of these fragmented theories and practices served as a piece of the whole puzzle and lay in its silo in the field of organizational study. Subject to the inherent theoretical limitation of the inadequate level of theory development, it is difficult to measure systemically or horizontally compare their effectiveness on change in an organization or predict the outcome of the proposed change. In view of this theoretical limitation of change management, this study has been designed to avoid conducting a comparative analysis for different change models and focuses on identifying the single best-fit organizational change model through the consensus-seeking Delphi method. Built on the open-ended AI framework (Cooperrider & Srivastva, 1987), this research also aims at excavating maximized potentials

from the best change model for assisting practitioners in facilitating the organizational change of the SOEs.

In addition to the underdeveloped general formulations of change management theories, another innate limitation of this study is the lack of validity tests of certain organizational change models. For instance, Appelbaum et al.'s (2012) exhaustive literature review indicated that Kotter's eight-step change model, as a whole, had not been validated by empirical research. In the literature on change management, scholars pointed out many inherent obstacles for empirically validating Kotter's eight-step change model, which included but were not limited to: (a) the challenges of incorporating all of the eight steps in a single project or study (Penrod & Harbor, 1998; Sidorko, 2008); (b) the difficulties of performing a longitudinal study to measure the outcomes of the change model, especially for validation of seventh and eighth step, since the change of organizational culture may take years or even decades to take shape (Betters-Reed et al., 2008); and (c) the challenges of measuring the implementation level of each step and evaluating implementation level with success level (Dianis et al., 1997; Sidorko, 2008). Although the above difficulties limited empirical validation of Kotter's (2012) pragmatic change model, Appelbaum et al. (2012) concluded that Kotter's eight steps serve as a valuable starting point for managers looking to implement change within their organizations, and using it is likely to increase the likelihood of success. Therefore, given the that certain organizational change models or practices lack empirical fundamentals or validations, this study would not exclude or prejudice against these pragmatic models that are addressed primarily to practitioners rather than scholars.

### **Definition of Terms**

- *SOE*: A business entity whose controlling shareholder is government or government-

- controlled agency (Bernier et al., 2020).
- *Financial service industry*: An industry that encompasses a broad range of business enterprises, such as commercial banks, investment banks, and securities companies, to provide financial services to individuals and corporates (Lowe et al., 2021).
  - *Planned economy era*: The time period from the founding of the People's Republic of China until the Chinese economic reform or the opening of China in 1989 (K. J. Lin et al., 2020). Within these 40 years, the Chinese economy was dominated by state ownership, protectionism, and central planning.
  - *EBP*: A scholarly proposition that professional and occupational practices should be established upon scientific evidence and findings (Rousseau & Gunia, 2016).
  - *Research-practice gap*: "The failure of organizations and managers to base practices on the best available evidence" (Rousseau, 2006, p. 256).
  - *AI approach*: An organizational development model based on a social constructionist approach, which argued that "ways of organizing are limited by human imagination and agreements people make with each other" (Pinto-López et al., 2020, p. 55). The fundamentals of the AI approach are constructed on the five principles and manifested through the 4D model.
  - *RTC*: RTC refers to resistant forces that sustain the status quos and prevent organizational change from occurring (Appelbaum et al., 2015a). A number of organizational change practices focus on addressing the RTC in order to achieve the proposed change.
  - *Delphi panel*: The group of experts anonymously and independently contribute their opinions toward certain topics while conducting research through the Delphi method

- (Watson, 2008).
- *Best practice*: “A procedure that has been shown by research and experience to produce optimal results and that is established or proposed as a standard suitable for widespread adoption” (Merriam-Webster dictionary, n.d., para. 1).
  - *CPC*: The sole ruling party of the People’s Republic of China. In addition to the official ideology of socialism with Chinese characteristics, according to the decision of the 18th Central Committee, the CPC aimed at maintaining the dominance of the public sector and strengthen the economic vitality of the state-owned economy (K. J. Lin et al., 2020).
  - *State Council of the People’s Republic of China*: The central government agency and the chief administrative authority of the People’s Republic of China (Xinhua News, 2018). It serves as the head of the executive branch of China and implements economic policies mandated by the Central Committee of the CPC.
  - *1+N policy*: An economic and political policy enacted by the 18th Congress of the CPC. On the economic side, this policy mandated the State Council of China to reduce protectionism to commercial SOEs and further open the domestic financial industry for global competition. On the political side, this policy aimed at strengthening the CPC’s leadership and control in the SOEs by appointing party officials to the leadership and management (K. J. Lin et al., 2020).
  - *Deng Xiaoping*: The key figure of the second-generation leadership of the CPC and the People’s Republic of China, also known as the architect of modern China. Under his leadership, China gradually opened its massive domestic market to the world and transformed from a Soviet-type planning system to a market economy. His path of



marketization eventually led China to the world's second-largest economy in 2010 (Barboza, 2010).

- *CSRC*: Founded in 1992, the CSRC is a ministerial executive agency of the State Council of China. Its primary responsibility is to regulate and supervise the securities industry in China (CSRC, 2022).
- *China Banking and Insurance Regulatory Commission*: Founded in 2018, China Banking and Insurance Regulatory Commission is a ministerial executive agency of the State Council of China. Its primary responsibility is to regulate and supervise the banking and insurance industry in China (China Banking and Insurance Regulatory Commission, 2022).
- *State-Owned Assets Supervision and Administration Commission (SASAC)*: Founded in 2003, the SASAC is the only ministerial special executive agency directly subordinated to the State Council of China. Its primary responsibility is to regulate and manage certain SOEs, including appointing top executives of SOEs (SASAC of the State Council, 2022).

## **Chapter Summary**

In view of the unique circumstances of Chinese SOEs, this study was constructed on the AI model to localize existing evidence-based practices on organizational change in addressing global challenges for the financial service industry. One of the many strengths of the AI model is its capacity to bring out the best of the existing change models without the use of incentives, coercion, or persuasion and focus on achieving the positive potential of organizational development (Bushe, 2013). Aiming at the positive core of what works well, the AI model strives to facilitate and strengthen the established organizational development processes instead

of a conventional problem-solving approach. In other words, the use of the AI approach is not to trim the existing change models to fit the unique needs of Chinese SOEs transformation but to explore the most valuable aspects of change models. As outlined in the 4D model of the AI approach, this study attempts to identify, envision, plan, and prioritize the organizational change models and processes that worked well in the past and would work well in the future to address the challenges to the best practices.

As established organizations with a history of several decades and developed business models, Chinese SOEs are unlikely to be changed easily (Zhang, 2007). Regardless of their magnitude or nationality, SOEs are essentially business organizations. Appelbaum et al. (2015b) noted, organizations can no longer rely on past accomplishments and must actively seek new opportunities by questioning the status quo. In response to the fast-paced and constantly evolving world, organizations must adapt quickly to remain competitive and survive (Alvesson & Sveningsson, 2008). While some organizations seek out every new opportunity for change to thrive, others are forced to implement change for survival. This often requires undergoing significant changes, such as updating processes, implementing new technologies, or altering the organization's structure (Bolman & Deal, 2017). For the SOEs in the financial service industry, their primary challenge from the policy shift and consequent global competition, from this perspective, could be transformed into opportunities as well. To keep pace with the fast-changing world, organizations have to respond quickly to survive and, hopefully, thrive. Without the ability to change rapidly, organizations may struggle to keep up with their competitors and may even face extinction (Barnett & Carroll, 1995). Therefore, the ability to change quickly and effectively is crucial for the development and survival of any organization (Weick & Quinn, 1999). When other domestic competitors are struggling with incoming global challenges, it is

time for the leadership of the SOEs to act proactively in implementing the best organizational change model and regenerating the organizations into more powerful presences.

## Chapter 2: Literature Review

Throughout the history of organizational management, researchers and scholars have developed a number of organizational change theories and practices through empirical, pragmatic, or conceptual study (Armenakis & Bedeian, 1999). Many of these general organizational change models and practices that developed for changing typical Western organizations should not be indiscriminately imitated for changing Eastern organizations with unique characteristics. For instance, Hassard et al.'s (2010) longitudinal field study on economic reform and organizational restructuring of Chinese SOEs in the iron and steel industry revealed that the economic reform process in China, as one of few communist states in the world, has taken a vastly different form from the shock therapy approach to marketization used in other economies undergoing transition. Such a distinct way in the nature of economic reform eventually led to the unique organizational structure of Chinese SOEs, which require innovative approaches to change in order to compete with Western rivals.

In order to develop the best organizational change model for Chinese SOEs, it is vital to conduct a literature review to explore the strengths and weaknesses of each Western practice. In addition to summarizing the competencies of various models and practices, this review also aims at examining their appropriateness for changing Chinese SOEs. From analyzing and restructuring the strengths of these organizational change theories and practices, an initial frame of the best organizational change model for Chinese SOEs should emerge.

### **Background**

Understanding and predicting organizational change is an important but perplexing task in the field of organizational management. Major obstacles to advancing organizational change study have been recognized as an inadequate level of theory development (Edwards, 2010;

Golembiewski, 1979; Sashkin & Burke, 1987; Woodman, 1989, 2014) and underdeveloped general theoretical formulations (Pettigrew et al., 2001; Piazza & Castellucci, 2014; Porras & Robertson, 1986). To understand better and predict organizational change, researchers (Child, 1972; Huber et al., 1993) have successfully identified dozens of determinants that affect organizational change based on a number of empirical studies. For instance, Huber et al. (1993) identified 24 factors that might reasonably be thought to cause or constrain organizational change and grouped them into five constructs: environment, performance, top manager, strategy, and structure. In terms of this categorization, a majority of the prominent study was conducted to explore relations or interactions among constructs, such as Hannan and Freeman's (1984) research on structural inertia of organizational change that examined the relationship between environment and structure. Thomas et al.'s (1993) study on strategic sensemaking revealed the linkage between strategy and performance. Despite all these constructs, individually, paired, or grouped, as have been proved statistically significant to organizational change, the topic, overall, is not well-understood in the sense that there is not a widely accepted model for understanding and predicting the phenomenon (Huber et al., 1993).

Subject to inadequate theory development and underdeveloped theoretical formulations, scholars of organization science still managed to develop many organizational change theories and practices based on different perspectives and focuses. For example, Burke and Litwin's (1992) model studied interactions among organizational performance and other change constructs, while Kotter's (2012) model leaned toward instructing leaders and managers in practical actions for change. However, each of these theories and practices served as a piece of the whole puzzle and lay in its silo in the field of organizational study.

## Key Concepts and/or Ideas

Organizational change has been viewed as a philosophical and empirical concept (Dawson, 2019). In their efforts to articulate abstract processes and manifestations of organizational change, scholars have frequently constructed conceptualization from physics. For example, Lewin's (1947a) three-phase model described the change process as unfreeze, change, and refreeze. Depicting the change process in terms of phase transition, this change model has served as a "grand foundation" (S. Cummings et al., 2016, p. 42) for a number of successive organizational change models. Based on the concept of equilibrium from Newtonian physics, economists (Krugman, 1996) and sociologists (Simon, 1950) developed the equilibrium theories in their respective fields that served as the bedrock of many empirical studies (A. D. Meyer et al., 2005). Regarding the equilibrium theories in the field of economics, Krugman (1996) noted, the general equilibrium model is designed to solve economic problems in mathematical terms similar to those used by Newton. This approach has provided economists with an extremely effective means of simplifying otherwise complex issues. From this perspective, it is necessary to review the equilibrium theory from its origin, Newtonian physics, to examine its connection with fragmented change theories.

According to Newton's (1687/1999) first law of motion, in the inertial frame of reference, an object will either remain at rest, or in motion at a constant speed in a straight line, unless acted upon by force. Translating this law in the context of organizational change, an organization will preserve its status quo, remaining at rest or in uniform linear motion, in the absence of external influence. Based on this definition, the variances in a state of motion could be explained by differences in the point of reference: a ship constantly moving in a straight line is stationary to the captain and crew onboard but in motion to outside observers. Accordingly, an

organization in its routine and status quo is stationary to its managers and employees but constantly moving toward an established goal for outside observers. Thus, the first and foremost task is to secure a fixed point of reference for the rest of the study by answering a philosophical question: Should organizational change research be conducted from an outside researcher's perspective or an inside leader's perspective?

J. Wang (2014) noted that most or all senior executives of Chinese SOEs are typically chosen by CPC organizational departments, which results in SOEs being economic entities that are almost entirely controlled by the CPC. Since designated party officials, as leaders of Chinese SOEs, are controlling and supervising the state-owned business entities on behalf of the CPC, these leaders should be responsible for planning and implementing the change. From a leader's point of reference, the state of an organization could be referred to as status quo (Hambrick et al., 1993), equilibrium (Simon, 1950), or quasistationary equilibrium (Lewin, 1947b).

### **Constructs, Frameworks, Theories**

Newton (1687/1999) identified inertia as an innate force of matter that endeavors to persevere an object's present state by resisting change in its speed or direction of motion. In Newtonian physics, inertia is viewed as being influenced and determined by mass (Ciufolini & Wheeler, 2018). Endowing a terrestrial object with mass will subject it to inertia and the force of gravity. Applied upon an object, the state of motion of the object will be (a) stationary, (b) stationary or in uniform linear motion, or (c) move in acceleration with the direction of the force. Substitute the object for an organization and the state of motion of the organization will be likewise, referred to in the literature of organizational change as (a) status quo, (b) equilibrium or quasistationary equilibrium, (c) changing or changed.

Lewin (1943) described the status quo in the organizational ecology as: “One should view the present situation—the status quo—as being maintained by certain conditions or forces” (p. 172). In the case of (a), an organization’s inertia greater than the external forces, the forces acting upon the organization included the force of gravity, the force from the environment, and the reaction force from the holding surface. In this inertial frame of reference, the organization’s present condition of stationary state and the status quo is maintained by the three acting forces. On condition that an organization’s inertia exceeds the external forces of change, it will remain in its status quo state despite the forces of change acting upon it.

A. D. Meyer et al. (2005) drew a cross-discipline comparison for the concept of equilibrium among physics, economics, and organization theory and indicated that equilibrium is “a condition in which all acting influences are canceled by others, resulting in a stable, balanced, or unchanging system” (p. 458). In the case of (b), an organization’s inertia equal to the external forces, the applied force of gravity canceled out the force from the environment and resulted in a balanced and unchanging state of motion. Lewin (1947b) amended the term equilibrium in organization theory and referred to “the conditions for no change” (p. 39) as a quasistationary equilibrium by comparing it to the state of a stably flowing river. Such variance between the two descriptions could be clearly explained in the established inertial frame of reference through previously discussed differences in the point of reference, whereas A. D. Meyer et al. (2005) viewed the circumstance of (b), an organization’s inertia equal to the external forces of change from the organization’s or leader’s perspective, by referring to it as an unchanging stationary system in contrast to Lewin’s (1947b) analogy of a stably flowing river from an outside observer’s point of reference. Nevertheless, under this state of equilibrium or quasistationary



state, the organization is free of the organizational status quo and ready to be changed by an external force.

A major discrepancy has emerged in the literature on organizational change for perceiving an organization's state of motion in acceleration in the case of (c), an organization's inertia less than the external forces of change. Lewin (1947a) and Burnes (2004) viewed this state as changing in progress or on the way to its destination. After the changing stage, the organization should be refrozen and return to a new status quo. In contrast, Marshak (1993) and Vaill (1989) drew an analogy to describe this state of constantly moving as white water and argued that the white water was an ideal state that the organizational change should pursue and the changed organization should permanently retain. Despite the differences, a common view that could be drawn from their arguments is that once the force of change exceeded the organizational inertia, the organizational change was deemed to be successfully initiated.

### **Best Practices in the Field of Organizational Change**

In order to explore the best organizational change model for Chinese SOEs in the financial service industry, it is necessary to review and examine the existing best practices in the field of organizational change. Because of an inadequate level of theory development and underdeveloped general theoretical formulations, academia has a prolonged and ongoing debate regarding the best practice or model in organizational change management. Without general consensus or predetermined criteria, it is unlikely to claim that a certain change practice or model was superior than the others. Therefore, for this study, the best practices and frameworks are evaluated and determined by their significance and prevalence in the field of organizational change management. Meanwhile, heeding Rousseau's (2006) call for a joint effort from educators, executives, and researchers to close the research-practice gap, one of the best practices

will be identified based on empirical research and the other one will be determined from pragmatic study.

### ***Kurt Lewin's Three-Phase Model***

In the study of group dynamics and social change, German American Psychologist Lewin (1947a) presented a “changing as three steps” (p. 34) theory that he described as “unfreezing, moving, and freezing” (p. 35). Lewin’s change theory was later refined by other researchers and scholars in the following decades and gradually modified into a three-phase organizational change model known as unfreezing, changing, and refreezing (S. Cummings et al., 2016). Despite the critiques in past decades, both Burnes’s (2004) literature review and S. Cummings et al.’s (2016) original sources reached the same conclusion of foundational significance and dominant impact of Lewin’s (1947a) empirical model in the field of organizational change management. Widely regarded as a fundamental model for making changes in business organizations, Lewin’s three-phase change process emphasized initiating the organizational change by overcoming inertia, addressing RTC, and breaking structural equilibria. Structural changes within organizations are inconsistent, even in those that are struggling, since a stable structure contributes to minimize confusion and uncertainty, maintain consistency, and preserve the current balance (Bolman & Deal, 2017). For dismantling the existing mindset and challenging the status quo, Lewin’s model introduced a vital concept of unfreezing an organization before taking action to make any substantial change.

Although Lewin’s (1947a) change theory was regarded as “a process-oriented model” (McAleese et al., 2013, p. 110) in which the author did not have concrete actions needed for executing each stage, it succeeded in conceptualizing the abstract process of organizational change through changing in the states of matter. Thinking of an organization as a block of ice in

a container, the best way to change the shape of the ice is first to unfreeze it into the water by heating; second, pour the water into a new mold; then third, refreeze the water into ice by refrigerating. In this study, the leadership turnover and iron rice bowl mentality in the SOEs had added extra layers of frost onto frozen organizations, making them more resistant to change. Without addressing the internal RTC by unfreezing first, the subsequent organizational change plan would be unlikely to succeed.

**Unfreezing.** Lewin (1947a) noted, “The ‘unfreezing’ of the present level may involve quite different problems in different cases” (p. 35). Although an external policy shift initially caused the reshuffle of leadership, according to Lewin’s (1947a) three-step change model, a new leadership of the SOEs should address the internal problem of potential RTC and reestablish control of the organization. Instead of developing a standardized approach, it is more applicable to develop a model from the best practices on a case-by-case basis to unfreeze the organization for change effectively. Moreover, this initial phase also provides a valuable conceptual framework in overcoming the problematic iron rice bowl mentality for implementing planned change.

Stanley et al. (2005) pointed out that employee opposition was one of the two important resistance factors in the change process, and Bordia et al. (2004) argued that RTC affected the change process, which would lead to adverse outcomes. These arguments have been validated by Hassard et al.’s (2010) case evidence study for Chinese SOEs, which revealed that emotional unrest would significantly hinder the implementation of change measures. From this standpoint, the iron rice bowl mentality could be seen as employees’ emotional RTC. Therefore, unfreezing the organizations without escalating employees’ emotional resistance into unrest or strikes is a critical prerequisite in addressing RTC. To address this emotional resistance, Hussain et al.’s

(2018) literature review suggested using knowledge sharing among employees as a vital catalyst to reduce RTC while facilitating Lewin's (1947a) unfreezing stage of change. A thorough review of RTC in Chinese SOEs is separately discussed later in this chapter.

**Changing.** By a chronological order of action, referring to the second phase of Lewin's (1947a) organizational change model, once the organization was successfully unfrozen by resolving immediate problems of the RTC, the next stage is to change the organization to address the primary challenges of increased competition and changed market structure, as Moran and Brightman (2000) indicated that the marketplace is constantly changing. Prior to carrying out the change, it is critical to develop new strategies and policies capable of mitigating the impact of market structure change based on the competitive intensity in the financial service industry. Regarding the optimal way for changing, Lewin (1947a) recommended using a strategy that is capable of generating minimum force of resistance and maximum force of change. Hussain et al.'s (2018) study concluded that leadership and employee involvement (EI) are two crucial determinants for effectively implementing change under Lewin's (1947a) change process. Considering the established bureaucracy within both systems of the SOEs and mentality of SOE executives, the second phase of changing should aim at changing the organization as well as transforming leadership styles.

Despite that the consequences of increased competition by opening the market were unprecedented for Chinese SOEs in the industry, considering this challenge with a global mindset, it is evident that other developed countries in the world had undergone similar opening stages and policy shifts, such as China's Asian neighbors, Japan and South Korea. Change does not discriminate based on the size or age of a business but affects all businesses in a comprehensive manner (Moran & Brightman, 2000). Learning and borrowing experience from

those developed neighbors with mature economic markets would be beneficial for forming a competitive and practical business strategy in addressing global challenges.

**Refreezing.** The successful implementation of the new business strategy within the organization symbolized the completion of Lewin's second change phase. Once primary challenges are neutralized, the last step in Lewin's (1947a) organizational change model is to refreeze the organization by institutionalizing the change. Kent (2011) argued that it is important to refreeze an organization into a new equilibrium to ensure that "the change becomes a permanent part of its operation" (p. 3). Regarding the third step of Lewin's change model, a number of scholars and practitioners spoke out and doubted the necessity of the refreezing, criticized that it was out of date (Graetz et al., 2011) in an organizational change process, and argued their organizations needed a permanent state of thaw (Huczynski & Buchanan, 2007) or permanent white water (Marshak, 1993; Vaill, 1989).

Although these superficial critiques have not undermined the fundamentals of Lewin's (1947a) model, other studies that pointed out its underlying limitations, such as failing to recognize situations that require more directive approaches in times of crisis (Kanter et al., 1992) and assuming that all stakeholders in a change process will willingly adopt and implement it through mutual consent (Burnes, 2004), should not be ignored. In view of these limitations, other well-established leadership and change models, such as Kotter's eight-step change model, could be adopted to fill in theoretical gaps and complement each of Lewin's phases in practical action. For example, Kotter's (2012) change model, which will be discussed later in this chapter, especially its second, third, and fourth steps, have precisely addressed Burnes's (2004) concern about the lack of common agreement from all stakeholders under Lewin's (1947a) change model.

### ***Kotter's Eight-Step Change Model***

Based on the long-term observation of leaders and organizations, Harvard Professor Kotter (2012) presented an eight-step change method, which is commonly referred to as Kotter's eight-step change model for organizational change and strategic implementation. Originated from his best-selling book titled *Leading Change*, which has been cited extensively in Google Scholar with more than 18,000 references, Kotter's (2012) eight-step change model is considered one of the most notable and prevalent change management models based on pragmatic perspective. Moreover, Kotter's change model is famous for its powerfulness and intelligibility in initiating a system-wide change and is known for its breadth and applicability in implementing trivial changes. Moreover, the designated scope and goal of Kotter's (2012) change model are perfectly aligned with the nature and purpose of this study. Kotter (2012) noted, the basic goal of his eight-step change model is to assist in implementing significant changes in business practices for coping with a new, more challenging market environment. As elaborated in the problem statement, the incoming global competitors, as a result of eliminate protectionism in the financial service industry, will considerably turn the domestic market into a more challenging environment.

Although Kotter's change model was derived from pragmatism rather than scholarly empirical study (Appelbaum et al., 2012), this eight-step change model provided a solid guide of action in implementing each stage. Since the effect of Lewin's (1947a) process-oriented models was considered "indirect through separate phases in the process" (Hussain et al., 2018, p. 126), Kotter's (2012) model could be a strong complement in filling the practice gap in Lewin's model. During the first stage of Kotter's eight-step change methodology, Kotter (2012) emphasized the importance of establishing a sense of urgency in overcoming RTC. As Lewin

(1947a) pointed out, in order to challenge complacency and self-righteousness, occasionally, it is necessary to intentionally provoke an emotional reaction. Negative emotions, such as panic, anxiety, or confusion, and so forth, that are caused by the threats of incoming rivals and reshuffling of leadership, if appropriately manipulated, could be used as the “emotional stir-up” (Lewin, 1947a, p. 35) to get off to a good start in initiating the first step of Kotter’s change process.

**Create a Sense of Urgency.** According to Kotter’s (2012) eight-step change model, the first step of change is to establish a sense of urgency, which begins with evaluating the current urgency and complacency level. Although the leadership reshuffle might have created a certain level of urgency within the organization, it is critical to assess the current condition by surveying whether a majority of employees and the rest of the executives believed that “considerable change is absolutely necessary” (Kotter, 2012, p. 51). For the executive team of the SOEs, the bonuses and promotions are tied to performance, and it is likely to form a sense of urgency and reach a consensus about the change plan in a short period of time. However, as for general employees, the state-owned identity of their employers has prolongedly offered them the iron rice bowl, a Chinese term that stands for guaranteed job security, steady incomes, and immunity to layoff as job for life. The iron rice bowl, acting as Lewin’s (1947a) “shell of complacency” (p. 35) in Chinese SOE change and transformation, prevents the accumulation of internal urgency among employees by resisting external tension and internal performance pressure. T. G. Cummings and Worley (2003) pointed out that employees’ concerns about the future state prevented them from supporting organizational change unless they were convinced to be against the status quo.

In order to penetrate the shell of complacency, coercive actions to break the iron rice bowl, such as launching a wave of strategic layoff, and so forth, could be effectively enforced to inject a sense of urgency into the veins of the organization. According to Huang and Snell's (2003) case study on Chinese SOEs, a new general manager of a Chinese state-owned shipbuilding company called a plenary meeting to "beat the issue of survival into employees' hearts" (p. 116) by warning employees of potential dismissal. Besides creating the emotional stir-up needed to initiate the change, cutting excessive labor has benefited Chinese SOEs in regard to profitability, according to the research on the iron rice bowl and SOE reform by Berkowitz et al. (2017). In addition to the coercive actions to address the Chinese SOE-specific issues, Kotter (2012) suggested that other general actions, such as the use of external consultants and conveying the problems through honest discussions, could be taken to raise the urgency level. Once the desired prerequisite change in urgency level has been fulfilled, it is time to proceed with the next step of change: creating the guiding coalition.

**Build a Guiding Coalition.** Leaders should not rely on themselves to implement the change; they need to create a guiding coalition. More than strong leadership and support from the entire management team, leadership of the SOEs are in critical need of a group of loyal followers to initiate and implement change, as Porras and Robertson (1992) suggested that leaders should instruct and involve followers to change and refreeze the organization. For Western organizations, regular executive meetings, if appropriately constructed, should communicate the change vision at a leadership level. However, for Chinese SOEs, creating such a coalition in the top management team may be much more challenging and require extra effort. For example, Huang and Snell (2003) noted that, in a Chinese state-owned shipbuilding company, a new



general manager had to replace the entire top management team to gain support for building an initial coalition for change.

Within Chinese SOEs, the leaders could pick and train a team of followers across each department, considering the typical decentralized organizational structure of the SOEs in the financial service industry, into a special task force that serves as the pioneer and advocate to convey the change. For synchronizing the change vision from top to bottom, the task force is advised to be built through the traditional organizational hierarchy and include frontline employees, middle managers, and senior executives from different segments and business units. Kotter (2012) noted three guiding principles, “Find the right people, create trust, develop a common goal” (p. 68), should be carefully followed to form a coalition that can facilitate organizational change processes. The task force should consist of influential representatives, known as key people or right people, from different levels and departments. As for creating trust, the leaders should establish an emotional commitment within the task force by building consensus and exchanging ideas. With the right people and mutual trust, the leaders should be able to develop a common goal for the task force in implanting the sense of urgency as well as guiding the momentum for the next step of change: forming a strategic vision and initiatives.

**Developing a Vision and Strategy.** Senge (2006) argued that people do not give up their personal goals for the benefit of the team’s vision; instead, the team’s vision aligns with and expands upon their individual vision. A shared vision will not only set a direction for the leader and organization in a change process, but also coordinate group actions in a simple and elegant way. Compared to mandating employees to memorize miscellaneous details in each change, it is much easier to grasp and remember a catchy vision as a code of conduct. Providing employees with a clear, concise, and compelling vision can help them to understand the overall goals of the

organization and their role in achieving them, making it easier for them to adapt to and support changes. Additionally, a catchy and memorable vision can serve as a rallying point for employees, helping to build a sense of shared purpose and commitment to the change process.

Moran and Brightman (2000) defined change management as the ongoing effort of refreshing an organization's strategy, organization, and abilities to meet the evolving needs of both internal and external clients. A good vision not only leads the organization toward a new direction in response to the ever-changing needs but also helps employees understand what their leader is trying to achieve. Kotter (2012) described a good vision as "a central component of all great leadership" (p. 70) that serves three important purposes: provide a clear direction for change, incentivize individuals to take the appropriate steps, and inspire them to work together to achieve the desired outcome. In improving the quality of the vision statement, the leaders and the task force could invite employee representatives across departments to participate in drafting the vision statement. The final product of the vision statement should be a short summary composed of one or two sentences that depict the ultimate goal and future pursuit of the organization. While drafting the vision statement, the corresponding strategy to execute the vision should be developed to ensure the goal is practical and down-to-earth. For effectively conveying the vision to the broader audience, the task force should take adequate time in describing and explaining the vision with digestible speech in less than 5 minutes.

**Communicate the Change Vision.** Once a change vision has been secured, the next step in the change process is communicating the change vision. In the era of the information explosion, leaders could not expect employees to read handouts of corporate vision carefully while struggling with massive daily communications. To address the ineffective communication caused by information overflow, Kotter (2012) noted that when the leader and the task force all

embody the change vision, employees are more likely to understand and accept it than if they had been overwhelmed with internal communications. Living the change vision means walking the talk, and the leaders have an irreplaceable position and role in exemplifying the vision in person. Regarding elaborating on the change vision, Bate et al. (2000) suggested that leaders should clearly outline the order and consequence of each critical stage of change.

To lead by example, leaders should seize every opportunity as well as take responsibility to promote and advertise the vision, as Burke (2008) and Whelan-Berry et al. (2003) emphasized that the personal involvement of leaders is critical in the launching stage of change. Since communication is a reciprocal process of exchanging information, besides broadcasting the vision, the leaders should patiently listen to the voices of frontline employees and middle managers through management by walking around. Based on the feedback gathered from the task force and employees, the chairman should openly address their concerns and suggestions and improve the method of carrying out responses. Based on reviewing various organizational change modes, Hussain et al. (2018) pointed out that leadership, EI, and sharing knowledge are three critical factors within the change process. From this perspective, Kotter's (2012) fourth step of communicating vision could be seen as an implementation stage of facilitating EI as well as sharing knowledge.

The other purpose in answering the employees' responses is to identify the diehard old-timers within the organization who have potential emotional distrust or resistance toward the outsider new leader or the change vision. To deal with the RTC from a minority of employees, Kim and Mauborgne (2003) suggested that leaders could intentionally identify and silence these internal opponents in order to communicate the vision to the majority effectively. As illustrated previously, since the iron rice bowl has shielded the diehards and strengthened the RTC, the

proposed tactics in silencing internal opponents could include transferring to sinecure or even disciplinary layoff.

**Enable Action by Removing Barriers.** Once the changed vision and mission have been transmitted to all levels of the organization and RTC from the diehards is eliminated, the next step for the leaders is to enable the employees and managers to take actions independently and voluntarily in implementing the proposed change. To promote employee initiative, instead of giving instructions with a directive leadership style, it is much more efficient to empower employees and managers to remove barriers and obstacles at their discretion. Such a method of increasing employees' participation in change was also referred to as an EI program by Glew et al. (1995), who proposed that intended participation programs, interventions, or changes may include increased participation of employees in decision-making, the use of teams, efforts to empower the workforce, changes to individual roles, or other modifications to the distribution of power and influence within the organization. In line with Glew et al.'s (1995) argument, T. Cummings and Molloy (1977) also suggested that EI could not only lead to creative ideas that resulted in innovative solutions and individual commitment to change, but also motivate employees' change effort in work.

Kotter (2012) noted that a company will not succeed in a globalized economy if its employees are disheartened and disempowered. Researchers and leaders from all over the globe have suggested that empowering employees can help organizations compete successfully in a fiercely competitive marketplace (Tjosvold & Sun, 2006). To win the battle against global competitors, developing and implementing a new business strategy alone is far from sufficient; Chinese SOEs have to improve organizational performance and efficiency by unfreezing and unchaining the staff to complete the prerequisites of organizational change. Regarding strategic

actions to empower employees, both Tzafrir et al. (2004) and Kotter (2012) indicated that increasing trust, breaking down barriers between management and employees, and providing necessary training are practical methods for empowerment. As for raising trust and breaking the silos, as proposed in the previous section, assembling a task force with representatives from employees and managers, hosting open-door discussions, establishing channels for mutual communications, and so forth, could be tactically enforced to empower the employees.

**Generate Short-Term Wins.** Neglecting to focus on short-term successes while undergoing a change process is highly dangerous (Kotter, 2012). Throughout history, great leaders who initiated major social changes, such as Abraham Lincoln and Martin Luther King, have taken extreme risks of being criticized, persecuted, or even assassinated. To mitigate the risk associated with planned change, for the leaders of the SOEs, giving followers a taste of victory in time could suppress doubts caused by fear of uncertainty, eradicate the RTC from internal opponents, and boost the morale for a bigger change. Nothing motivates more than success; generating short-term wins at an early stage of the overall change processes will not only consolidate gains in refreezing the organization, but also accumulate momentum for change in implementing new business strategies during the second phase of Lewin's change model. A successful short-term win should be obvious, noticeable, and easily understood in relation to the overall change initiative (Kotter, 2012). For the SOEs in the financial service industry, improved financial reports, increased market shares, positive feedback from satisfied customers, and so forth are good examples of short-term wins that are achievable and noticeable, and can be actively broadcasted and propagated.

**Consolidating Gains and Producing More Change.** Kotter (2012) viewed the RTC as a persisting issue that is "always waiting to reassert itself" (p. 138) in the organizational change

process. If the change process ends up with achieving short-term wins, then “critical momentum can be lost and regression may follow” (Kotter, 2012, p. 139). He further attributed the regression of the acquired change to the unchanged organizational culture and increased interdependences. Without consolidating gains and producing more momentum for change, the unchanged interdependences will merge with the changed behaviors and carry them back to the initial state of equilibrium. In the literature on organizational change, Kelly and Amburgey’s (1991) empirical study proposed a similar idea about addressing the interdependences with a series of incremental changes and argued that implementing a gradual series of changes may be more practical and efficient than attempting a single significant alteration in strategy. In essence, both Kotter (2012) and Kelly and Amburgey (1991) suggested consolidating incremental changes in order to achieve further and bigger change.

**Anchoring New Approaches in the Culture.** By implementing Kotter’s seven change processes above, the leaders of the SOEs should have completed the essential unfreezing phase by eliminating internal RTC and resuming control over the organization. However, it is critical to assess the effectiveness of the change using appropriate criteria and methods discussed in the evaluation and the measurement of success section. To build on the past short-term wins and changed mindset, Kotter (2012) noted that the guiding coalition utilizes the credibility gained from short-term successes to undertake further and more significant change initiatives. The bigger change project, in this case, would undoubtedly be the second phase of Lewin’s change model: change the SOEs in the financial service industry to address global competition.

Nevertheless, the completion of the unfreezing stage is only a prerequisite for successive organizational change. The successful implementation of the second phase of change requires a matching leadership style. Generations of scholars and researchers have studied the close

correlation and positive interaction between leadership style and organizational change for decades. For example, Paglis and Green (2002) found that leadership in change management involves building trust and influence among followers, inspiring them to take action and put in effort to achieve change goals, and work together to overcome any obstacles that may arise during the change process. Therefore, before making the most of the unfrozen organization in achieving a bigger plan for change, the leaders of the SOEs should be prepared to shift their leadership in order to adapt to the changed organization and culture.

### ***Leadership Styles and Organizational Change***

Huber et al.'s (1993) definition of the top manager is prone to examine an organization in business settings. In the context of this study, the construct of top management should be viewed as the leader's influence upon an organization in driving the organizational change, as Kotter (2012) emphasized that the driving force of the organizational change process was leadership and more leadership. Durand and Calori (2006) also argued that leadership serves as one of the most critical determinants of change from followers. Despite typology in defining and classifying styles of leadership being varied by focus, mainstream and influential research (Avolio et al., 1999; Bass et al., 2003; Hater & Bass, 1988; Judge & Piccolo, 2004) on leadership influence, and effectiveness, leadership styles are generally categorized into two subconstructs: transactional leadership and transformational leadership.

An empirical study conducted by Golm (2009), which filled the literature gap on the impact of transactional and transformational leadership on organizational change, suggested, "Although transformational leadership may appear to be more intimately tied to organizational change at the theoretical level, transactional leadership is very critical at the practical level" (p. 75). For interpreting Golm's (2009) finding in the context of organizational change, it is

necessary to review the instruments for assessing transformational leadership. The widely used instrument, the multifactor leadership questionnaire developed by Bass and Avolio (1990), measured transformational leadership with sample items such as my leader makes me feel proud to be associated with them or my leader emphasizes the significance of possessing a clear sense of direction. Since almost all of the sample items in the multifactor leadership questionnaire started with the qualifier of “my leader” (Bass & Avolio, 1990, p. 21), a commonality, as well as a problem of transformational leadership, emerged: the influence of transformational leadership is unidirectional and diminishable in the context of organizational change.

That is, the force generated by transformational leadership is unidirectionally passed to the followers in a top-to-bottom way and eventually comes to a stop. For example, intellectual stimulation, an important factor of the multifactor leadership questionnaire in measuring transformational leadership (Podsakoff et al., 1990), is unidirectional and diminishable, since a leader may stimulate a follower, but the follower is unlikely to stimulate the leader in turn or pass on the stimulation to other followers within the organization. The repetitive work of stimulating one after another is not only a duplication of efforts but also confines the “organizational change at the theoretical level” (Golm, 2009, p. 75). Cross-referencing the literature, a longitudinal study by Hill et al. (2012) revealed that a manager’s transformational leadership behaviors would no longer count as significant predictors of employees’ affective or normative commitment to change during a 1-year period. Such time-dependent diminishing of effectiveness could be clearly explained by the unidirectionality and attenuation of transformational leadership.

In contrast, transactional leadership could not only generate a force that is capable of being relayed among the followers, but also to the whole organization. For example, punishing



or rewarding, as one of the common practices in transactional leadership, a follower could generate a force at a psychological or cognitive level that could be simultaneously relayed to other followers. From this standpoint, Vera and Crossan's (2004) study challenged traditional beliefs of transformational leadership and highlighted the value of transactional leadership in the organizational learning process. If such transactional leadership is applied upon the organizational level instead of the individual level, such as making a new regulation to fine late arrivals, the alternation of the organizational agreements will change the organizational behavior. Therefore, transactional leadership is effective and "very critical at the practical level" (Golm, 2009, p. 75) because it generates a force of change that could be relayed within the whole organization while changing organizational behavior efficiently. Since the literature review revealed that applying strong transactional leadership is effective in overcoming RTC, transactional leadership could be seen as a potential best practice to address the iron rice bowl mentality in the SOEs.

However, applying a large force through transactional leadership should be calculated and reviewed with extreme caution, as it may lead to catastrophic outcomes in certain circumstances, such as an organization with mechanistic structures in which the forces could be swiftly and efficiently relayed. The force from transactional leadership functions is like the force from performance pressure to certain degrees, as it may place the organization at risk of sacrificing long-term growth for short-term goals, high employee turnover rate, or even tragic loss of lives. In the literature on organizational change, Hammer and Champy's (2009) change model suggested that reengineering an organization's internal processes by layoff should be seen as a risky attempt to advocate organizational change through the forces of transactional leadership. Instead, Egan et al. (2004) suggested using organizational culture learning as a

positive intervention to improve employees' job satisfaction and performance while containing their turnover intention.

Compared to the risky but efficient transactional leadership, the advantages of inefficient transformational leadership are also obvious: the unidirectionality and attenuation of transformational leadership prevent the forces from relaying between each other or persisting inside an organization that generates uncontrollable and unpredictable chain reactions. In turn, the traits of unidirectionality and attenuation make the outcomes of transformational leadership more manageable and predictable. Additionally, the manifestations of transformational leadership do not require the manipulation of the organizational agreements that further protect the organization's internal stability from dynamic and unpredictable fluctuations. Regardless of transactional leadership or transformational leadership, Podsakoff et al. (1996) concluded that leadership acts as a change agent in Lewin's (1947a) model to unfreeze the organization.

### ***Leadership Styles and the Best Organizational Change Practices***

Taking the appropriateness of different leadership styles into consideration, one of the highlights of Kotter's (2012) change model worth reemphasizing is its genius and subtlety in taking the most advantage of transformational and transactional leadership while minimizing their respective drawbacks. For example, to address the intrinsic attenuation issue of transformational leadership, Kotter (2012) argued for putting together "a group with enough power to lead the change" (p. 23) in the second stage. The individuals in the guiding coalition group are like the intermediate nodes inside the organization to relay the transformational forces generated by leaders while minimizing the attenuation of transformational leadership in transmission. Without establishing the intermediate nodes in the coalition group, the

transformational actions of communicating the change vision in the fourth stage were unlikely to succeed or sustain.

Podsakoff et al. (1996) underlined the importance of transformational leadership in the organizational change process by arguing that the transformational leader offers employees opportunities to share their insights and make decisions at an organizational level. To preserve unidirectional and diminishable transformational leadership, Kotter (2012), in the fifth stage of his change model, suggested “encouraging risk taking and nontraditional ideas, activities, and actions” (p. 23) in empowering broad-based action for encouraging the individuals to generate forces of change in lieu of leaders spontaneously. In other words, this stage overcame the unidirectionality issue of transformational leadership by decentralizing transformational forces. In addition to transformational leadership, in the sixth stage of generating short-term wins, Kotter (2012) suggested adopting transactional leadership by “visibly recognizing and rewarding people who made the wins possible” (p. 23). Punishing or rewarding, one of the standard practices in transactional leadership, could generate a transactional force to be simultaneously and efficiently relayed to other followers but risks the individuals by sacrificing long-term growth for short-term goals. Therefore, Kotter (2012) emphasized using “short-term wins” (p. 23) to prevent the diffusible and long-lasting transactional force from causing long-term side effects. Moreover, as discussed in the leadership influence section, transactional leadership applied to the organizational agreements dimension could alter the organizational curvatures, which resulted in dynamic and unpredictable internal fluctuations. Accordingly, Kotter argued for rewarding people rather than changing the rewards rules to minimize the risks of unforeseeable chain reactions caused by the alternation of the organizational agreements.

Besides the masterful manipulation of leadership influence, another highlight in this change model (Kotter, 2012) is that its eighth stage inherited Lewin's (1947a) philosophy of preserving the outcomes of change. If an attained organizational change was acquired through applying leadership influence or changing organizational agreements, the future unavoidable change in leadership or organizational agreements will inevitably undermine or destroy the attained change. For example, if an organizational change was achieved and maintained by a charismatic leader, the change built on transformational leadership is likely to be undermined in the inevitable future succession of leadership. In the context of Chinese SOE management, some provincial supervisory authorities mandated job rotation for top leaders of the SOEs after three consecutive terms. Therefore, without refreezing or anchoring change, the achieved organizational change could regress after reshuffle of the leadership. Compared to the fast-changing leadership and organizational agreements, the slowly formed organizational identities, such as culture, values, norms, rituals, and so forth, are more suitable for refreezing the change and preserving the outcome of change. In this change model, Kotter (2012) chose to anchor the outcomes of change on the cultural level of the organizational identities dimension to "ensure leadership development and succession" (p. 23).

### ***Institutionalize the Change Through Learning***

In physics, the best solution for preventing white water from splashing and flowing around is to freeze the water into ice. From Lewin's (1947a) organizational dynamics and behavior perspective, instead of being viewed as freezing the organization permanently, the step of refreezing aims to stabilize the group in pursuit of ensuring the changed behaviors are relatively safe from regression (Buchanan et al., 2005). Since Lewin's change theory was regarded as "a process-oriented model" (McAleese et al., 2013, p. 110), the author had not

specified actions or steps needed for refreezing an organization. Fortunately, many following scholars, through researching and practicing Lewin's model, proposed that setting up a training program, such as "management training programs" (Kent, 2011, p. 3) and "training and retaining" (McAleese et al., 2013, p. 114), was a practical action-oriented approach for systematically institutionalizing an organization. In addition to the primary goal of institutionalizing the change, the comprehensive training program designed for the SOEs should come with added value in increasing employee competitiveness and confronting global challenges.

For designing a comprehensive training program for an organization, the first task is to identify objectives and sort out their priorities. For Chinese SOEs, this training program's first and foremost objective is undoubtedly to imprint the change and anchor new culture into the changed organization, as advised by Kotter (2012). More than training a small group, coalition, or task force for communicating the vision and culture, which depicted the second, third, and fourth step of Kotter's (2012) change process, the pursuit of this training program is substantially similar to the objective of the Kotter's (2012) fifth and eighth step, empowering employees to take action in accordance with organizational vision and anchor the changes in corporate culture. The second and subsidiary objective of this program is to fulfill the implementation of the business strategy, improving organizational competitiveness through professional training. To simplify the curriculum design by categorizing similar objectives, the whole training course could be divided into two modules: Module 1 aims at conducting cultural training to instill a new vision into the organization; Module 2 targets performing professional training to improve organizational competitiveness and reinforce compliance awareness.

Developed initially at Florida State University for the U.S. Army, the ADDIE model is an instructional systems design framework known for analysis, design, development, implementation, and evaluation (Allen, 2006). The first step of the analysis was completed in the previous section, where the need for the training program was thoroughly analyzed and the whole curriculum was categorized into two modules. The next step is to design the overall structure as well as the delivery method of this training program.

Although the analysis revealed that a corporate training program was strongly needed in various aspects, it was challenging to implement it at a face-to-face level. Frequent and long-term business trips are one of the remarkable occupational characteristics for professionals in the financial service industry. Although this decentralized organizational structure improved efficiency, the employees in different branches rarely share a similar work schedule or timetable. Moreover, the Zero-Covid policy rigorously enforced by the Chinese government further limits group gatherings (Stevenson & Bradsher, 2022). These severe circumstances have prevented the employees from physically showing up at the same location at the same time for any traditional in-person training program (Shelton & Saltsman, 2011). Based on the above discussion, there is a specific need for Chinese organizations to have a training program that is capable of delivering the courses anytime and anywhere. To address the challenges of physical distance and viruses, the foundation of the program design should be aimed at building a remote study program through an online training platform, as recommended by T. C. Hsu et al. (2014). To accommodate the work schedule differences, a prerequisite of this program should be preparing recorded video/audio content for asynchronous study instead of live instruction. Recent qualitative studies on the usage of e-learning in corporate training revealed positive results, whereas Kimiloglu et al. (2017) found that the key benefits of corporate e-learning, such as

improved employee motivation, flexibility, tailored learning experiences, and cost savings, far outweigh any potential drawbacks. Taking the above needs and challenges into consideration, constructing an online mobile training program that is deliverable through personal mobile devices is one of the most applicable solutions at this time.

From the perspective of Bloom's (1956) taxonomy, the design and development of mobile training platforms could enable knowledge, the first level objective in the cognitive domain, to be virtually accessible anywhere, anytime. Meanwhile, with a wireless Internet connection, employees can access a tremendous amount of knowledge within reach of their fingertips (Ekren & Keskin, 2017). While the base-level objective, knowledge, is fulfilled by technology, program designers can come up with more sophisticated functions that aim at achieving other upper-level learning objectives, such as comprehension, analysis, and so forth (Halupa, 2021). For example, the integrated community learning and sharing functions that allow employees to collaborate with each other are capable of helping employees achieve the learning objective at even higher levels under Bloom's taxonomy (Bloom, 1956). In the context of institutionalizing a change in Chinese SOEs, the online interaction and collaboration feature could help the leader's coalition and the task force instill corporate vision and culture, advocated by Kotter (2012) and Trompenaars and Woolliams (2002), as well as improve the internal communication within the organization by erasing hierarchical distance. From this standpoint, the planned instructional strategies of this training program should be developed into two paths: (a) fulfilling base-level learning objectives through interactive multimedia content, and (b) achieving higher-level learning objectives through the integrated function of online community interaction.

As the design of the online training platform has been finalized, it is time to proceed with the next step in the ADDIE model development. Developing and maintaining a mobile training platform requires a team of dedicated software engineers. In consideration of operational cost, Zhao et al. (2022) suggested that the design and management of the online platform could be outsourced to third parties who have relevant expertise and experience. For content development of the first module, leaders and their coalition forces should take the lead in drafting the corporate vision and mission statement as well as related case study materials with assistance from an external consultant (Nadiyah & Faaizah, 2015). Because the second module consists of professional- and legal-related materials, the content development should be commissioned to the organization's internal human resource or compliance department through interdepartmental collaboration. These two departments should also be responsible for updating the content and designing appropriate assessments to evaluate the training outcomes. For ensuring outcomes of the program fulfill the proposed outcomes, following Hodell's (2016) recommendation, the program should be developed as an evaluated course, with clear goals and assessment criteria established, and both learners and instructors can determine if mastery has been achieved by the end of the course. Besides the above factors, an additional consideration for the training program development is to control the length of each training session, developing concise and flexible course loads ranging from 30 to 60 minutes, to accommodate employees' demanding working schedule.

According to the ADDIE model, once the course development is completed, the next step is to implement the curriculum with training facilitators (Allen, 2006). Regarding the first module of cultural training, the role of the training facilitator should be designated to leaders and their coalition task force. The leader of the SOEs, as chief cultural training facilitator of this



session, is advised to initiate a connection between leadership styles and processes of organizational learning (Berson et al., 2006). As for the second module of professional training, the human resource department should select representatives from the corresponding business department for the post of professional facilitator based on the results of their business proficiency and expertise. Choosing leaders as course facilitators within the organization has enormous advantages, such as promoting internal communication, knowledge sharing, and EI, as explicitly advocated by Glew et al. (1995), Senge (2006), and Hussain et al. (2018). To enhance the quality and variety of professional training sessions, the leaders could occasionally invite high-level experts, leading researchers, or even government officials from regulatory authorities as guest speakers.

Combining the first four steps in the ADDIE model and heeding Škerlavaj et al.'s (2007) recommendation, the objective of Module 1 could be written as: to reinforce employees' awareness and understanding of the corporate culture and vision. On the other hand, the aim of Module 2 is to enhance employees' professional knowledge, including compliance management training. Following the recommendations on learning objective design from both D. L. Kirkpatrick (2007) and Tyler (2013), the training goal for employees of Module 1 could be expressed as: given a 1/2-hour mobile learning course per week for at least 12 consecutive weeks, the participant should be able to express fluently the corporate vision and to identify the individual's role in achieving the corporate vision. In the same way, the training goal for employees of Module 2 could be expressed as follows: given 1-hour mobile learning course per week for at least 12 consecutive weeks, the participant should be able to achieve a higher level of expertise and improve efficiency. Once the training program is implemented in accordance with the curriculum, the last and final step based on the AIDDE model is to utilize an appropriate

evaluation model for assessing the effectiveness and outcome of the course. The evaluation program will be discussed later in the measure of success section.

### **Challenges to the Best Practices of Organizational Change**

Although the concept of equilibrium derived from Newtonian physics has facilitated theoretical advancement to a certain extent in organization science, the literature also revealed significant defects within organizational change practices constructed upon the equilibrium theory. For example, Anderson's (1999) complex theory contradicted this equilibrium theory by arguing that a system could "exhibit self-organization behavior and evolve naturally toward order without ever reaching a steady state" (A. D. Meyer et al., 2005, p. 470). The organization's self-organization behavior implied by the complexity theory refuted the fundamental need for an external force in driving organizational change and challenged the prior organizational change models that were constructed upon the equilibrium theory. Moreover, through the above observation of the organization's state of motion, either the equilibrium theory or its underlying Newtonian physics failed to provide a self-consistent explanation of the cause or nature of the gravity force that sustained the organizational inertia and the status quo in the organizational change context.

Abbott (2001) and A. D. Meyer et al. (2005) attributed the above limitation and dilemma in the equilibrium theory to the general linear model and mentality shaped by Newtonian physics. The advocates (Abbott, 2001; Anderson, 1999; R. Lewis, 1994; A. D. Meyer et al., 2005; Stacey et al., 2000) of the complexity theories argued that the environment and organization within form a complex, dynamic, nonlinear system that "the outcomes of their actions are unpredictable but...are governed by a set of simple order-generating rules" (Burnes, 2005, p. 75). Tetenbaum (1998) also proposed the chaos theory, similar to the fundamental

concept of the complexity theory, to contradict equilibrium theories and linear models built upon Newtonian physics. Similarly, Glieck (1987) argued the chaotic organizational change process not only creates challenges in forecasting, but also makes control impossible.

In addition to criticizing the general linear models of organizational change, the complexity theory also revealed another problem within the equilibrium theory in the field of organization study: presuming the organization as a whole and indivisible object. In Newtonian physics, an organization is viewed as an object, the state of motion of which is determined by forces acting upon it. For example, Graetz et al. (2011) and Waddell et al. (2013) argued that an organization would either need to decrease the forces promoting stability or increase the forces driving change to achieve organizational change. This conceptualization was ineffectual in explaining how organizational change occurred or was initiated within an organization, as implied by the complexity theory and emerging organizational change theories, such as Trompenaars and Woolliams's (2002) approach of change across cultures, Cameron and Quinn's (2011) practice of change by value, or Higgins and McCallister's (2004) theory of change through rituals. In addition to reviewing the complexities theory and chaos theory that argues organizational change is unlikely to be systemically predicted, it also is important to examine RTC, which sustained the organizational inertia and challenged the best practices for organizational change.

## RTC

In a study in which RTC prevented the level of mobilization critical to achieving a successful transformation, Appelbaum et al. (2015b) concluded that leadership played a role at multiple levels, impacting organizational outcomes both directly through ongoing shaping of employee attitudes during the change and indirectly through regulation of the factors that affect

their readiness for change. Regarding the relationship between leadership and RTC, the research of Appelbaum et al. (2015a) indicated that the leadership style influenced the level of RTC, which was reflected in people's attitudes, dedication, and participation in the change process. From this perspective, a new leader of the SOEs is advised to be involve personally in the organizational change process to guide the transformation more effectively (Hussain et al., 2018). Based on Lewin's three-phase change model, the first step of the organizational change process should start with unfreezing the organization in order to address the RTC.

While Appelbaum's (2015a) research established a theoretical framework for overcoming RTC, Kotter's (2012) eight-step model provided a reliable tool for putting the unfreezing theory into practice. Lewin's empirical model complement Kotter's pragmatic model and formed the best practices in overcoming strong RTC to achieve organizational change. Moreover, Vroom and Yetton (1973) argued that the EI is the most enduring and efficient strategy in implementing change and overcoming the RTC in organizational change. The participation from employees will result in desired organizational change and prevail over the RTC in the implementation phase. From this standpoint, Kotter's (2012) fifth step of empowering employees' broad-based action could be seen as a best practice in addressing RTC through promoting EI.

**The Iron Rice Bowl.** Warner (2018) referred to the iron rice bowl as a linchpin of Chinese employment policy, which involves job security and "cradle-to-grave welfare coverage" (p. 215). In addition to guaranteed lifetime employment (Fung, 2001), L. Liu (2014) described this cradle-to-grave welfare coverage provided by Chinese SOEs as social security provisions for "sickness, maternity, work injury, invalidity, death and old age pension" (p. 48) as well as allowances for "rent, food, transportation, bathing, haircuts, fuel, single child benefits, sanitation and visit to family members" (p. 48). Such comprehensive and attractive benefits based on the

iron rice bowl policy were handed out indiscriminately to employees of Chinese SOEs (Walder, 1989) and became a symbol of common prosperity under China's communist belief. As a number of SOEs have been operated at a loss, the massive costs of these benefits and provisions are usually directly subsidized by the state or local government (Leung, 1994). Hughes (1998) argued that the underlying purpose of the iron rice bowl policy is to maintain social stability and prevent possible uprisings, which are considered the top priority for the CPC's sole ruling and administration.

Despite its comprehensive benefits, as discussed in the previous sections, the iron rice bowl policy has led to a series of serious social, ethical, and managerial issues, such as inefficiency, corruption, low employee motivation, conflict of interests, high pressure to government finance, lack of work incentive, and so forth. Moreover, the iron rice bowl policy eventually cultivated the iron rice bowl mentality among employees of Chinese SOEs. In the case study, Huang and Snell (2003) described the employees with the iron rice bowl mentality as "lacked initiative and played Mah-jong and engaged in other pastimes during office hours" (p. 116). The complacency and lack of initiative caused by the iron rice bowl mentality gradually trapped the employees into the status quo and formed resistance to both behavioral and organizational change. From this standpoint, the iron rice bowl mentality acted as Lewin's (1947a) "shell of complacency" (p. 35) and RTC that challenged the best practices of organizational change. Since the iron rice bowl policy and mentality are exclusive in Chinese SOEs under the socialistic economy with Chinese characteristics, the Western-developed organizational change model surely needs extra complements in addressing this unique challenge.

### *The Principal-Agent Problem*

The principal-agent problem was originally derived from the agency theory in economics (Eisenhardt, 1989). Eisenhardt (1989) defined agency theory as a study focused on the ubiquitous agency relationship, “in which one party (the principal) delegates work to another (the agent)” (p. 58). The principal-agent problem typically arises when the two parties have a conflict of interest, which leads to the agent failing to act in the principal’s best interest. In the context of the principal-agent problem in SOE, Thiel et al. (2020) argued that principal-agent theory is commonly used to analyze the relationship between SOEs and the government. Based on research on Dutch SOEs and the Dutch government, Thiel et al. (2020) further pointed out three problems related to the governance of SOEs: the overestimation of goal divergence, the neglect of the principal’s tendency to act in their own self-interest, and the presence of multiple principals.

Regarding governance of Chinese SOEs, the CPC and the SASAC delegating work to party secretaries of the SOEs could be seen as a cause of the principal-agent problem from one side, while the party secretaries of the SOEs delegating work to boards of directors and executives adds another layer of complexity to this issue. From the SASAC’s perspective, its primary interest is to strengthen the CPC’s leadership and control in SOEs, according to the 1+N policy. From the party secretaries’ perspective, their top priority is to enforce control by reviewing and approving the boards’ decisions. The pressure of changing the organizations to confront overseas rivals is left to the executives and managers. While the party secretaries aim to strengthen control of the CPC and the executives strive to change the organization for better competitiveness, the divergence of goals and conflict of interest emerged (Thiel et al., 2020).

Based on studying Chinese state-owned media, G. Wang and Ang (2010) argued that as long as the mainstream media in China are owned by the state and act as a mouthpiece for the political party, they are susceptible to the principal-agent problem, which eventually leads to corruption, extravagance, and other irresponsible behaviors. G. Wang and Ang (2010) further pointed out that the only solutions to address the principal-agent problem are to rethink the role of the media as political party organs and endorse private ownership of the media. However, the nature of the sole ruling party, as well as the 1+N policy, have strictly prohibited these solutions from being applied toward the SOEs in the foreseeable future, not to mention using them to address the imminent challenges. Thiel et al. (2020) argued that increased coordination among principals and the application of stewardship theory could be potential solutions to resolve the principal-agent problem in SOEs. Since these potential solutions have resulted from their analysis of Dutch SOEs and the Dutch government, the validity and appropriateness of Chinese SOEs under unique market circumstances and competitive challenges have remained untested. Thiel et al. (2020) noted that further research is needed either to expand upon the principal-agent theory or to replace it as the main tool for analyzing SOEs-government relations.

### ***Measures of Success***

Based on a longitudinal empirical study, Huber et al. (1993) identified 24 factors that might reasonably be thought to cause or constrain organizational change and grouped them into five constructs: environment, performance, top manager, strategy, and structure. Although each of these constructs was statistically significant to organizational change, Huber et al. (1993) failed to find out a general pattern to reveal their interrelatedness since these constructs interact with each other on different dimensions in jointly affecting the outcomes of organizational change. Child's (1972) research on strategic choice examined interrelatedness among four

organizational constructs: structure, environment, performance, and strategy. The research (Child, 1972) suggested that strategic decision-making involves not just deciding on the structure and design of an organization, but also adjusting external factors and determining appropriate performance benchmarks.

For organizational structure and performance, their relationship could be roughly viewed as the leader's choice of an organizational performance standard that generates a force, referred to as the force of performance pressure, upon the organization's structure. In addition, Huber et al.'s (1993) argument that the level of performance achieved previously and any changes in performance level greatly influence externally focused changes implied that the antecedent performance levels served as indicators of organizations' current state of motion. For instance, a low-performance company may be seen as trapped in the status quo and induce the managers to apply performance pressure upon the company in the hope of organizational change. The effectual force from the performance pressure for driving the organization out of the status quo is determined by organizational structure. An organic organization structure may proportionally offset the performance force acting upon the organization.

**Measurement Through Organizational Performance.** There were historical precedents for the catastrophic outcomes caused by irrationally high-performance pressure upon organizations with highly mechanistic structures. In a business setting, the high-performance pressure will also prompt the employees to exhaust limited resources to satisfy short-term goals and long-term neglect needs. Therefore, it is important to keep tracking the status of change through appropriate measurement to avoid tragedies caused by excessive organizational change.

These examples of catastrophic outcomes of high-performance pressure could be viewed as a wrong "choice of relevant performance standards" (Child, 1972, p. 2) between "the



establishment of structural forms” (p. 2) and “the manipulation of environmental features” (p. 2). Therefore, the strategy construct could be referred to as making calculated and thoughtful choices among the other three constructs in achieving proposed organizational change while maintaining structural integrity as well as long-term growth. In the literature on organizational change, as Kelly and Amburgey’s (1991) empirical study suggested, a positive example of a wise strategic choice is to apply a larger force to drive the organization with an organic structure or change the organization to a mechanistic structure in stable and predictable environments. In other words, the absolute value of the measurement may be varied by the nature and scale of organizations. The leaders of the SOEs are supposed to determine the criteria and types of measurement on a case-by-case basis. For example, in a case study, Huang and Snell (2003) described the outcome of a successful turnaround of a shipbuilding SOE, as the company had reached profitability 1 year ahead of schedule. Nearly all divisions of the business were profitable, with the sales and marketing division surpassing the goal of securing 10 shipbuilding orders. In addition to using performance indicators to measure the success of organizational operation and change, a study conducted by Bin et al. (2019) on principal-agent conflicts in Chinese SOEs adopted innovation performance as an indicator to measure institutional development between SOEs and non-SOEs. Based on the result of their study, Bin et al. (2019) pointed out that the adoption of mixed ownership in Chinese SOEs will lead to a high level of institutional development as well as an increase in innovation performance. However, a bottom line that is worth reemphasizing is that as long as a practice violates or contradicts the underlying policies or rules mandated by the CPC or the SASAC, it will be considered an inapplicable approach regardless of the measurement chosen.

**Measurement Through Evaluation Program.** A tailor-made training program designed with appropriate models has served the purpose of consolidating the change that occurred and institutionalizing the changed organization. For evaluating the effectiveness of the training program and measuring the overall outcome of the organizational change, an evaluation program should also be developed to complement the training program. Developed by a professor at the University of Wisconsin, D. L. Kirkpatrick's (2007) four levels of training evaluation model is a practical tool for measuring the effectiveness of a training program. The four levels, known as a reaction, learning, behavior, and results, stand for the evaluation measurement in four directions (D. L. Kirkpatrick, 2007).

The evaluation process starts with determining the goals of the educational program (Tyler, 2013). As discussed in the curriculum design section, the learning objectives of this training program are clearly divided into two modules: Module 1 is to deliver cultural and behavioral training, and Module 2 is to conduct professional training. While the evaluation data for Objective 1 could be obtained from work reviews, group interviews, and individual questionnaires, the results of Objective 2 could be retrieved from after-class exercises, customer feedback, and key performance indicators. For work reviews and questionnaires, the use of office automation with standard operation procedures monitoring function and a preloaded professional-designed survey is recommended by Gasparetti et al. (2009). For recording and analyzing the result from the after-class exercise, Ekren and Keskin (2017) advised to use the center data process module that links to individual end-user training apps.

Using the evaluation method and corresponding four-level table developed by J. D. Kirkpatrick and Kirkpatrick (2016), it is evident that the evaluation method for learning Objective 1 is a survey, questionnaire, case study, behavior observation, and action learning; for

learning Objective 2, it is skill observation, knowledge test, knowledge check, presentation, work review, and teach back. Therefore, the training objective of Module 1 is associated with all four levels, and the training objective of Module 2 is involved with Level 2 learning. In other words, according to Frye and Hemmer (2012), the evaluation criteria for program objectives should be more result-oriented, which targeted outcomes occurring as a result of the training and support and liability package. To acquire a high-response rate and high-quality responses on the evaluation form, the design of the survey should include employee-centered items in order to “provide an open door for honest and robust feedback” (J. D. Kirkpatrick & Kirkpatrick, 2016, p. 144). Samples of employee-centered evaluation items could be expressed as: (a) The course materials were easily understandable; (b) The instructor’s knowledge greatly improved my understanding; or (c) The exercises helped me grasp the ideas.

During the implementation phase of Kirkpatrick’s four-step evaluation model, Brinkerhoff (1988) suggested that several precautions should be kept in mind. For example, since the Kirkpatrick model has been reviewed as an “entirely outcome oriented” (Brinkerhoff, 1988, p. 66) approach, the leaders should be patient in waiting for the training program to come into effect and generate evaluable outcomes before carrying out the evaluation plan. Moreover, when evaluating the training program with the Kirkpatrick model, Y. T. Lin et al. (2011) advised that leaders should constantly monitor any other variables, such as employee reactions and feedback, rather than the training program alone.

Nevertheless, thanks to its prominent outcome orientation, by composing evaluation questions and picking evaluation items accordingly, the evaluation plan built on D. L. Kirkpatrick’s (2007) model could be set up for evaluating the training program or the entire organizational change plan. For example, by drafting items such as (a) I acquired knowledge of

the company's new vision through watching a recorded lecture at my own pace and (b) I gained understanding of the company's new vision from interacting with my coworkers (task force member/coalition), the leaders should be able to differentiate whether the training program or the second step of Kotter's change model has instilled more change on employees. Once the evaluation is completed, depending on its evaluation objective, it is essential to keep revising and improving the design of the training curriculum or the entire organizational change plan as a whole, based on the evaluation results. Knowles et al. (2015) concluded that assessment is a fundamental part of behaviorists' approach; if a program fails to elicit the desired behavior, it is adjusted until it does.

### **Existing Literature Around Recommendations**

#### ***The Use of Subcompanies***

Hassard et al. (2010) conducted a longitudinal qualitative field study on Chinese SOEs in the iron and steel industry about institutional issues relating to organizational restructuring. This study revealed a genius and subtle practice adopted by the labor-intensive SOEs in the iron and steel industry for downsizing their workforce and improving employee motivation without overturning the iron rice bowl policy. This reform practice was constructed upon a pilot project called the group company system, initially launched in 1992 (Hassard & Sheehan, 1997) and involved the establishment of parent companies and a large number of subsidiary companies with a level of independence in decision-making from the parent company (Hassard et al., 2010). These subcompanies shared some production and service responsibilities of their parent SOEs through contracts while held accountable for their own profit and loss. The benefits of establishing these subcompanies are significant and multidimensional.

First, the control of these subcompanies is retained by their parent SOEs through substantial controlling shareholding. While their parent SOEs are controlled by governmental agencies, the control of the SOEs and their subcompanies are eventually preserved and maintained by the CPC. This ultimate control of the CPC guarantees that such use of service subcompanies does not violate the principle of the SOE's change and transformation. Second, the managerial autonomy given to the subcompanies enables them to operate like modern marketized corporations. Under marketized operation, the accountability for their own profit and loss motivated the management and employees of the subcompanies and partially dismantled the iron rice bowl mentality. Moreover, while the leaders and managers are evaluated and promoted based on their performance rather than their loyalty to the CPC, the principle-agent problem will also be subsequently resolved. Third, since the subcompanies are operated as marketized corporations, their employees are subject to the system of elimination, which terminates their immunity to layoffs from the hidden iron rice bowl policy. For example, if a leader of the SOEs decided to lay off a group of unproductive or redundant employees, he could transfer them to the subcompanies first. If they are not able to meet the key performance indicators in the subcompanies, the management could lay them off according to the regulations. From this standpoint, Hassard et al. (2010) concluded that the use of service subcompanies is a successful "method of organizational change aimed at absorbing unemployed SOE workers" (p. 513). Based on the discussion above, the use of subcompanies is considered an effective practice in addressing the iron rice bowl mentality, low employee motivation, and principle-agent problems during the organizational change process.

### *Seeking Empowerment From Supervisory Authorities*

Huang and Snell (2003) discussed a case of a successful turnaround for an SOE in heavy industry. The newly appointed leader had taken several rare approaches to redirect this SOE from financial losses. The initial key step was the new leader convinced the supervisory agency to authorize him to replace the previous top management team with managers who were selected based on their qualifications and who shared his vision for change. In other words, the leader broke through the iron rice bowl policy by seeking additional empowerment for layoffs from the supervisory authorities. From the perspective of Kotter's (2012) change model, the leader established his coalition for change by replacing the entire top management team.

Regarding employee's complacency and idleness caused by the iron rice bowl mentality, the leader hosted a plenary meeting of the enterprise and announced that "those who did not work hard would be dismissed after one or two warnings" and only "competent, hardworking and trustworthy" (Huang & Snell, 2003, p. 116) employees would be hired. The purge of the old top management team had proved the leader's words as well as his capability to lay off employees at will. Therefore, the plenary meeting not only completed Kotter's (2012) first step of creating a sense of urgency, but also successfully overcame the RTC caused by the iron rice bowl mentality. However, it remains unclear about the context or likelihood of acquiring such empowerment for massive layoffs from supervisory authorities. Since this case of organizational change happened nearly 2 decades ago, before the promulgation of the 1+N policy in 2012, its implication on the present challenges is relatively limited. Moreover, Huang and Snell (2003) also pointed out the potential danger of this practice and argued that the excessive empowerment from supervisory authorities might lead party secretaries of SOE to "one-man rule" (p. 118). While party secretaries of Chinese SOEs have been bestowed with veto power to refute the

board's decisions, the additional empowerment could easily enable them to transform the weaker boards of directors into rubber stamps and result in the crash of internal governance. From this standpoint, this practice of seeking empowerment from supervisory authorities is worth further study and evaluation.

### ***Reinforce Incentives With Transformational Leadership***

Huang and Snell (2003) highlighted the importance of institutionalizing a reinforced incentive system for changing SOEs in their case study. Such reinforced incentive systems included setting up business quotas for each department, linking quotas to group-based incentives, and developing a cash bonus system for the management team (Huang & Snell, 2003). According to Lewin's (1947a) model, even if the RTC from the iron rice bowl policy and mentality has been overcome, the organization and employees are still subject to the state quo. Based on leadership theory, the use of incentives and the establishment of a reward system could be seen as the manifestation of transactional leadership. After the implementation of this transactional incentive system, Huang and Snell (2003) noted, "Departmental managers no longer tolerated idleness or irresponsible behavior" (p. 117). As previously discussed, transactional leadership functions as an external force of change and is capable of pushing an individual's behaviors out of the status quo.

Huang and Snell (2003) pointed out that transformational leadership should not be separated from implementing the incentive system. In this case, the leader should demonstrate transformational leadership and practice what is preached by complying with the rule of rewards and punishment. Otherwise, this incentive system would likely be abused by the leader and the management team. In addition to self-discipline, Huang and Snell (2003) listed several other transformational behaviors that complement and reinforce the effectiveness of the incentive

system, such as tolerating dissent, offering individual consideration, using eloquence in speech, and so forth. Reinforcing incentives with transformational leadership is essentially a practice of adopting both transactional and transformational leadership in organizational governance and change. However, it may not be a universal solution for all SOEs because of the potential inadequacy of the bureaucratic leaders. As discussed in Chapter 1, a majority of top leaders, the party secretaries of Chinese SOEs, are virtually bureaucratic party officials rather than professional managers. Therefore, it is questionable whether these party officials are competent to complement transactional practices with transformational leadership.

### **Critiques of Topic**

According to an incomplete statistic by Schmieder-Ramirez (2018), there were more than three dozen influential change theories, frameworks, or strategies prevalent in the field of organizational management. Each organizational change theory or practice has its specified area of focus, advantages, and disadvantages. As the literature review continued and deepened, the critiques about the natures or fundamentals of these equilibrium-based organizational change theories began to emerge. Besides criticism, some review literature commented on weaknesses or limitations of certain organizational change models or practices that are worth discussing in this section.

#### ***Lewin's Three-Phase Change Model***

While simplicity and straightforwardness were considered strengths of Lewin's (1947a) three-phase change model, they were also criticized by some researchers (Dawson, 1994; Kanter et al., 1992) for being oversimplistic and mechanistic in a continuous and open-ended organizational change process. In response to this critique, Burnes (2004) argued that the critics misread Lewin's model from its superficial three phases rather than thoroughly interpreting it



within the original context. Moreover, by comparing Lewin's model with other more sophisticated models of human and organizational change, Elrod and Tippett (2002) pointed out that the processes of many of these models fundamentally follow Lewin's three-phase model of change.

Another wave of critics (Dawson, 1994; D. D. Dunphy & Stace, 1992) argued that Lewin's model suits incremental and isolated change but radical and transformational change. However, Quinn (1982) pointed out that incremental change would gradually transform into radical change. Similarly, as discussed previously, Kelly and Amburgey's (1991) empirical study highlighted the significance of incremental change and indicated that implementing a gradual series of changes may be more practical and efficient than attempting a single significant alteration in strategy. From this standpoint, the critique of the capability of Lewin's model dramatically turned into compliment and approval. A few critics (Dawson, 1994; Wilson, 1992) argued Lewin's model overlooked power hierarchies or the conflictual nature of organizations. Bargal et al. (1992) viewed this critique as a limitation rather than a flaw of the model and pointed out that Lewin's approach to change required "taking into account differences in value systems and power structures of all the parties involved" (p. 8).

Besides, some critiques argued that Lewin's model advocated a top-down, management-driven change approach and ignored bottom-up change (Dawson, 1994; Kanter et al., 1992; Wilson, 1992). However, in the literature on organizational change and leadership theory, organizational change was widely viewed as a leadership-driven or management-driven process (Appelbaum et al., 2015a). The importance of EI or bottom-up change in organizational change does not refute that even the bottom-up change process is fundamentally initiated by leaders and managers rather than employees. Moreover, Lewin (1947c) acknowledged that every group and

individual within the change process should fully and equally participate. A number of scholars (Bargal et al., 1992; Dickens & Watkins, 1999) also pointed out that Lewin believed in gaining the commitment of all parties involved to achieve organizational change. Despite the critiques in the past decades, both Burnes's (2004) literature review and Cummings et al.'s (2016) original sources reached the same conclusion of foundational significance and dominant impact of Lewin's (1947a) model in the field of organizational change management.

### ***Kotter's Eight-Step Change Model***

As a limited tested model, Kotter's (2012) eight-step change model was considered a practical change approach famous for its direct and usable format but criticized for the lack of scientific consensus or validation (Appelbaum et al., 2012). An exhaustive literature review by Appelbaum et al. (2012) revealed that there were not many empirical studies available to validate the full eight steps of the model. Moreover, Burnes (1996) argued that Kotter (2012) is fundamentally a prescriptive approach that may not work well under different cultural or organizational settings. Since the framework of this research is to apply the AI method to explore the best practices from different organizational change models and theories, the prescriptive nature of Kotter's (2012) model should not be a concern under the scope of this study.

Appelbaum et al. (2012) also pointed out some weaknesses and limitations of Kotter's change model, such as insufficiency in addressing RTC, and argued that "complementary components outside Kotter's model" (p. 775) are needed. As thoroughly discussed early in this chapter, other well-established models and practices, such as Lewin's (1947a) model and transactional leadership practices, have been reviewed in order to supplement and reinforce Kotter's (2012) model as needed. Other than the above limitations, Appelbaum et al. (2012)

concluded that no evidence was found through the literature view against Kotter's model, and it "remains a recommendable reference" (p. 764).

### ***Transformational Leadership in Organizational Change***

Holten and Brenner (2015) argued that the employment of transformational leadership had a direct, lasting positive impact on the process of organizational change and on followers' perceptions of change. However, as previously discussed, a longitudinal study by Hill et al. (2012) revealed that a manager's transformational leadership behaviors would no longer count as significant predictors of employees' affective or normative commitment to change over a 1-year period. In terms of results, Hill et al.'s (2012) empirical study indicated that the influence of a leader's transformational leadership on organizational change is relatively short-term and refuted Holten and Brenner's (2015) argument regarding the long-term effect of transformational leadership.

A probable clue that leads to this disagreement may be explained by complexity theory or chaos theory, which states that multiple factors that affect organizational change could act together and result in unpredictable confluence toward the outcomes of the change (Glieck, 1987). Nevertheless, based on the literature review, the researcher of this study takes these arguments with a grain of salt and is prone to view the effective duration of transformational leadership in organizational change as inconclusive.

### ***Complexity Theory***

Glieck (1987) argued that organizational change is a type of chaos, as various elements are shifting with the environment and the frequent change and RTC create intersections of the change process at the same time. The organizational change process, which is chaotic in nature, not only presents challenges in terms of prediction but also makes control impossible.

Proponents (R. Lewis, 1994; Stacey et al., 2000; Tetenbaum, 1998) of complexity theory argued that instability or disequilibrium is a necessary condition for dynamic systems to grow. This concept of disequilibrium can be applied to understanding organizations and promoting organizational change. From this standpoint, they argued that organizations are dynamic nonlinear systems like complex systems in nature. Burnes (2005) pointed out that complexity theories serve as a general term for a variety of theories, concepts, and studies that originate from various scientific fields. As discussed early in this chapter, Lewin's (1947a) three-phase change model was regarded as an exemplar of linear change models derived from equilibrium theory. Based on the findings of their empirical study, A. D. Meyer et al. (2005) suggested applying nonlinear and disequilibrium to understand and construct an organizational change model. A. D. Meyer et al. (2005) explicitly opposed equilibrium theory and argued that organizational research should stay far away from equilibrium. However, there are a number of researchers (Burnes, 2004; Elrod & Tippett, 2002; Hendry, 1996) who supported Lewin's change model through a substantial body of evidence in the social and physical sciences. Some of the scholars (Back, 1992; Elrod & Tippett, 2002;) even argued that "Lewin's conception of stability and change is very similar to that of many complexity theorists" (Burnes, 2004, p. 993). Given the nature and purpose of this study, the discussion of the massive controversy between equilibrium theory and complexity theory should be restrained in length and depth. Nevertheless, as S. Cummings et al. (2016) pointed out, the foundational significance of Lewin's (1947a) model "remained unquestioned" (p. 33) for change management.

### ***Kirkpatrick's Evaluation Model***

There is no perfect or uniformly accepted method for evaluation, and Kirkpatrick's evaluation model was no exception (Reio et al., 2017). Despite its popularity and prevalence,

Kirkpatrick's evaluation model has been criticized throughout the past half century (Alliger & Janak, 1989; Holton, 1996; Reio et al., 2017; Swanson, 2001). For example, Alliger and Janak (1989) identified three problematic assumptions of Kirkpatrick's model: (a) ascending order of information provided, (b) the causally linked levels, and (c) positively intercorrelated levels. Based on assumption (a), the hierarchical nature of this model is prone to mislead professionals into viewing higher levels as more important than lower levels and skipping the lower levels to focus on higher levels of evaluation. Such a mistake, as Reio et al. (2017) pointed out, could easily lead to incorrect conclusions drawn regarding the success of the intervention and the overall outcome of the training program. According to Alliger and Janak (1989), assumptions (b) and (c) may mislead professionals into presuming that positive reactions are necessary for the successful outcomes of learning and can have a positive impact on organizational results. However, as J.D. Kirkpatrick and Kirkpatrick (2016) noted, it is also important to evaluate lower levels in case no change in higher levels occurs. Nevertheless, these debatable assumptions of Kirkpatrick's evaluation model are definitely not beneficial to resolve the research-practice gap.

Compared to Alliger and Janak's (1989) critique of questionable assumptions of Kirkpatrick's model, Holton's (1996) argument questioned the underlying taxonomic system of Kirkpatrick's evaluation model. Holton (1996) suggested that a fully specified and researchable evaluation model should properly identify the desired outcomes, taking into consideration the variables that may influence those outcomes, and establishing cause and effect relationships rather than be constructed on simple four-level taxonomy. Based on this critique and other research, Holton (1996) further proposed a new evaluation model that, as he argued, was more "integrative and testable" (p. 19) than D. L. Kirkpatrick's (2007) model. However, Holton's

(1996) evaluation model has not attracted much attention in the literature on development studies afterward.

## **Conclusion**

This chapter of the exhaustive literature review begins by reexamining the historical background of organizational change development. The historical background review revealed that a majority of classic and prevalent organizational change theories are fundamentally constructed on the equilibrium theory derived from Newtonian physics. Among many organizational change theories, Lewin's (1947a) three-phase change model excels in its dominant impact and foundational significance (Burnes, 2004; S. Cummings et al., 2016). Therefore, Lewin's (1947a) three-phase change model has been chosen to serve as the basic construct for developing the best organizational change model for Chinese SOEs.

Although Lewin's (1947a) model has led to inspirational discoveries in the field of organizational management, its limitations and drawbacks, such as failing to recognize situations that require more directive approaches in times of crisis (Kanter et al., 1992) and assuming that all stakeholders in a change process will willingly adopt and implement it through mutual consent (Burnes, 2004), should not be ignored. Meanwhile, the literature review and environmental analysis suggested that Chinese SOEs in the financial service industry demanded immediate actions and change to address the imminent global challenges. Besides the inherent limitation of the construct, the literature review revealed several key challenges to the best practices, such as high RTC, iron rice bowl mentality, principal-agent problem, and so forth. Regarding the principle-agent problem, additional measures are needed to unite all stakeholders in reaching a common agreement and consensus during the change process.

In view of these limitations and needs, other well-established leadership theories and change models, such as Kotter's eight-step change model, have been evaluated for their competencies in fulfilling practice gaps and complementing Lewin's framework. For developing the best organizational change model for Chinese SOEs, the use of appropriate leadership practices and change models should be able to reinforce the vulnerable parts of Lewin's model and cater to the unique circumstances of Chinese SOEs. For example, regarding the critique of the need for directive approaches in a situation of crisis (Kanter et al., 1992), the transactional leadership practices of using coercive and incentive actions could be enforced to overcome high RTC. Additionally, Kotter's change model, especially its second, third, and fourth steps, has precisely addressed Burnes's (2004) concern about the lack of common agreement from all stakeholders. For refreezing the change, the seventh and eighth steps of Kotter's (2012) model and training program developed based on Bloom's (1956) taxonomy provided detailed guidance for anchoring new culture into changed organizations.

More than the major constructs and practices in organizational change management, this chapter also reviewed measures of success for this organizational change model. Besides the conventional performance indicators such as profitability and innovation index, D. L Kirkpatrick's (2007) comprehensive four-level evaluation model offers a systematic evaluation of the outcome of change. The researcher also presented and analyzed existing recommendations for SOEs' change in other industries. Some of these recommendations in the literature may serve as potential solutions to address tough challenges during the organizational change process. Finally, a few typical critiques about the topics, frameworks, and practices of organizational change have also been examined and discussed at the end of this chapter.

A summary of competencies of the best practices reviewed in this chapter has been tabulated in Table 1. The research design and methodology of this study will be discussed in the next chapter.

**Table 1**

*A Summary of Competencies of the Best Practices*

Strengths/Best Practices	Challenges	Measures of Success	Existing Recommendations
Create a Sense of Urgency	The iron rice bowl policy and mentality	Revocation of the iron rice bowl policy and disintegration of the iron rice bowl mentality	Seeking empowerment from supervisory authorities/The use of subcompanies/Transactional Leadership
Build a Guiding Coalition	The principal-agent problem/The iron rice bowl policy	A majority of managers are united for change	Seeking empowerment from supervisory authorities
Developing a Vision and Strategy	The principal-agent problem/The iron rice bowl mentality	Establishment of a new performance standard and incentive system	Seeking empowerment from supervisory authorities/The use of transformational leadership
Communicate the Change Vision	The iron rice bowl mentality	The disintegration of the iron rice bowl mentality	Reinforce incentives with transformational leadership
Enable Action by Removing Barriers	The iron rice bowl policy and mentality	Downsizing redundancy without causing emotional unrest and a labor strike	The use of subcompanies/ Transactional leadership and practices
Generate Short-Term Wins	Internal and external RTC	Improved performance indicators achieved and propagated	The use of transactional leadership and practices
Consolidating Gains and Producing More Change	The principal-agent problem/The iron rice bowl policy	The unchanged interdependences changed	The use of transactional and transformational leadership
Anchoring New Approaches in the Culture	Regression of change/The iron	Achieve desired performance and innovation indicators	Reinforce incentives with transformational leadership/Institutionalize



Strengths/Best Practices	Challenges	Measures of Success	Existing Recommendations
	rice bowl policy and mentality		change with the training program

*Note.* The challenges and existing recommendations to the best practices listed in this table are unique to Chinese SOEs under the socialistic economic system with Chinese characteristics.

### **Chapter 3: Research Design and Methodology**

Through the literature in the previous chapter, a number of promising practices and models have been successfully identified and sorted with their distinct strengths and challenges. In view of the unprecedented plight of the financial service industry, an ideal organizational change model should be developed based on these promising practices to accommodate the unique circumstance of Chinese SOEs and address global challenges. The purpose of this study is to explore the best model available in organizational change for Chinese SOEs. Regarding designing an appropriate research method fulfilling this goal, Maxwell (2008) noted that a good design assembles works harmoniously together and promotes efficiency, while a faulty design results in inadequate operation or malfunction. Among many qualitative research methods, the Delphi method has proved its effectiveness in a variety of areas and fields, including business and policymaking, through consulting a panel of experts (Watson, 2008; Yang, 2003). In view of the nature and purpose of this study, the Delphi method was chosen to construct the research design and to answer the research questions.

#### **Restatement of Research Questions**

The imminent challenges of global competition resulting from the shift of market environment requires leaders of the SOEs to take immediate action in response. However, the unique characteristics of Chinese SOEs, such as iron rice bowl mentality, subsequently formed a strong opposite force that resists the proposed organizational change. To change the organizations under heavy resistance in a timely manner, leaders of Chinese SOEs in the financial service industry need an appropriate and effective model among dozens of available practices. Hussain et al. (2018) advised that organizations must apply suitable organizational change models to stay competitive in the market. Therefore, the purpose of this study is to

explore the critical characteristics and steps for Chinese SOEs in financial services with consideration for the unique circumstances of Chinese SOEs and the unprecedented challenges of the financial service industry. Moreover, this study strives to find out whether an organizational change model could be developed using the critical characteristics and steps identified in Research Question 1.

### ***Research Questions***

This chapter outlines the research methods employed to achieve the objectives of this study, which are primarily focused on answering the following RQs.

- RQ1: What are the critical characteristics and steps to implement change for Chinese SOEs in financial services?
- RQ2: Can an organizational change model be created using the critical characteristics and steps identified in Research Question 1.

### **Research Design**

This study applies a modified Delphi method in addressing the research questions proposed since the critical items for the initial instrument have been concluded from the literature review in Chapter 2. The modified Delphi method is a rigorous and structured approach to data collection that helps to ensure the accuracy and validity of the results.

#### ***Overview of the Delphi Method***

Linstone and Turoff (1975) described the Delphi method as a technique of organizing group communication in order to allow a group of experts to gather information efficiently or predict future problems. Such a group of experts is referred to as a panel, and experts in the group are also called panelists in the Delphi method. The selected panelists are asked to “render opinions and judgments on an open-ended and structured questionnaire” (Yang, 2003, p. 4).

Based on the panelists' responses to the open-ended questionnaire, a qualitative analysis is conducted to develop an initial Likert scale questionnaire. In the subsequent rounds, the panelists are asked to rate the items in the Likert scale questionnaire until a consensus is reached.

### ***History of the Delphi Method***

There are a number of theories in interpreting the origin of the term Delphi. According to Heiko's (2012) study, the term Delphi may be associated with the Ancient Greek tradition of consulting oracles "regarding fortune, success, marital affairs, professional advancement, and judicial disputes" (p. 1525) in the future since one of the two greatest oracular sites was located in Delphi, associated with Apollo. In the 1950s, the term Delphi was adopted by a U.S. research institution, RAND Corporation, and used for labeling its research project. For security reasons, RAND Corporation, the first research paper that applied the Delphi method was published by Dalkey and Helmer (1963) nearly 10 years later. In their paper, Dalkey and Helmer (1963) disclosed that Project Delphi was sponsored by the U. S. Air Force and included the application of "expert opinion of the selection, from the viewpoint of a Soviet strategic planner, of an optimal U.S. industrial target system and to the estimation of the number of A-bombs required to reduce the munitions output by a prescribed amount" (p. 458).

### ***General Application of the Delphi Method***

The original Delphi method has undergone several stages of development since the 1950s (Rieger, 1986) and gradually evolved into a general application. Nowadays, the Delphi method is utilized in virtually all fields and is considered to be a useful research method with an acceptable level of validity for scholarly study (Landeta, 2006; Tomasik, 2010; Worrell et al., 2013). The general Delphi process, also referred to as the classic Delphi method, starts with formulating an issue and selecting a panel of experts. The initial critical items in the Likert-scale questionnaire

were generated from the open-ended interviews. Then, the Likert-scale questionnaire is distributed to the panel for data collection. Based on the responses from the panelists, the Likert-scale questionnaire is to be revised and redistributed to the panel until reaching a consensus.

### ***Appropriateness of the Delphi Method to This Study***

Linstone and Turoff (1975) suggested that the Delphi method is a structured communication technique the ultimate goal of which is to reach a consensus on a complex issue. This method of coordinating group communication enables a group of experts to gather information or predict future issues efficiently. Based on the literature review in Chapter 2, it is evident that a consensus is needed to choose an appropriate organizational change model to address complex global challenges to SOEs in the near future. The need for such consensus becomes more imminent and challenging since the threats from global rivals are approaching swiftly and there are too many kinds of existing models available in the field from which to choose. Through the structured flow of information, the established Delphi method has proved its capacity to formulate a consensus under complicated circumstances within a definite time frame.

### ***Previous Applications and Examples of the Delphi Method in the Field***

In the past several decades, the Delphi method has been applied in a variety of areas and fields, such as health care (Fleuren et al., 2004), public relations (Watson, 2008), and education (Rossouw et al., 2011). In the field of organizational change and transformation, Lyons et al.'s (2018) study about integrated employment used the Delphi method to determine the key attributes and characteristics that are necessary for a successful organizational change within organizations that provide services to individuals with intellectual and developmental disabilities. Moreover, research related to this study's field have also been developed through the

Delphi method. For examples, Pina et al.'s (2011) study about the implementation of strategic management in local governments and Hilbert et al.'s (2009) search on policymaking in intergovernmental processes of developing countries could be seen as previous Delphi method applications that were similar to this study's method.

### ***Assumptions of the Delphi Method***

Regardless of the field of its application, one of the fundamental assumptions of the Delphi method is that descriptive and inferential statistics through subjective criteria could be applied to measure consensus and convergence (Heiko, 2012). Moreover, C. C. Hsu and Sandford (2007) pointed out that the assumption of the Delphi method is based on certain beliefs held by researchers, such as that the expert opinions generated through the method are the most valuable, that the research can be conducted without introducing any prejudiced influence, and that a sufficient number of responses can be obtained for this research design.

### ***Strengths and Weaknesses of the Delphi Method***

Under the assumption of the Delphi method, Rowe and Wright (2001) summarized four distinct traits of the Delphi method as anonymity, iteration, controlled feedback, and statistical group response. These unique characteristics, individually, paired, or grouped, have contributed to several considerable strengths of the Delphi method. For instance, anonymity not only ensured the process of study was controlled by researchers but also avoided interference or psychological pressure among the panelists. However, as with all other research methodologies, the Delphi method is not a perfect method and comes with certain weaknesses and limitations. For example, Ecken et al. (2011) pointed out, "If experts in a Delphi study share a pronounced common desirability for an event, final Delphi results can be distorted" (p. 1667). Such desirability bias in

the Delphi process increases the complexity of accurately interpreting results and reduces the quality of decisions.

### ***Appropriateness of Applying Modified Delphi Method in This Study***

Given the consideration of the nature of this study, the classic Delphi process was modified as needed here. Compared to the general process that the critical items in the initial instrument are developed through the interview, the modified Delphi method applied in this study constructed the initial instrument through the literature review in Chapter 2. In view of the nature of this study, generating the critical items for the initial instrument through the modified Delphi method has taken two considerations. First, as Welty (1972) argued that the new ideas generated by experts may not necessarily be the best, developing the initial instrument through the literature review instead of experts may lead to additional validity without compromising quality of the critical items. Second, Lund (2020) pointed out that a persisting problem with the Delphi method is that many respondents drop out after each iteration, because of a lack of interest in repeatedly filling out the same survey. Therefore, gathering the critical items from the literature review saves experts' time and concentration, as it generally led to fewer rounds compared to the classic Delphi method.

### **Participant Selection**

Sargeant (2012) pointed out that identifying and choosing suitable participants is one of the most crucial aspects of research design. The core purpose of this subjective selection process in qualitative research is to identify participants who can enhance their understanding of the phenomenon under study (Creswell & Creswell, 2017). As Internet technology and online social networking are rapidly growing, acquiring sample frames from social media platforms and electronically distributing surveys have become a reliable and efficient way to conduct the data

collection process (Abdesslem et al., 2012). For the Delphi study applied in this study, the aim of participant selection is to assemble a panel of experts through the professional social media platform, LinkedIn.

### ***Panel of Expert Selection***

**Analysis Unit.** The candidates potentially participating in this study, also referred to as the analysis unit of study, are experts of management, who have a doctoral degree in the field of management, and practitioners of SOE management, who have a first-level university degree and have at least 5 years of working experience in the field of Chinese SOEs management.

**Population.** The population of participants is all experts and practitioners in the field of management. Experts refer to scholars who have a doctoral degree in the field of management. Practitioners refer to managers who at least have a first-level university degree with more than 10 years of work experience in the field of Chinese SOEs management.

**Sample Size.** According to Skulmoski et al.'s (2007) statistics on the published Delphi study, the used sample size ranging from three to 171, based on the focus and needs of the study. In the field of organizational change and transformation, Lyons et al.'s (2018) study on integrated employment recruited 36 experts as Delphi panel. In the related fields, Pina et al. (2011) gathered opinions from 23 experts for their research on the implementation of strategic management. Moreover, based on 122 published articles on library and information science from 1971 to 2019, Lund's (2020) research concluded that, on average, 14 to 36 experts were used in the first round of Delphi studies with the median of 23. In view of the scarcity of the experts and practitioners in the relative field and the difficulty in acquiring their consents for participating in this study, the targeted sample size should be set at a conservative level. Considering previous



Delphi studies in the related fields and the difficulty of recruitment, around 25 participants could be an appropriate sample size for this study.

**Purposive Sampling.** Purposive sampling is often used in qualitative research, as it allows the researcher to focus on specific groups or phenomena of interest (Etikan et al., 2016). The sample for this study is drawn from the population through typical purposive sampling method of expert sampling. Etikan et al. (2016) noted that expert sampling is useful “when the research is expected to take a long time before it provides conclusive results or where there is currently a lack of observational evidence” (p. 3). Since results of organizational change usually take time to emerge as opposed to instant feedback, using expert sampling as a purposive sampling method is appropriate for this study. Moreover, because this research involved both Eastern organizations and Western models, the expert sampling applied in this study does not concern itself with the nationality of participants.

**Sampling Frame.** The sampling framework of this study is developed from a publicly available and accessible online source based on the professional social media platform, LinkedIn. LinkedIn is a social media platform that is primarily used for professional networking and job searching. Because LinkedIn is primarily used for professional networking, it is likely to attract a more professional and educated user base compared to other social media platforms (Stokes et al., 2019). This can be beneficial for research studies that target a specific profession or requiring a certain level of expertise. Moreover, using social media platforms to acquire a sampling framework is an efficient, time-saving, and low-cost approach to construct samples for exploratory work (Brickman, 2012). Despite Hargittai (2015) arguing that using specific social network sites as sampling frames may cause potential biases for big data studies, the expert

sampling with small sample size and criteria for maximum variation used in this study should mitigate such adverse effect.

**Criteria for Inclusion.** The criteria for inclusion of the population are:

- Scholar in the field of management who has published research work about Chinese organizations;
- scholar in the field of management who has previous travel or working experience in mainland China or Chinese organization;
- practitioner in the field of Chinese SOEs management who has managed SOEs in the financial service industry;
- scholar in the field of Chinese SOEs management who has doctoral degree; or
- practitioner who has a first-level university degree in business administration or management with at least 5 years of working experience in Chinese SOEs.

**Criteria for Exclusion.** The criteria for exclusion of the population are:

- Potential participant who does not have a first-level university degree;
- potential participant who does not agree to complete and return the questionnaire as instructed;
- potential participant who does not have at least 30 minutes for filling the questionnaire between February 2022 and March 2022;
- potential participant who does not agree to use their feedback as a source of academic study; or
- potential participant who is not fluent in English or Chinese.

**Criteria for Maximum Variation.** The criteria for a maximum variation of the population are:

- Ensure research-practice diversity and balance by considering a balance between experts and practitioners;
- pursue gender equality and balance by considering a balance between male participants and female participants;
- Pursue organizational and industrial diversity by including only one participant from the same organization or institution; and
- pursue geographical diversity and balance by considering both Western and Eastern participants.

### **Protection of Human Subjects**

A human subject is a living individual about whom an investigator conducting research obtains data through an intervention with individual or identifiable private information (Protection of Human Subjects, 2012). Throughout the history of scientific research, the participation of human subjects presents a challenging ethical dilemma since unethical experimentation involving human subjects has undergone a prolonged age of dark chapters. In the 20th century, even after the proclamation of a series of ethical guides, such as the Nuremberg Code in 1947 and Declaration of Helsinki in 1964, “research continued in the United States with particular concerns attached to research involving vulnerable populations, exemplified by numerous studies involving institutionalized children and studies that breached ethically sound research practices” (White, 2020, p. 20). In response to the announcement of the Belmont Report and several other publications concerning the protection of human subjects, federal agencies such as HHS and FDA stepped out and promulgated a series of binding federal rules and codes to regulate research involving human subjects. In 1991, the individual regulation, Federal Policy

for the Protection of Human Subjects, known as the Common Rule, empowered Institutional Review Boards (IRBs) to approve and monitor the research (White, 2020).

In this research, human subjects stand for participants who consented to contribute their opinions by taking a series of electronic surveys. The proposal and outline of this study was submitted to Pepperdine's Graduate and Professional School IRB for approval prior to the data collection. During the purposive sampling process, the participants received a letter of statement from the researcher that assured complete confidentiality and voluntary participation in the study. In the letter, the participant also was clearly informed of the purpose and estimated duration of the survey. A discussion of the measures used in this research to protect the confidentiality of participants and minimize the risk of data leaking was also included in this letter. An informed consent form for participation in research activities was attached to the letter. The participant was asked to sign the informed consent form to indicate their written consent on voluntary participation without any benefit or compensation.

### ***Exempt Review Rationale***

The U.S. Department of Health and Human Services (2018) outlined three categories of IRB review for protecting human subjects in research projects. This research may qualify for exempt review since it has no more than minimal risk to human subjects. Minimal risk is defined as the anticipated risk of harm to human subjects that are not greater than those potential risk ordinarily encountered in daily life or during the performance of routine physical or psychological examinations or tests. Since the survey of this study was administered virtually through the Internet, there was no physical contact or interaction between the researcher and participants. Therefore, the anticipated risk to human subjects was expected to be less than the ordinary risk that occurs in daily life or routine physical or psychological examinations.

Moreover, the research method of this study satisfies the Exempt Category 2, surveys, interviews, educational tests, public observations; that is, research involving the use of educational tests, survey procedures, interview procedures, or observation of public behavior without any disclosure of the human subjects' identities or responses. Besides, the population of this research is reasonably expected to be well-educated professionals, ages ranging from 30 to 80, who have prestigious social status and steady incomes. Thus, this study does not involve the direct participation of any vulnerable human subjects defined in IRB regulations, such as pregnant women, prisoners, children, or mental health patients.

### ***Security of Data***

The recruitment script, informed consent form, and survey was virtually sent through a secure Internet connection. After the participants completed and returned the survey, all data were securely stored in the cloud server of the electronic survey service provider with password access control. Once all data collection processes are complete, the data were downloaded to the local hard drive of the researcher's private computer for coding and analysis. The local hard drive is encrypted, and the researcher's private computer has password control to maintain the security of data.

### ***Confidentiality***

Singer (2003) noted that concerns about privacy and confidentiality in survey design are related to respondent's willingness to participate. To ensure confidentiality, a range of security measures were implemented, including password-protected email communication, university firewall protection, and the removal of identifying information from data. Matthews and Harel (2011) pointed out that the removal of obvious identifiers, such as name, address, and zip code, should be "the very first action taken to maintain confidentiality" (p. 3) in scholar research.

During the transcription and coding processes, all the personal identifiers and information of the interviewees, including but not limited to names, titles, addresses, and contact info, were removed to protect the confidentiality and anonymity of the participants. Other necessary data that may contain identifiable information were substituted with standardized codes. After coding and analyzing, all the survey files stored in both the cloud server of the service provider and the local drive of the researcher's private computer were completely deleted to ensure the confidentiality of the participants after the study.

### **Instrument Design**

Once the measures of human subject protection are established, the next step is to design an initial instrument of the Delphi method for this study. Based on the literature review in Chapter 2, an initial list that consists of about 80 critical items was created. This initial list of critical items reserved spaces for the panel experts to nominate additional items that were not covered in the literature. The additional items recommended by the Delphi panel were collected through the first-round questionnaire.

To assess the panelists' opinions toward the critical items, a seven-point Likert scale ranging from (1) *Strongly Disagree* to (7) *Strongly Agree* was utilized to assess all of the critical items measured by level of agreement. As a widely used tool for evaluation and assessment, the Likert scale was originally developed by Rensis Likert (1932) to measure the attitudes of respondents in psychological studies. The Likert scale is typically a 5- or 7-point ordinal scale used to rate a participant's agreement level toward a statement (Sullivan & Artino, 2013). In this study, the critical items were transformed into 7-point Likert-type items and grouped into a survey scale. Based on the scale items, the total score and mean score were calculated for the subsequent statistical analysis.

Despite its prevalence and straightforwardness in quantifying people's opinions on different issues, the Likert scale still has certain drawbacks. For example, Jamieson (2004) argued that some characteristics of Likert scales, such as the intervals between values, cannot be assumed to be equal, and using the mean and standard deviation is not appropriate for ordinal data. The controversy between ordinal scales and interval scales, and so forth, could be misinterpreted or abused during its routine statistical analysis. To address these issues, Bishop and Herron (2015) suggested abandoning the Likert-type scale and adopting a simple visual analog scale. However, a drawback of the visual analog scale was also obvious in anchoring only at the two extremes. Considering that "there has not been any published research on VAS [visual analog scale] with multiple anchors" (Bishop & Herron, 2015, p. 300) and the Likert scale is still a mainstream psychometric tool in contemporary research, this study used the Likert scale to evaluate the participants' feedback on critical items.

### ***Validity and Reliability***

According to Gibbs (2018), validity in qualitative study stands for ensuring the accuracy of the findings by applying appropriate procedures, and reliability means maintaining the consistency of the research approach applied by different researchers among different projects. Creswell and Creswell (2018) advised researchers to take appropriate procedures to validate the proposed study's findings throughout the various steps in the whole research process. It is critical to evaluate the reliability or consistency of an instrument before using it in the study (Hord et al., 1999). For prima-facie validity of the content, all corresponding interview questions were developed based on the exhaustive literature review discussed in Chapter 2.

To further ensure the approach of study is consistent across different researchers and among different projects (Gibbs, 2018), a pilot test of the instrument was conducted prior to data

collection. In addition to assessing the reliability of the instrument design, the feedback from the pilot test could be used for the subsequent round of instrument modification. Based on the result of the pilot test on reliability, a sample instrument was developed and distributed to the panel in the first round of the Delphi process.

### **Data Collection**

The modern online social network built upon the Internet has advanced individuals' capacity to reach out to experts in different fields directly and provided faster and lower cost means of communication and data collection (Abdesslem et al., 2012). Taking advantage of the social networking platform, LinkedIn, the participants of this research were drawn from professional groups on LinkedIn. Once the master list was acquired from the selected LinkedIn groups, the information of the potential contacts was stored and sorted in a Microsoft Excel spreadsheet with their names, titles, years of professional experience, organizations, and email addresses. Based on the master list, the criteria for inclusion and exclusion was applied to filter out the eligible potential participants. Once the list of qualified participants was determined, an email that contained the recruitment script was sent to each potential participant's email address from the researcher's university email account.

Confidentiality and security of data are top priorities in electronic surveys and communication. As discussed in the previous sections, each potential contact was informed in the recruitment script that confidentiality would be maintained using a range of security measures, including password-protected email communication, university firewall protection, and the removal of identifying information from data. In addition to the recruitment script, all the follow-up communication were conducted through the same email account secured with appropriate security measures.



Once a potential participant replied to the recruitment email and expressed their interest in participation, another email that contained an informed consent form for participation in research activities in the month of March 2023 was sent to their email address, asking for their signature for approval. The potential participant who signed and returned the informed consent form was considered a consent candidate for the study. In case the number of consent candidates exceeds the targeted sample size threshold of 25 participants, the criteria for maximum variation will be applied to downsize the size of the sample to around 25 consented participants. In addition to controlling the sample to an ideal size, this maximum variation method also benefits in maximizing the variability from the feedback of the research questions (Cohen & Crabtree, 2006). The consent candidates who did not return their questionnaires within a 1-week window of each round received follow-up email within 3 business days that inquired the status of completion.

### ***Phases of the Delphi Process***

Multiround email communication and data collection were scheduled to be conducted to fulfill the three phases of the Delphi process. After passing validity and reliability tests, the 7-point Likert scale instrument that contained initial critical items was distributed to the panel for the first-round data collection. Based on data collected in Round 1, the critical items in the initial instrument were analyzed for stability. The items deemed stable were moved to the final list of critical factors, and additional items recommended by the panel were also added to the final list. The median scores for each item in the final list were calculated to revise the instrument. The revised items in the final list of critical factors were redistributed to the panel for the second-round data collection. Based on data collected in Round 2, the items deemed stable were used to append the final list and check for final consensus. If the final consensus is reached in the second

round, the final list will be renamed as the final consensus list. The items in the final consensus list were compiled and sorted by median scores and interquartile ranges (IQRs).

In case the final consensus has not been reached in Round 2, the items in the instrument will be revised according to the statistical analysis and redistributed to the panel for the third-round data collection. The status of the final consensus were determined based on data collected in Round 3. The remaining items that have not reached stability in the third round were deemed uncritical and tabulated in a separate spreadsheet.

### **Statement of Personal Bias**

The researcher was born in China but received all higher education, including bachelor, master, and doctoral study, in the United States. After earning his master's degree in business administration in 2016, he worked in several leading financial service institutions in the United States and China. In China, the researcher worked in management or leadership positions at different SOEs and is familiar with their operations. Giorgi (2020) pointed out that researchers' open mindset approach and outlook could allow unforeseen meanings to materialize effectively. Although the researcher's acquaintance with Chinese SOEs in the financial service industry may lead to personal bias, his multinational study and working experience could cultivate a boarder mindset that assists in overcoming preconceived assumptions.

### ***Bracketing and Epoche***

Tufford and Newman (2012) advised researchers to utilize qualitative research methods, such as bracketing and epoche, to mitigate the potentially harmful effects of prejudices and bias. Based on reflecting on his personal experience, the researcher has been well aware of the possibility of his personal bias and its potentially adverse consequence in affecting the research process. Although Crotty (1996) indicated that it was nearly impossible for researchers to be

completely objective in a qualitative study, Ahern (1999) advocated using bracketing in data collection and analysis procedures to alleviate prejudices and bias. Following the recommendations of Tufford and Newman (2012) and Ahern (1999), the researcher took adequate precautionary measures, such as limiting personal interpretation during the coding process, strictly drawing samples based on the established criteria, showing proof of the data analysis, and so forth, to mitigate his personal bias from undermining integrity or objectivity of the research.

### **Data Analysis**

According to Heiko (2012), there have been more than 15 various methods associated with the area of consensus measurement and stability during Delphi rounds since the term Delphi was introduced in the 1950s. Heiko (2012) further pointed out it was vital for researchers to distinguish between consensus and stability as two different concepts in Delphi studies. Dajani et al. (1979) defined stability as the consistency of responses over consecutive rounds of research and argued group stability is the necessary indicator of consensus. In response to Dajani et al.'s (1979) argument, Chaffin and Talley (1980) suggested using individual stability rather than group stability. Regardless of their disagreement on the definition of stability, all recommended using stability as a key measure in determining the time to call an end to a Delphi survey.

Consensus in the Delphi study has been viewed as one of the most controversial topics of the Delphi study, and its measurement significantly varied in the literature (Linstone & Turoff, 1975; Rayens & Hahn, 2000; Yang, 2003). Such contention is not only caused by its debatable use of the Likert scale (Bishop & Herron, 2015), as discussed in the previous section, but also as a result of the disputed understanding of the term consensus. The primary reason for this debate is that a universal standard for consensus in the Delphi study has never been established

(Mitchell, 1991). Therefore, researchers have to define the process and criteria on a case-by-case basis. However, an unquestionable general trend in the Delphi study is the stricter the criteria, the more unlikely it is to reach a consensus (Fink et al., 1984). As the final result of consensus may fluctuate based on the subjective definition of the criteria, to increase the objectivity and credibility of the study, Williams and Webb (1994) urged researchers to determine a fixed consensus level before the data collection process.

As discussed above, the predefined threshold of turning stability to consensus is slightly varied across the literature and should be evaluated on a case-by-case basis. For example, Norton et al. (1984) and Heiko (2012) suggested using 15% or lower in distributions as a predetermined level for a stable situation. Besides, based on extensive review on the published Delphi study, Plinske (2008) suggested that items that have an IQR not exceeding 20% of the range were considered to have reached consensus and considered stable. Following Norton et al. (1984) and Heiko's (2012) recommendation, for this study, items with a 15% or lower IQR are deemed stable and, thus, have reached a consensus.

### ***Calculating and Reporting Item Stability in Each Round***

For this study, after data were gathered from the panelists in Round 1, each of the items in the initial instrument were sorted and calculated for the median, mode, and IQR. Based on the result of IQR, items with 15% or less IQR were considered to have reached consensus and stability. There is no need to check for final consensus in the first round of the data analysis since the new items recommended by the panel need to be tested for stability in the second round. Based on the result of data analysis in the first round, the initial instrument was revised to create a new instrument for the second round. Items that reached consensus in the first round were deleted from the instrument, and new items recommended by the panel were added. For the

remaining items in the new instrument, a group median score was added to the stem. The new instrument that was revised from the initial instrument was redistributed to the panel for Round 2 data collection. The data returned from Round 2 were sorted and calculated for the median, mode, and IQR. Based on the result of IQR, items with 15% or less IQR were considered to have achieved consensus and stability. Moreover, in Round 2, data were checked for final consensus.

### ***Determining Final Consensus***

In the second round of data analysis, the final consensus is determined to be achieved if more than 85% of all items on the instrument, including those from Round 1, have met stability. Alternatively, Lincoln and Guba (1985) recommended triangulation for consensus evaluation through the Median Consensus Index (MeCI), the Modal Consensus Index (MoCI), or the IQR Consensus Index (IQRCI).

In the MeCI, the final consensus is determined to be reached if fewer than 10% of the remaining items showed no fluctuation in the value of the median from the previous round. In other words, by subtracting the median of the items from the previous round from the median of the items collected in this round, a difference of zero indicates that the median scores did not change from the previous round. That is, fewer than 15% of the outstanding items showed no fluctuation in the value of the median indicates the panel's view did not change considerably from the previous round and, therefore, can be deemed stable and reached consensus. Compared to the MeCI, which uses the value of median in determining stability and consensus, the values used in the MoCI and the IQRCI are mode and IQR, respectively.

If final consensus is achieved through any of these four criteria above in Round 2, all items that reached consensus are compiled and arrayed from the high to low by median and IQR. If final consensus is not reached in the second round, a third round of the Delphi will be

conducted. In Round 3, another instrument was created by removing all previous items that have achieved consensus. For the remaining items, group median score was added to the stem. The revised instrument was distributed to the panel for the third-round data collection. Then, based on the data collected in Round 3, the final consensus was examined by the four consensus criteria discussed above. If the consensus is reached, all items that reached stability will be compiled and reported in a Microsoft Excel spreadsheet arrayed from high to low by median and IQR. The remaining items that have not reached stability in the third round will be tabulated in a separate spreadsheet ranked from high to low by median and IQR. Additional analysis was conducted to review these items that are not deemed critical. The findings from the data analysis are presented and reported in Chapters 4 and 5 with figures and tables.

### ***Content Analysis of the Critical Items***

Once the final consensus is reached, the next step is performing a content analysis for the critical items that are deemed stable. According to Cole's (1988) definition, content analysis is a method of analyzing written, verbal, or visual communication messages. Content analysis could be used with either qualitative or quantitative data for establishing a model to conceptualize the phenomenon (Elo & Kyngäs, 2008). The inductive and deductive content analysis processes both comprise three main stages: preparation, organizing, and reporting. Burnard (1996) summarized that the fundamental aspect of all content analysis is the classification of a large number of text words into smaller content categories. Based on the critical items identified from RQ1 through the Delphi method, a content analysis was performed in an attempt to develop an organizational change model for Chinese SOEs in the financial service industry while addressing RQ2.

For determining the feasibility of establishing a model from the critical items and ensuring the validity of the content analysis result, interrater reliability was tested for this study.

Bernard et al. (2016) and Lavrakas (2008) referred to interrater reliability as the process in which two or more coders have reached unanimity regarding the coding of themes within the given text. The coding and validity process includes the following four stages. Firstly, the critical items that reached the final consensus and stability were analyzed and assigned with codes and themes. Secondly, the results of coding and theme developing were checked by two peer reviewers. The two reviewers are doctoral students or candidates who are trained and familiar with qualitative research and coding. The two peer reviewers were invited to share their feedback regarding the general themes and assigned codes developed from the critical items. If the reviewers did not agree or suggest any revision, additional input would be received from the dissertation committee. Thirdly, based on the feedback from the peer reviewers, the codes and themes were applied to the remaining critical items. Lastly, in case the reviewer does not agree with the remaining codes or themes, the researcher will seek additional input and guidance from the dissertation committee and report the final result of coding in Chapter 4.

### **Chapter 3 Summary**

This chapter illustrated how the research was constructed through the modified Delphi method for answering the proposed research questions. The panel of experts, also referred to as participants of this study, were selected from the professional online social platform, LinkedIn with certain criteria for inclusion, exclusion, and maximum variation. After applying these criteria for the selection of participants, the targeted sample size was around 25 participants. Approval from IRB was acquired prior to contacting the participants or collecting data. All participants of this study received an informed consent form and asked to return the signed copy to indicate their consent to participation. In the informed consent form, all participants were

informed of the measures undertaken in this study that protect their confidentiality and the security of data.

The initial instrument of the critical items was developed through the literature review in Chapter 2. A 7-point Likert scale was utilized to assess all the critical items measured by the Delphi questionnaire. The initial instrument was distributed to the panel and expected to be returned to the researcher within 1 week. Based on data collected in the first round, the critical items in the initial instrument were analyzed for stability. The items deemed stable were moved to the final list of critical factors, and additional items recommended by the panel were also added to the final list. Based on the result of item stability, the initial instrument was revised for second-round data collection. Based on data collected in Round 2, the items deemed stable were used to append the final list and check for final consensus. The items in the final consensus list were compiled and sorted by median scores and IQRs.

In case the final consensus has not been reached in Round 2, the items in the instrument will be revised according to the statistical analysis and redistributed to the panel for the third-round data collection. Throughout the whole data collection process, appropriate measures, such as a pilot test, were taken to ensure the validity and reliability of the study. The results of the data collection and analysis are presented in the following chapter.



## **Chapter 4: Data Analysis and Results**

This chapter presents the data collection and analysis process through two distinct methodologies that were utilized to analyze the research questions. The Delphi method was used for RQ 1, which is a widely recognized research technique that seeks to obtain consensus from a group of experts through a series of surveys (Heiko, 2012). As discussed in the previous chapter, this method enabled the researcher to gather insights and opinions from a panel of experts on the subject matter and come up with a consensus conclusion.

For RQ 2, the data were analyzed using content analysis, which involved systematically categorizing and analyzing qualitative data (Cole, 1988). This approach allowed the researchers to identify patterns and trends in the data (Burnard, 1996), facilitating the drawing of a meaningful organizational change model and making sound recommendations on organizational change of SOEs.

### **Recruitment of Participants**

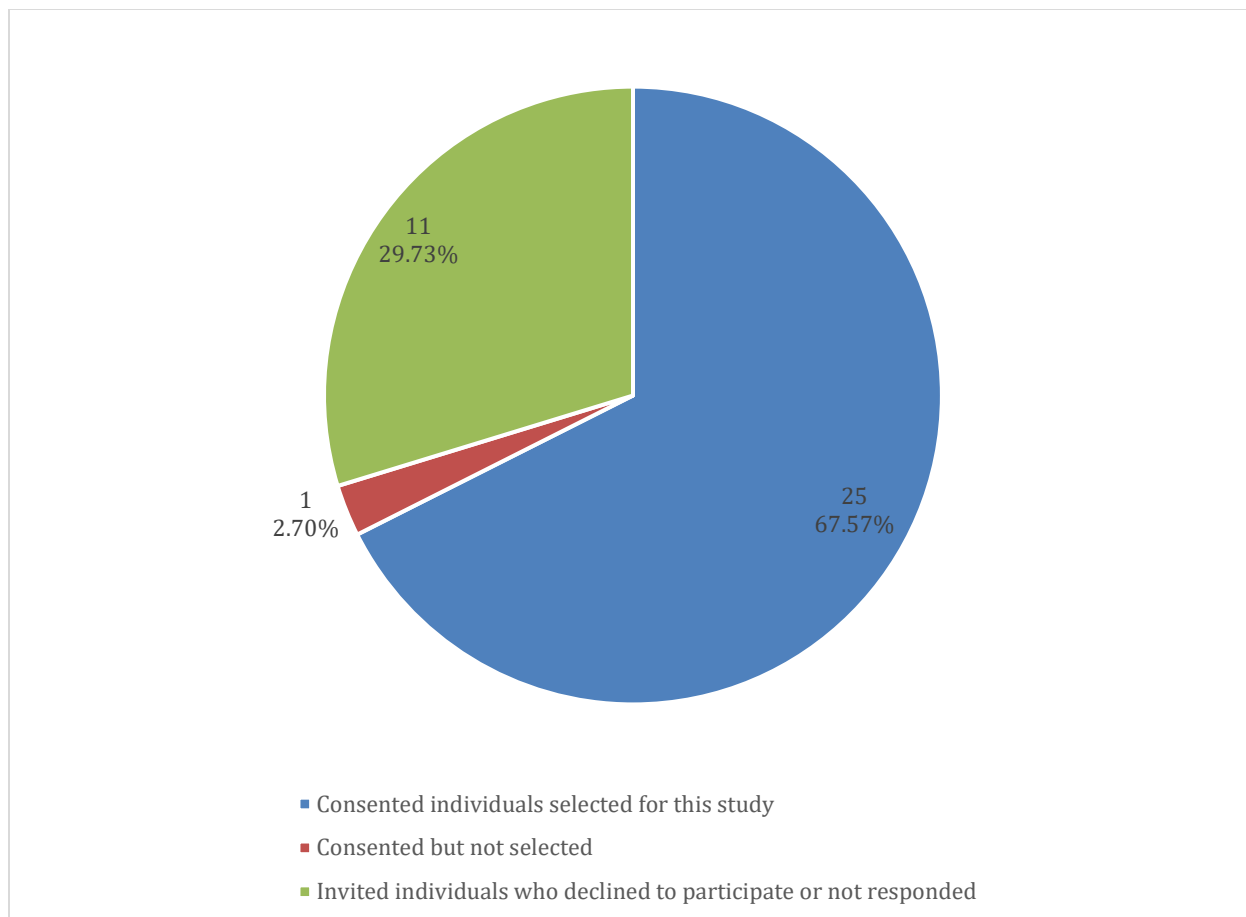
The master list of potential participants in this study was drawn from professional groups on LinkedIn with considerations of established criteria for inclusion and criteria for exclusion. In late February, after the IBR approval for human research (see Appendix A) was granted, an email that contained the recruitment script was sent to each potential participant's email address from the researcher's university email account. Out of 37 initially invited professionals and practitioners, 26 individuals responded and consented to participate in this study by signing and returning the informed consent form (see Appendix B) within 3 business days, which represented 70.27% of the recruitment consent rate.

In view of the number of consent candidates had exceeded the targeted sample size threshold of 25 participants, following recommendations of Cohen and Crabtree (2006), the

criteria for maximum variation were applied to downsize the size of the sample to 25 consented participants. These 25 consented individuals eventually formed the expert panel for this Delphi study. The recruitment breakdown of the contacted participants is summarized in Figure 1.

**Figure 1**

*Recruitment Breakdown of Invited Individuals*



### **Restatement of the Research Questions**

The imminent challenges of global competition resulting from the shift in the market environment require leaders of the SOEs to take immediate action in response. However, the unique characteristics of Chinese SOEs, such as the iron rice bowl mentality, subsequently formed a strong opposition force that resisted the proposed organizational change. To change the

organizations under heavy resistance in a timely manner, leaders of Chinese SOEs in the financial service industry need an appropriate and effective model among dozens of available practices. Hussain et al. (2018) advised that organizations must apply suitable organizational change models to stay competitive in the market. Therefore, the purpose of this study is to explore the critical characteristics and steps for Chinese SOEs in the financial service industry with consideration of the unique circumstance of Chinese SOEs and the unprecedented challenge of the financial service industry. Moreover, this study strives to find out whether an organizational change model could be developed using the critical characteristics and steps identified in Research Question 1.

### ***Research Questions***

This chapter outlines data collection and analysis methods employed to achieve the objectives of this study, which are primarily focused on answering the following RQs.

- RQ1. What are the critical characteristics and steps to implement change for Chinese SOEs in financial services?
- RQ2. Can an organizational change model be created using the critical characteristics and steps identified in RQ1.

### **Alignment of RQ1 With Delphi Process**

Based on the literature review in Chapter 2, the initial instrument of the questionnaire was developed for the first-round distribution to the Delphi panel. The initial instrument consisted of eight modules derived from Kotter's (2012) pragmatic change model under Lewin's (1947a) empirical unfreezing to refreezing process. In response to Rousseau (2006) and Walshe and Rundall (2001) who called on joint efforts from educators, executives, and researchers to close the research-practice gap, the mixture use of empirical and pragmatic studies in exploring

the best practices should contribute to filling the chronic gap between academic research and managerial practice.

Under Kotter's (2012) framework and Lewin's (1947a) process, 67 initial items were developed as critical characteristics and steps in implementing change for Chinese SOEs in the financial service industry. In addition to the theoretical literature, some of these items were concluded from the case study of Chinese SOEs transformation as well as existing recommendations from scholars and practitioners. Based on their alignments with Kotter's (2012) framework and Lewin's (1947a) process, these 67 critical items were subsequently assigned to eight different modules in the initial survey. The arrangement not only helps the participants understand easier the flow of change during the Delphi process, but also helps the researchers better identify the critical characteristics and steps in each stage of organizational change to address RQ1 and RQ2.

### **Delphi Phase 1**

The day after the approval for human research was granted by IRB, the initial instrument of the questionnaire, which consisted of 67 critical items, was distributed to the Delphi panel through email, which contained a link generated by Qualtrics or Tencent Survey. Qualtrics and Tencent Survey are online questionnaire platforms that are used to hold the survey and collect data electronically. These two sets of questionnaire platforms are homogeneous in functionality but designed with distinct user inferences and language settings to accommodate both Western and Eastern participants. By rating each item through a 7-point Likert-scale, the participants were asked to indicate their agreement level toward a certain characteristic or step in the organizational change process. Following Sullivan and Artino's (2013) recommendation on measuring agreement level through the Likert scale, for the purpose of this study, the Likert-

scale values and definitions were summarized in a table (see Table 2) and attached to the introduction session of each survey. Based on the scale items, the total score and mean score were calculated for the subsequent statistical analysis.

**Table 2**

*Likert-SCALE Value, Description, and Definition*

Likert-Scale Value	Description	Definition
1	Strongly Disagree	This practice or step is detrimental in implementing change for Chinese SOEs.
2	Disagree	This practice or step is ineffective in implementing change for Chinese SOEs.
3	Slightly Disagree	This practice or step is somehow ineffective in implementing change for Chinese SOEs under most circumstances.
4	Neutral	This practice or step may be effective in implementing change for Chinese SOEs under certain circumstances, or not able to comment.
5	Slightly Agree	This practice or step is somehow effective in implementing change for Chinese SOEs under most circumstances.
6	Agree	This practice or step is effective in implementing change for Chinese SOEs.
7	Strongly Agree	This practice or step is important and effective in implementing change for Chinese SOEs.

***Distribution of Survey 1***

Out of 37 initially invited professionals and practitioners, 26 individuals responded to the recruitment script (see Appendix C) and consented to participate in this study. After applying criteria for maximum variation from 26 consented participants, the 25 consented participants ( $n = 25$ ) were selected for the first round of study. The 25 consented participants all completed and returned the initial instruments of the questionnaire within three business days, which contributed to a 100% participation rate in round one. Once all responses were received from

participants, the data from two survey platforms were compiled into a single MS Excel file for the round one analysis.

### ***Round 1 Analysis***

Based on the compiled data in the MS Excel file, the median and IQR were calculated for each item. Each initial item was considered to reach a consensus if the IQR was less than 15% of the range. Out of the 67 initial items, 39 items have reached consensus, and 28 items have not. This result represented about a 58.21% consensus rate in the first round, which was summarized in Table 3. In addition to the initial items in the questionnaire, the panel recommended six new items (see Table 4), labeled as items 68 to 73, in the open-ended session. On the other hand, the nonconsensus rate of 41.79%, which exceeded the stability threshold of 15%, indicated that another round of Delphi study was needed. The nonconsensus items (see Table 5) and the new items were combined into a new survey for the second-round distribution. A median score was added next to each item in the new survey for the participants, with an instruction at the beginning of the survey introduction.

**Table 3**

#### *Consensus Items in Round 1*

Item #	Items	Median	Mean	Mode	IQR	Decision
4	Communicating with potential executives who may oppose the change	7	6.44	7	1	Consensus
5	Establishing clear goals and deadlines for the change process	7	6.48	7	1	Consensus
6	Depicting the benefits of the change for employees and the organization	7	6.44	7	1	Consensus
10	Establishing clear roles and responsibilities for coalition members	7	6.28	7	1	Consensus
11	providing training and development opportunities for coalition members	7	6.28	7	1	Consensus

Item #	Items	Median	Mean	Mode	IQR	Decision
12	Identifying and addressing potential conflicts or roadblocks within the coalition	7	6.28	7	1	Consensus
13	Providing resources and support to ensure the success of the coalition	7	6.52	7	1	Consensus
14	Leveraging the collective expertise and knowledge of coalition members	7	6.32	7	1	Consensus
15	Engaging in regular evaluation and feedback to ensure the effectiveness of the coalition	7	6.28	7	1	Consensus
18	Hosting executive meetings to communicate the change vision at a leadership level	7	6.52	7	1	Consensus
22	Establishing an emotional commitment within the coalition by building consensus and exchanging ideas	7	6.28	7	1	Consensus
23	Developing a common goal within the coalition	7	6.64	7	0.25	Consensus
24	Identifying the need for change and the potential benefits of implementing it	7	6.44	7	1	Consensus
26	Providing employees with a clear, concise, and compelling vision	7	6.44	7	1	Consensus
28	Ensure the goal and vision is practical and down-to-earth	7	6.68	7	1	Consensus
30	Identifying and involving key stakeholders in the communication process	6.5	6.24	7	1	Consensus
33	Highlighting the potential benefits and opportunities of the change for employees and the organization	7	6.44	7	1	Consensus
34	Addressing potential concerns and questions about the change	7	6.32	7	1	Consensus
35	Leveraging data and evidence to support the need for change	7	6.4	7	1	Consensus
36	Providing opportunities for collaboration and cocreation in the communication of the change vision	7	6.24	7	1	Consensus
37	Requesting leader and the task force all embody and act with the change vision	7	6.48	7	1	Consensus

Item #	Items	Median	Mean	Mode	IQR	Decision
38	Clearly outlining the specific, actionable steps for each critical stage of change	7	6.44	7	1	Consensus
39	Management by walking around to listen to the voices of frontline employees and middle managers	7	6.32	7	1	Consensus
41	Identifying and removing potential obstacles and barriers to the change effort	7	6.28	7	1	Consensus
43	Establishing clear metrics and benchmarks to track progress and success	7	6.24	7	1	Consensus
45	Empowering employees and managers to take action independently and voluntarily to implement the proposed change	6	6.16	6	1	Consensus
50	Providing resources and support to ensure the success of the change effort	7	6.36	7	1	Consensus
51	Highlighting the potential benefits and opportunities of achieving short-term wins for employees and the organization	6	6.4	6	1	Consensus
52	Propagated tangible achievements, such as improved financial reports, increased market shares, positive feedback from satisfied customers	7	6.48	7	1	Consensus
53	Visibly recognizing and rewarding people who made the wins possible	7	6.6	7	1	Consensus
55	Identifying specific, achievable goals for more change	6.5	6.36	7	1	Consensus
56	Leading by example and complying with the rule of rewards and punishment	7	6.6	7	1	Consensus
57	Identifying and involving senior leadership and decision-makers in the consolidation of gains and pursuit of further change	7	6.24	7	1	Consensus
58	Engaging in ongoing learning and development programs to support the consolidation and pursuit of further change	7	6.28	7	1	Consensus



Item #	Items	Median	Mean	Mode	IQR	Decision
59	Engaging in regular outreach and communication with employees and stakeholders	7	6.52	7	1	Consensus
61	Highlighting the potential benefits and opportunities of further change for employees and the organization	7	6.52	7	1	Consensus
62	Recognizing and rewarding employees who excelled in the changed organization	7	6.44	7	1	Consensus
65	Adjusting the rewarding and punishing rules and regulations to match the changed organizational culture	7	6.36	7	1	Consensus
66	Lead by example and model the behavior in the new organizational culture	7	6.48	7	1	Consensus

**Table 4***New Items Recommended by the Panel*

Item #	Items
68	Adapting the talent selection and recruitment standard to the changed organization
69	Adopting coercive leadership during the change process
70	Implementing the change gradually based on the established plans and regulations
71	Implementing training programs for senior executives and promoting those who excel in learning
72	Encouraging leaders and senior executives discussing and propagating organizational culture and goal within the organization
73	Providing decent severance packages and outplacement service for laid-off employees

**Table 5***Nonconsensus Items in Round 1*

Item #	Items	Median	Mean	Mode	IQR	Decision
1	Launching a wave of strategic layoffs	4	3.84	4	3.25	No Consensus
2	Sharing examples of the potential consequences of inaction	6	5.28	6	3	No Consensus

Item #	Items	Median	Mean	Mode	IQR	Decision
3	Highlighting opportunities that could be missed if change is not implemented	6	5.76	7	2.25	No Consensus
7	Warning employees of potential dismissal	5	5.12	7	3	No Consensus
8	Hosting an open discussion to convey the problems with employees	6	5.64	7	2.25	No Consensus
9	Building a representative coalition of supporters across the organizational hierarchies	6	5.8	7	2	No Consensus
16	Identifying and involving senior leadership and decision-makers in the coalition	6	5.64	7	2	No Consensus
17	Providing opportunities for coalition members to share their experiences and learn from one another	6.5	6.12	7	2	No Consensus
19	Seeking empowerment from supervisory authorities to replace the entire top management team with advocates of change	5.5	4.92	7	3	No Consensus
20	Training a team of followers across departments as pioneers and volunteers to convey the change	6	5.24	6	3	No Consensus
21	Picking influential representatives (key people) from different levels and departments	7	6.16	7	1.25	No Consensus
25	Aligning the vision and strategy with the organization's mission and values	7	6.24	7	1.25	No Consensus
27	Inviting employee representatives across departments to participate in drafting the vision statement	6	5.68	7	2	No Consensus
29	Seeking empowerment from supervisory authorities for additional power to lay off employees and executives	6	5.16	7	3	No Consensus
31	Using a variety of channels and methods for communication, such as meetings, newsletters, and social media	6	5.92	7	2	No Consensus
32	Encouraging open dialogue and feedback from employees and stakeholders	6	5.68	7	2	No Consensus

Item #	Items	Median	Mean	Mode	IQR	Decision
40	Identifying and silencing these internal opponents to communicate the vision to the majority effectively	5	4.68	7	4.25	No Consensus
42	Transferring the employees who failed to act to the subcompanies	5	4.88	5	2	No Consensus
44	Encouraging transparency and accountability in the removal of barriers	7	6.12	7	2	No Consensus
46	Reducing micro-management to unfreeze and unchain employees	6	5.84	5	2	No Consensus
47	Hosting open-door discussions and establishing channels for mutual communications	6	5.4	7	2	No Consensus
48	Encouraging risk taking and nontraditional ideas, activities, and actions	5	5.2	4	2.25	No Consensus
49	Hosting events to celebrate successes and milestones along the way	6	5.8	7	2	No Consensus
54	Visibly disciplining and punishing people who failed to reach the predetermined benchmarks	4	4.16	4	4	No Consensus
60	Establishing clear metrics and benchmarks for future change	7	6.2	7	1.25	No Consensus
63	Hosting open discussions to address employee's concerns and questions about the anchoring of new approaches	6	5.6	7	2	No Consensus
64	Implementing cultural learning programs	7	5.88	7	2	No Consensus
67	Transferring employees and managers who cannot accommodate to the new culture to the new position or subcompanies	5	5.16	5	3	No Consensus

## Delphi Phase 2

Based on the analysis of the feedback received in the first round (see Table 3), the initial instrument was revised by removing the consensus items and adding new items recommended by the panel (see Table 4). Moreover, the previous open-ended question asking the participants to nominate new items was also removed from the second-round questionnaire. The new instrument

for Delphi Phase 2 consisted of 34 nonconsensus items and new items. A median score was added next to each item in the new survey for the participants, with instructions at the beginning of the survey introduction.

### ***Distribution of Survey 2***

The new instrument for Delphi Phase 2 was distributed to the panel in early March through online survey platforms. In this second-round distribution, one of 25 members in the panel failed to respond after 3 business days despite two reminders from the researcher. Therefore, the researcher assumed that this participant decided to drop out of the study without notice. The remaining 24 participants completed and returned the survey within the designated time frame of 3 business days. Therefore, the total number of participants in the second Delphi phase was 24 individuals ( $n = 24$ ), which contributed to a 96% participation rate in Round 2. On the 4th day of the distribution of Survey 2, the responses from 24 participants were compiled into a single MS Excel file for the Round 2 analysis.

### ***Round 2 Analysis***

Based on the compiled data in the MS Excel file, the median and IQR were calculated for each item. Each initial item was considered to reach a consensus if the IQR was less than 15% of the range. Out of the 34 items in the second-round survey, 12 items reached consensus, and 22 items did not. This result represented about a 35.29% consensus rate in the second round, which was summarized in Table 6. On the other hand, the overall nonconsensus rate of 30.13%, exceeded the stability threshold of 15%. Moreover, the stability analysis of Round 2 (see Table 8) showed that the final consensus had not been reached and indicated that another round of Delphi study was needed. The nonconsensus items from the second-round study (see Table 7)

formed a new survey for the third-round distribution. A median score was added next to each item in the new survey for the participants with instructions at the beginning.

**Table 6**

*Consensus Items in Round 2*

Item #	Items	Median	Mean	Mode	IQR	Decision
17	Providing opportunities for coalition members to share their experiences and learn from one another	7	6.33	7	1	Consensus
21	Picking influential representatives (key people) from different levels and departments	7	6.38	7	1	Consensus
25	Aligning the vision and strategy with the organization's mission and values	7	6.21	7	1	Consensus
27	Inviting employee representatives across departments to participate in drafting the vision statement	6	6.25	6	1	Consensus
31	Using a variety of channels and methods for communication, such as meetings, newsletters, and social media	6	5.71	6	1	Consensus
32	Encouraging open dialogue and feedback from employees and stakeholders	6	6.33	6	1	Consensus
44	Encouraging transparency and accountability in the removal of barriers	7	6.33	7	1	Consensus
46	Reducing micro-management to unfreeze and unchain employees	6	5.71	6	1	Consensus
47	Hosting open-door discussions and establishing channels for mutual communications	6	6.00	6	1	Consensus
48	Encouraging risk taking and nontraditional ideas, activities, and actions	5	5.38	5	1	Consensus
68	Adapting the talent selection and recruitment standard to the changed organization	6	6.17	6	1	Consensus
70	Implementing the change gradually based on the established plans and regulations	6	5.88	6	0	Consensus

**Table 7***Nonconsensus Items in Round 2*

Item #	Items	Median	Mean	Mode	IQR	Decision
1	Launching a wave of strategic layoffs	4	3.54	5	2.75	No Consensus
2	Sharing examples of the potential consequences of inaction	6	5.75	6	1.5	No Consensus
3	Highlighting opportunities that could be missed if change is not implemented	6	5.92	6	1.75	No Consensus
7	Warning employees of potential dismissal	5	4.92	6	2	No Consensus
8	Hosting an open discussion to convey the problems with employees	7	6.08	7	1.75	No Consensus
9	Building a representative coalition of supporters across the organizational hierarchies	6	5.96	7	2	No Consensus
16	Identifying and involving senior leadership and decision-makers in the coalition	6	5.63	6	2	No Consensus
19	Seeking empowerment from supervisory authorities to replace the entire top management team with advocates of change	5	4.79	6	2	No Consensus
20	Training a team of followers across departments as pioneers and volunteers to convey the change	6	5.79	6	1.75	No Consensus
29	Seeking empowerment from supervisory authorities for additional power to lay off employees and executives	6	5.33	6	2	No Consensus
40	Identifying and silencing these internal opponents to communicate the vision to the majority effectively	5	4.75	6	2.75	No Consensus
42	Transferring the employees who failed to act to the subcompanies	5	5.21	6	1.75	No Consensus
49	Hosting events to celebrate successes and milestones along the way	6	5.54	6	1.75	No Consensus

Item #	Items	Median	Mean	Mode	IQR	Decision
54	Visibly disciplining and punishing people who failed to reach the predetermined benchmarks	4	4.21	4	1.75	No Consensus
60	Establishing clear metrics and benchmarks for future change	7	6.25	7	1.75	No Consensus
63	Hosting open discussions to address employee's concerns and questions about the anchoring of new approaches	6	6.08	6	1.75	No Consensus
64	Implementing cultural learning programs	7	6.17	7	2	No Consensus
67	Transferring employees and managers who cannot accommodate to the new culture to the new position or subcompanies	5	5.00	6	2	No Consensus
69	Adopting coercive leadership during the change process	4	4.17	4	3	No Consensus
71	Implementing training programs for senior executives and promoting those who excel in learning	6	5.92	6	2	No Consensus
72	Encouraging leaders and senior executives discussing and propagating organizational culture and goal within the organization	6	5.83	6	2	No Consensus
73	Providing decent severance packages and outplacement service for the laid-off employees	6	6.04	6	2	No Consensus

**Table 8***Stability Analysis for Round 2*

% of unstable ites as total # of items	30.14%
Stability Criteria 1 (> 85% of total items stable)	69.86%
Stability Criteria 2 (MeCI < 15%)	8.22%
Stability Criteria 3 (IQRCI < 15%)	24.66%
Stability Criteria 2 (MeCI < 15%)	20.55%

### **Delphi Phase 3**

Based on the analysis of the feedback received in the second round (see Table 6), the second-round instrument was revised by removing the items that had reached the consensus in this round (see Table 7). The new instrument for Delphi Phase 3 consisted of 22 nonconsensus items. A median score was added next to each item in the new survey for the participants with instructions at the beginning.

#### ***Distribution of Survey 3***

The new instrument for Delphi Phase 3 was distributed to the panel in the middle of March through online survey platforms. In this third-round distribution, all 24 members of the panel in the third round responded and returned their survey within 3 business days. Therefore, the total number of participants in the second Delphi phase was 24 individuals ( $n = 24$ ), which contributed to a 100% participation rate in Round 3. On the 4th day of the distribution of Survey 3, the responses from 24 participants were compiled into a single MS Excel file for the Round 3 analysis.

#### ***Round 3 Analysis***

Based on the compiled data in the MS Excel file, the median and IQR were calculated for each item. Out of the 22 items in the third-round survey, five items reached consensus, and 17 items did not. This result represented about a 22.73% consensus rate in the third round, which was summarized in Table 9. Besides, the 17 nonconsensus items, which stood for 23.29% overall nonconsensus rate, were summarized and tabulated in Table 10.



**Table 9***Consensus Items in Round 3*

Item #	Items	Median	Mean	Mode	IQR	Decision
2	Sharing examples of the potential consequences of inaction	5	5.25	5	1	Consensus
7	Warning employees of potential dismissal	5	5.33	6	1	Consensus
60	Establishing clear metrics and benchmarks for future change	6	6.25	7	1	Consensus
71	Implementing training programs for senior executives and promoting those who excel in learning	6	6.08	6	1	Consensus
72	Encouraging leader and senior executives discussing and propagating organizational culture and goal within the organization	6	5.75	6	0	Consensus

**Table 10***Nonconsensus Items in Round 3*

Item #	Items	Median	Mean	Mode	IQR	Decision
1	Launching a wave of strategic layoffs	4	4.50	5	1.5	No Consensus
3	Highlighting opportunities that could be missed if change is not implemented	6	5.83	6	2	No Consensus
8	Hosting an open discussion to convey the problems with employees	6	5.96	7	2	No Consensus
9	Building a representative coalition of supporters across the organizational hierarchies	6	5.83	6	2	No Consensus
16	Identifying and involving senior leadership and decision-makers in the coalition	5	5.75	6	2	No Consensus
19	Seeking empowerment from supervisory authorities to replace the entire top management team with advocates of change	5	4.71	6	2	No Consensus

Item #	Items	Median	Mean	Mode	IQR	Decision
20	Training a team of followers across departments as pioneers and volunteers to convey the change	6	5.71	5	2	No Consensus
29	Seeking empowerment from supervisory authorities for additional power to lay off employees and executives	4	4.92	6	2	No Consensus
40	Identifying and silencing these internal opponents to communicate the vision to the majority effectively	5	4.21	6	3	No Consensus
42	Transferring the employees who failed to act to the subcompanies	5	5.00	5	2	No Consensus
49	Hosting events to celebrate successes and milestones along the way	5	5.08	5	2	No Consensus
54	Visibly disciplining and punishing people who failed to reach the predetermined benchmarks	4	4.17	4	1.5	No Consensus
63	Hosting open discussions to address employee's concerns and questions about the anchoring of new approaches	6	5.71	6	2	No Consensus
64	Implementing cultural learning programs	6	5.71	6	2	No Consensus
67	Transferring employees and managers who cannot accommodate to the new culture to the new position or subcompanies	5	5.17	5	2	No Consensus
69	Adopting coercive leadership during the change process	4	3.63	3	3	No Consensus
73	Providing decent severance packages and outplacement service for the laid-off employees	6	5.96	7	1.5	No Consensus

### Final Consensus

Despite the total number of nonconsensus items being 17 (see Table 9), which represented about 23.29% total nonconsensus rate that exceeded the initial goal of 15% nonconsensus rate, this Delphi study is still considered to have reached stability since all three indices (see Table 11), which consists of MeCI, MoCI, and IQRCI, for the triangulation

consensus evaluation recommended by Lincoln and Guba (1985), are below 15%. More specifically, the MeCI is 6.8%, MoCI is 13.7%, and IQRCI is 13.7% at the end of the third round. The reach of the final consensus indicates that the consensus items are deemed the critical characteristics and steps to implement change for Chinese SOEs in the financial service industry. Therefore, the RQ1 should be considered answered, and the research could proceed to content analysis of consensus items in order to address RQ2, which is to explore an organizational change model created using the critical characteristics and steps identified in RQ1.

**Table 11**

*Stability Analysis for Round Three*

% of unstable items as total # of items	23.29%
Stability Criteria 1 (> 85% of total items stable)	76.71%
Stability Criteria 2 (MeCI < 15%)	6.85%
Stability Criteria 3 (IQRCI < 15%)	13.70%
Stability Criteria 2 (MoCI < 15%)	13.70%

**Alignment of RQ2**

The items that reached a final consensus could be interpreted as critical practices and steps to implement change for Chinese SOEs in the financial service industry. The outcome from the Delphi method and statistical analysis addressed RQ1. Based on the items that reached a final consensus, content analysis was performed in an attempt to develop an organizational change model. According to Cole's (1988) definition, content analysis is a structured method that involves categorizing and coding communication messages in order to extract meaningful patterns and themes. This research methodology is used to examine and understand the content and meaning of various forms of communication, including written, verbal, or visual messages.

As Burnard (1996) noted, the central aspect of all content analysis is the systematic classification of a large number of text words into smaller content categories. This categorization process enables researchers to analyze communication messages in a more structured and systematic way, allowing for more rigorous and reliable research findings. Through content analysis and interpreting the items that reached a final consensus, the researcher strives to find meaningful patterns and themes to develop an organizational change model for Chinese SOEs in financial services while addressing RQ2.

### **Data Analysis**

Based on Table 3, Table 6, and Table 9, the items that reached a final consensus were summarized and analyzed for their levels of importance. The level of importance of consensus items was sorted and ranked by the median score from largest to smallest (see Table 12). The median value of each consensus item was interpreted and remarked on based on Table 2. For example, the consensus item with a median score of 7 indicates that this practice or step is important and effective in implementing change for Chinese SOEs, while the item with a median score of 1 indicates that this practice or step is detrimental in implementing change for Chinese SOEs. In case a median value of an item is a decimal resulting from the even number of participants, it will be conservatively rounded down, since such disagreement indicates that the effectiveness and importance of the item are questionable and arguable.

**Table 12**

*Final Consensus Items*

Item #	Item	Median	IQR	Likert-scale Rating
4	Communicating with potential executives who may oppose the change	7	1	Effective and Important
5	Establishing clear goals and deadlines for the change process	7	1	Effective and Important

Item #	Item	Median	IQR	Likert-scale Rating
6	Depicting the benefits of the change for employees and the organization	7	1	Effective and Important
10	Establishing clear roles and responsibilities for coalition members	7	1	Effective and Important
11	Providing training and development opportunities for coalition members	7	1	Effective and Important
12	Identifying and addressing potential conflicts or roadblocks within the coalition	7	1	Effective and Important
13	Providing resources and support to ensure the success of the coalition	7	1	Effective and Important
14	Leveraging the collective expertise and knowledge of coalition members	7	1	Effective and Important
15	Engaging in regular evaluation and feedback to ensure the effectiveness of the coalition	7	1	Effective and Important
18	Hosting executive meetings to communicate the change vision at a leadership level	7	1	Effective and Important
22	Establishing an emotional commitment within the coalition by building consensus and exchanging ideas	7	1	Effective and Important
23	Developing a common goal within the coalition	7	0.25	Effective and Important
24	Identifying the need for change and the potential benefits of implementing it	7	1	Effective and Important
26	Providing employees with a clear, concise, and compelling vision	7	1	Effective and Important
28	Ensure the goal and vision is practical and down-to-earth	7	1	Effective and Important
33	Highlighting the potential benefits and opportunities of the change for employees and the organization	7	1	Effective and Important
34	Addressing potential concerns and questions about the change	7	1	Effective and Important
35	Leveraging data and evidence to support the need for change	7	1	Effective and Important
36	Providing opportunities for collaboration and cocreation in the communication of the change vision	7	1	Effective and Important
37	Requesting leader and the task force all embody and act with the change vision	7	1	Effective and Important
38	Clearly outlining the specific, actionable steps for each critical stage of change	7	1	Effective and Important

Item #	Item	Median	IQR	Likert-scale Rating
39	Management by walking around to listen to the voices of frontline employees and middle managers	7	1	Effective and Important
41	Identifying and removing potential obstacles and barriers to the change effort	7	1	Effective and Important
43	Establishing clear metrics and benchmarks to track progress and success	7	1	Effective and Important
50	Providing resources and support to ensure the success of the change effort	7	1	Effective and Important
52	Propagated tangible achievements, such as improved financial reports, increased market shares, positive feedback from satisfied customers	7	1	Effective and Important
53	Visibly recognizing and rewarding people who made the wins possible	7	1	Effective and Important
56	Leading by example and complying with the rule of rewards and punishment	7	1	Effective and Important
57	Identifying and involving senior leadership and decision-makers in the consolidation of gains and pursuit of further change	7	1	Effective and Important
59	Engaging in regular outreach and communication with employees and stakeholders	7	1	Effective and Important
61	Highlighting the potential benefits and opportunities of further change for employees and the organization	7	1	Effective and Important
63	Hosting open discussions to address employee's concerns and questions about the anchoring of new approaches	7	1	Effective and Important
65	Adjusting the rewarding and punishing rules and regulations to match the changed organizational culture	7	1	Effective and Important
66	Lead by example and model the behavior in the new organizational culture	7	1	Effective and Important
17	Providing opportunities for coalition members to share their experiences and learn from one another	7	1	Effective and Important
21	Picking influential representatives (key people) from different levels and departments	7	1	Effective and Important
25	Aligning the vision and strategy with the organization's mission and values	7	1	Effective and Important
44	Encouraging transparency and accountability in the removal of barriers	7	1	Effective and Important
68	Adapting the talent selection and recruitment standard to the changed organization	7	1	Effective and Important

Item #	Item	Median	IQR	Likert-scale Rating
30	Identifying and involving key stakeholders in the communication process	6	1	Effective
45	Empowering employees and managers to take actions independently and voluntarily to implement the proposed change	6	1	Effective
51	Highlighting the potential benefits and opportunities of achieving short-term wins for employees and the organization	6	1	Effective
55	Identifying specific, achievable goals for more change	6	1	Effective
58	Engaging in ongoing learning and development programs to support the consolidation and pursuit of further change	6	1	Effective
27	Inviting employee representatives across departments to participate in drafting the vision statement	6	1	Effective
31	Using a variety of channels and methods for communication, such as meetings, newsletters, and social media	6	1	Effective
32	Encouraging open dialogue and feedback from employees and stakeholders	6	1	Effective
46	Reducing micro-management to unfreeze and unchain employees	6	1	Effective
47	Hosting open-door discussions and establishing channels for mutual communications	6	1	Effective
70	Implementing the change gradually based on the established plans and regulations	6	0	Effective
60	Establishing clear metrics and benchmarks for future change	6	1	Effective
71	Implementing training programs for senior executives and promoting those who excel in learning	6	1	Effective
72	Encouraging leader and senior executives discussing and propagating organizational culture and goal within the organization	6	0	Effective
48	Encouraging risk taking and nontraditional ideas, activities, and actions	5	1	Somehow Effective
2	Sharing examples of the potential consequences of inaction	5	1	Somehow Effective
7	Warning employees of potential dismissal	5	1	Somehow Effective

Based on Table 12, content analysis was performed according to the statistical metrics of the items, such as median, mode, and IQR. If any particular item, regardless of its status of consensus, demonstrated exceptional significance or detriment, it was analyzed and discussed separately. Based on these criteria, the collected data and consensus items were analyzed in the next chapter to examine their inner relations in the hope of developing a theme and model to address RQ2.

### **Content Analysis**

Content analysis is a widely-used research methodology that systematically examines and interprets various forms of communication to identify patterns, themes, or trends (Cole, 1988). This approach enables researchers to derive meaningful insights from qualitative data, such as textual or visual materials, by breaking them into smaller, more manageable units (Burnard, 1996). The rationale behind content analysis lies in its ability to provide a structured and replicable method for extracting valuable information from complex and diverse sources. By identifying patterns and themes in the data, researchers can gain a deeper understanding of the underlying phenomena and draw conclusions that can inform decision-making, policy development, or future research (Elo & Kyngäs, 2008).

Developing the four themes in the context of organizational change began with carefully examining the 56 critical items that reached the final consensus. Each item was thoroughly reviewed based on its origin in the context of literature, and the underlying concepts and ideas were highlighted. Next, similar concepts derived from the literature review were grouped to form preliminary themes, further refined, and consolidated. This iterative process involved constantly revisiting the data, comparing the emerging themes, and ensuring they accurately represented the critical items. Throughout this process, the researcher remained attentive to the nuances and



complexities of the data while striving to develop a coherent and comprehensive framework that captured the essential aspects of organizational change. Reviewing the context in the literature and applying content analysis identified four themes from the critical items that reached the final consensus. The merged four themes provide a category for interpreting the multifaceted transformation processes for Chinese SOEs. This methodological approach ensures that the resulting themes are grounded in the data and literature while also allowing for flexibility and adaptability as new insights emerge during the analysis.

Based on content analysis, four key factors and themes could be derived from the 56 critical items. The four factors are communication, coalition and teamwork, change management, and anchoring change. Effective communication is essential throughout the entire change process. Based on a case study, Appelbaum et al. (2017) argued, “Employees’ commitment to change...can be improved through increasing formal and informal communication, creating adaptive organizational systems and enhancing the role of transformational leaders during the change” (p. 213). In this study, some critical items with high agreement levels, such as Item 6, depicting the benefits of the change for employees and the organization, and Item 12, identifying and involving key stakeholders in the communication process, highlight the importance of communicating the benefits and goals of the planned organizational change with employees and key stakeholders. Moreover, Item 31, using a variety of channels and methods for communication, such as meetings, newsletters, and social media, and Item 32, encouraging open dialogue and feedback from employees and stakeholders, concern the importance of establishing open two-way communication through a variety of channels and methods. In addition, similar items that suggest the importance of effective communication include Item 2, sharing examples of the potential consequences of inaction, Item 34, addressing potential concerns and questions

about the change, Item 35, leveraging data and evidence to support the need for change, and Item 36, providing opportunities for collaboration and cocreation in the communication of the change vision.

Building and maintaining a strong coalition of change agents is critical to driving change within an organization. Based on an extensive literature review, Stouten et al. (2018) concluded that an effective coalition could “maintain supportive relationships and ongoing communication with top management” and “reinforce the importance of the planned change” (p. 758). Regarding building and maintaining a strong coalition, Item 10, establishing clear roles and responsibilities for coalition members, and Item 14, leveraging the collective expertise and knowledge of coalition members, indicate the importance of forming a strong and effective coalition by leveraging the collective expertise and identifying roles and responsibilities. Moreover, Item 11, providing training and development opportunities for coalition members, and Item 12, identifying and addressing potential conflicts or roadblocks within the coalition, suggest the importance of sustaining a long-lasting change coalition through continuous training and eliminating potential conflicts. Other items that suggest the factor of building and maintaining a strong coalition of change agents include Item 15, engaging in regular evaluation and feedback to ensure the effectiveness of the coalition, Item 17, providing opportunities for coalition members to share their experiences and learn from one another, and Item 21, picking influential representatives and key people from different levels and departments.

Effective change management is crucial for navigating the complex process of organizational change. Child (1972) and Dunphy (2000) argued that, from the viewpoint of strategic management, organizational change is perceived as the execution of corporate strategy devised by organizational leaders and decision-makers. As for implementing effective change

management, Item 41, identifying and removing potential obstacles and barriers to the change effort, and Item 50, providing resources and support to ensure the success of the change effort, underline the importance of enforcing change through providing resources and removing barriers. Moreover, Item 5, establishing clear goals and deadlines for the change process, and Item 26, providing employees with a clear, concise, and compelling vision, point out the importance of implementing change with clear goals and visions. In addition, similar items that concern the theme of implementing effective change management include Item 7, warning employees of potential dismissal, Item 24, identifying the need for change and the potential benefits of implementing it, Item 38, clearly outlining the specific, actionable steps for each critical stage of change, Item 43, establishing clear metrics and benchmarks to track progress and success, and Item 44, encouraging transparency and accountability in the removal of barriers.

Anchoring new approaches and cultural shifts within the organization is essential for sustaining change. Buchanan et al. (2005) indicated that institutionalizing and maintaining organizational change was just as crucial as other elements within change management, as they ensured the long-term success of the organization. In the context of institutionalizing the change, Item 65, adjusting the rewarding and punishing rules and regulations to match the changed organizational culture, and Item 68, adapting the talent selection and recruitment standard to the changed organization, emphasize the importance of adjusting the rules and regulations to sustain the changed organization. Moreover, Item 63, hosting open discussions to address employee's concerns and questions about the anchoring of new approaches, and Item 72, encouraging leader and senior executives discussing and propagating organizational culture and goal within the organization, outline the importance of anchoring new approaches and cultural shifts within the organization through effective communication. Additionally, other items that substantiate this

theme include Item 66, leading by example and modeling the behavior in the new organizational culture, Item 70, implementing the change gradually based on the established plans and regulations, and Item 71, implementing training programs for senior executives and promoting those who excel in learning. Based on the above content analysis and discussion, these consensus items were sorted and tabulated in Table 13, and ranked by the median.

**Table 13**

*Final Consensus Items Sorted by Four Identified Themes*

Item #	Item	Median	Likert-Scale Rating	Theme
4	Communicating with potential executives who may oppose the change	7	Effective and Important	Communication
5	Establishing clear goals and deadlines for the change process	7	Effective and Important	Communication
6	Depicting the benefits of the change for employees and the organization	7	Effective and Important	Communication
28	Ensure the goal and vision is practical and down-to-earth	7	Effective and Important	Communication
33	Highlighting the potential benefits and opportunities of the change for employees and the organization	7	Effective and Important	Communication
34	Addressing potential concerns and questions about the change	7	Effective and Important	Communication
35	Leveraging data and evidence to support the need for change	7	Effective and Important	Communication
36	Providing opportunities for collaboration and cocreation in the communication of the change vision	7	Effective and Important	Communication
37	Requesting leader and the task force all embody and act with the change vision	7	Effective and Important	Communication

Item #	Item	Median	Likert-Scale Rating	Theme
27	Inviting employee representatives across departments to participate in drafting the vision statement	6	Effective	Communication
30	Identifying and involving key stakeholders in the communication process	6	Effective	Communication
31	Using a variety of channels and methods for communication, such as meetings, newsletters, and social media	6	Effective	Communication
32	Encouraging open dialogue and feedback from employees and stakeholders	6	Effective	Communication
72	Encouraging leader and senior executives discussing and propagating organizational culture and goal within the organization.	6	Effective	Communication
2	Sharing examples of the potential consequences of inaction	5	Somehow Effective	Communication
7	Warning employees of potential dismissal	5	Somehow Effective	Communication
10	Establishing clear roles and responsibilities for coalition members	7	Effective and Important	Coalition and teamwork
11	Providing training and development opportunities for coalition members	7	Effective and Important	Coalition and teamwork
12	Identifying and addressing potential conflicts or roadblocks within the coalition	7	Effective and Important	Coalition and teamwork
13	Providing resources and support to ensure the success of the coalition	7	Effective and Important	Coalition and teamwork
14	Leveraging the collective expertise and knowledge of coalition members	7	Effective and Important	Coalition and teamwork
15	Engaging in regular evaluation and feedback to ensure the effectiveness of the coalition	7	Effective and Important	Coalition and teamwork
17	Providing opportunities for coalition members to share their experiences and learn from one another	7	Effective and Important	Coalition and teamwork
18	Hosting executive meetings to communicate the change vision at a leadership level	7	Effective and Important	Coalition and teamwork

Item #	Item	Median	Likert-Scale Rating	Theme
21	Picking influential representatives (key people) from different levels and departments	7	Effective and Important	Coalition and teamwork
22	Establishing an emotional commitment within the coalition by building consensus and exchanging ideas	7	Effective and Important	Coalition and teamwork
23	Developing a common goal within the coalition	7	Effective and Important	Coalition and teamwork
24	Identifying the need for change and the potential benefits of implementing it	7	Effective and Important	Coalition and teamwork
25	Aligning the vision and strategy with the organization's mission and values	7	Effective and Important	Coalition and teamwork
26	Providing employees with a clear, concise, and compelling vision	7	Effective and Important	Coalition and teamwork
38	Clearly outlining the specific, actionable steps for each critical stage of change	7	Effective and Important	Change management
39	Management by walking around to listen to the voices of frontline employees and middle managers	7	Effective and Important	Change management
41	Identifying and removing potential obstacles and barriers to the change effort	7	Effective and Important	Change management
43	Establishing clear metrics and benchmarks to track progress and success	7	Effective and Important	Change management
44	Encouraging transparency and accountability in the removal of barriers	7	Effective and Important	Change management
50	Providing resources and support to ensure the success of the change effort	7	Effective and Important	Change management
45	Empowering employees and managers to take actions independently and voluntarily to implement the proposed change	6	Effective	Change management
46	Reducing micro-management to unfreeze and unchain employees	6	Effective	Change management

Item #	Item	Median	Likert-Scale Rating	Theme
47	Hosting open-door discussions and establishing channels for mutual communications	6	Effective	Change management
48	Encouraging risk taking and nontraditional ideas, activities, and actions	5	Somehow Effective	Change management
52	Propagated tangible achievements, such as improved financial reports, increased market shares, positive feedback from satisfied customers	7	Effective and Important	Institutionalize change
53	Visibly recognizing and rewarding people who made the wins possible	7	Effective and Important	Institutionalize change
56	Leading by example and complying with the rule of rewards and punishment	7	Effective and Important	Institutionalize change
57	Identifying and involving senior leadership and decision-makers in the consolidation of gains and pursuit of further change	7	Effective and Important	Institutionalize change
59	Engaging in regular outreach and communication with employees and stakeholders	7	Effective and Important	Institutionalize change
61	Highlighting the potential benefits and opportunities of further change for employees and the organization	7	Effective and Important	Institutionalize change
63	Hosting open discussions to address employee's concerns and questions about the anchoring of new approaches	7	Effective and Important	Institutionalize change
65	Adjusting the rewarding and punishing rules and regulations to match the changed organizational culture	7	Effective and Important	Institutionalize change
66	Lead by example and model the behavior in the new organizational culture	7	Effective and Important	Institutionalize change
68	Adapting the talent selection and recruitment standard to the changed organization	7	Effective and Important	Institutionalize change
51	Highlighting the potential benefits and opportunities of achieving short-term wins for employees and the organization	6	Effective	Institutionalize change
55	Identifying specific, achievable goals for more change	6	Effective	Institutionalize change

Item #	Item	Median	Likert-Scale Rating	Theme
58	Engaging in ongoing learning and development programs to support the consolidation and pursuit of further change	6	Effective	Institutionalize change
60	Establishing clear metrics and benchmarks for future change	6	Effective	Institutionalize change
70	Implementing the change gradually based on the established plans and regulations	6	Effective	Institutionalize change
71	Implementing training programs for senior executives and promoting those who excel in learning	6	Effective	Institutionalize change

## Conclusion

In this data analysis and results chapter, the modified Delphi method was used for RQ1, and preliminary content analysis was performed for RQ2. In the participant recruitment process of the modified Delphi study, 37 professionals and practitioners were contacted and invited through email. Out of these 37 individuals, 25 consented participants eventually formed the expert panel for this Delphi study, which represented 70.27% of the recruitment consent rate. Based on the literature review, 67 initial items were developed as critical characteristics and steps in implementing change for Chinese SOEs. According to their alignments with Kotter's (2012) framework and Lewin's (1947a) process, these 67 critical items were subsequently assigned to eight different modules in the initial survey.

The initial instrument of the questionnaire (see Appendix D), which consisted of 67 critical items, was distributed to the Delphi panel through online questionnaire platforms. In the questionnaire, the participants were asked to indicate their agreement level toward a certain characteristic or step in the organizational change process. While *strongly disagree* (1) implied that this practice or step is detrimental to implementing change for Chinese SOEs, *strongly agree* (7) meant this practice or step is important and effective in implementing change for Chinese



SOEs. In Delphi Phase 1, all 25 participants completed and returned the initial instruments of the questionnaire within 3 business days, which contributed to a 100% participation rate.

Based on the compiled data in the MS Excel file, the median and IQR were calculated for each item. Each initial item was considered to reach a consensus if the IQR was less than 15% of the range. Out of the 67 initial items, 39 items reached consensus, and 28 items did not. This result represented about a 58.21% consensus rate. Moreover, the panel recommended six additional items in the open-ended session. In Delphi Phase 2, the total number of participants was 24 individuals ( $n = 24$ ), which contributed to a 96% participation rate. Out of the 34 items in the second-round survey, 12 items reached consensus, and 22 items did not, which represented about a 35.29% consensus rate in the second round. In Delphi Phase 3, the total number of participants was 24 individuals ( $n = 24$ ), which contributed to a 100% participation rate. Out of the 22 items in the third-round survey, five items reached consensus, and 17 items did not, which represented about a 22.73% consensus rate in the third round.

Through three rounds of data collection and analysis, a total of 56 critical items reached a final consensus, which represented a 76.71% total consensus rate. On the other hand, out of a total of 73 items, the number of items that did not reach consensus after the three rounds was 17. Although the total consensus rate of critical items did not exceed the threshold of 85%, the final consensus is considered satisfied because, according to Lincoln and Guba's (1985) triangulation consensus evaluation, all three stability indices are below the threshold of 15%, which indicated that the consensus items had reached stability. Therefore, RQ1 should be considered answered, and the research could proceed to content analysis of consensus items in order to extract meaningful patterns and themes. In the next chapter, the items that reached a final consensus are analyzed for their levels of importance to examine their inner relations in an attempt to develop a

theme and model to address RQ2, which is to explore an organizational change model that is created using the critical characteristics and steps identified in RQ1.

## **Chapter 5: Findings**

### **Summary of the Study**

Chinese SOEs in the financial service industry used to be free of globalized competition because of the protectionism from the Chinese government (Leutert, 2016). In responding to the ongoing appeals for extensive SOE reform, the State Council of China, by order of the CPC, decided to lower the policy protections in the financial industry and allow international capital to enter the Chinese financial service market in 2019. Facing collapsing protective barriers and incoming international competition, domestic SOEs in the financial service industry demand plans for organizational change to confront powerful rivals from all over the world. As Bolman and Deal (2017) pointed out, “Organizations needed restructure to respond to major problems or opportunities, such as the environment shifts, technology changes, organizations growth, or leadership changes” (p. 87). Moreover, the unique traits of Chinese SOEs, such as the iron rice bowl mentality, that were inherited from the planned economic era have presented another challenge for directly deploying existing organizational change models. Therefore, Chinese SOEs are in need of a new organizational change model that is tailored to the financial service industry to address the environment shift of emerging global competition.

### **Research Question 1**

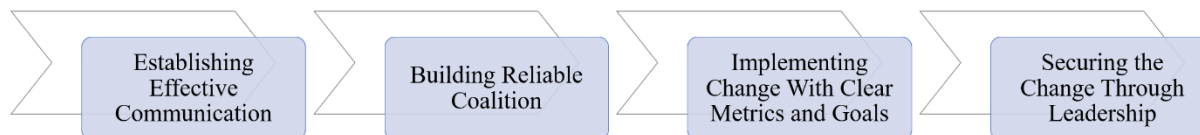
For exploring the best organizational change practices for Chinese SOEs in financial service with consideration of the unique circumstance of Chinese SOEs and the unprecedented challenge of the financial service industry, the first research question needed to be addressed is to find out the critical characteristics and steps to implement change for Chinese SOEs in the financial service industry. For identifying these critical characteristics and steps, the modified Delphi method was chosen and applied for this study. Through the structured flow of

information, the established Delphi method has proved its capacity to formulate a consensus under complicated circumstances with an acceptable level of validity for scholarly study (Landeta, 2006; Tomasik, 2010; Worrell et al., 2013). Compared to the original Delphi method, which gathers critical items from the panel of experts, the initial instrument for this modified Delphi study was developed by analyzing existing literature on organizational change models and theories in Chapter 2.

Through three rounds of data collection and analysis discussed in Chapter 4, 56 critical items reached the final consensus (see Table 12). In the context of RQ1, these 56 consensus items could be seen as the critical characteristics and steps to implement change for Chinese SOEs in the financial service industry. By performing a content analysis of these critical characteristics and steps, this study aimed to develop a theme to help researchers and practitioners to understand better their implications in the scope of changing Chinese SOEs as well as establish a model to implement the change.

### **The Four-Step Organizational Change Model**

Based on the key factors and themes (see Table 13) extracted from the content analysis using the critical characteristics and steps identified in RQ1, a new organizational change model for transforming Chinese SOEs merged gradually. This new organizational change model consists of establishing effective communication, building a reliable coalition, implementing change with clear metrics and goals, and securing the change through leadership. The overview and flow of this model are illustrated in Figure 2.

**Figure 2***An Overview of the Four-Step Organizational Change Model*

The four-theme model for organizational change offers a comprehensive and well-rounded framework to guide Chinese SOEs through the complex and demanding process of transformation in addressing global challenges. By emphasizing the importance of effective communication, reliable coalition and teamwork, change management, and securing change, the model enables organizations to implement and sustain change initiatives successfully. The first stage of establishing effective communication plays a critical role in driving successful change efforts. Establishing a clear understanding of the need for change and the potential benefits it can bring to the organization help create a consensus of change from employees and stakeholders. The consensus from employees and stakeholders through effective communication could not only lead to increased employee participation in change (Glew et al., 1995), but also constitute strong EI in effectively implementing change (Hussain et al., 2018). Effective communication involves not only sharing examples of the consequences of inaction, but also highlighting the potential benefits and opportunities that the change presents. Addressing potential concerns and questions early on ensures that misunderstandings are resolved and trust is built among team members. In view of Morgan and Zeffane's (2003) statistical analysis, which highlighted considerable negative impacts of change on trust, fostering robust trust within the coalition and organization through effective communication before initiating the change process is essential. Engaging key stakeholders in the communication process ensures that all relevant parties are

informed and can provide their input, fostering a sense of ownership and commitment. Organization leaders and senior executives must also actively promote the change vision and embody the new values and practices within the organization, as suggested by transformational leadership. By fostering open dialogue and leveraging multiple channels of communication, organizations can create a shared understanding and commitment to the change effort, laying the groundwork for a successful transformation. From this standpoint, the successful completion of the first step could not only develop a shared understanding and commitment for the following change implementation stages, but also establish effective communication to guide and coordinate the whole change processes.

The second stage of building a reliable coalition underscores the importance of building a strong coalition of change agents who can support and drive the change process. This involves selecting influential representatives from different levels and departments who can champion the change effort within their respective areas. Establishing clear roles and responsibilities for coalition members ensures that these advocates of change know what is expected of them and how they can contribute to the change effort (Kotter, 2012; Trompenaars & Woolliams, 2002). Providing training and development opportunities for coalition members allows them to enhance their skills and knowledge, better equipping them to support the incoming implementation process of change. Kent (2011) and McAleese et al. (2013) argued that setting training programs is an effective method to facilitate the goal of building a reliable coalition as well as provide a channel for coalition members to leverage their collective expertise and knowledge. A strong and reliable coalition enables diverse perspectives and expertise to be brought together, promoting collaboration and learning among its members. By developing a common goal within the coalition and aligning the vision and strategy with the organization's mission and values, the

change effort becomes more cohesive and effective, increasing the likelihood of successful change. In addition to serving as leader's right-hand men to implementing the change in the third stage, the strong and reliable coalition built through the second step could expand the communication channels and, in turn, reinforce the effectiveness of the first step for addressing unique and persistent RTC, such as the iron rice bowl mentality (Berkowitz et al., 2017), in Chinese SOEs.

The third stage of implementing change with clear metrics and goals addresses the practical aspects of implementing and managing the change process. This includes outlining specific, actionable steps for each critical stage of change, which helps to create a clear roadmap for the transformation. Identifying and removing potential obstacles and barriers to change is essential to ensure a smooth transition and prevent setbacks. From this perspective, efficient communication and training in the earlier stages contribute to developing a shared understanding among coalition members and employees. This shared knowledge acts as a crucial facilitator in minimizing RTC and promoting a seamless transition (Hussain et al., 2018). Establishing clear metrics and benchmarks to track progress and success allows organizations to measure the effectiveness of their change efforts and make data-driven decisions. This quantifiable progress of change could boost the confidence of employees and constantly inspire the organization with short-term wins, as suggested by Kotter (2012). Empowering employees and managers to take action independently and voluntarily to implement the proposed change fosters a sense of ownership and commitment, which is critical for sustaining change (Tjosvold & Sun, 2006). Encouraging transparency and accountability throughout the process helps build trust and confidence in the organization's ability to navigate the change, eventually leading to a solid transformation. From this perspective, the visible data based on clear metrics and benchmarks

could not only ensure transparency of the change processes, but also provide reliable feedback and guidance for the coalition established in the second step for adjusting the change implementation stage accordingly. Besides, these clear metrics and goals assist employees in aligning their behaviors toward the change. The positive feedback from the improved metrics could boost morale, increase confidence, and in turn, inspire the organization for bigger changes.

The fourth stage of securing the change through leadership ensures that the new approaches, behaviors, and attitudes become an integral part of the organization's culture and values. This involves applying transactional leadership of recognizing and rewarding those who contribute to the change, both visibly and tangibly. As Golm (2009) pointed out, despite the closer association between transformational leadership and organizational change from a theoretical perspective, transactional leadership remained crucial in practical application. Identifying achievable goals for further change helps to maintain momentum and ensure continuous improvement. Engaging senior leadership in the consolidation of gains and pursuit of additional improvements is crucial, as their support and involvement signal the importance of the change effort to the entire organization. Adjusting reward systems, talent selection, and recruitment standards to match the changed organizational procedure is essential for reinforcing the new values and practices. In addition to applying transactional leadership, Huang and Snell (2003) pointed out that transformational leadership should not be separated from implementing the incentive system. Transformational leadership serves to enhance the efficacy of incentive structures by embracing diverse viewpoints, providing personalized attention, employing persuasive eloquence, and so forth. Leading by example and exercising transformational leadership, combined with ongoing training programs for employees at all levels, helps to solidify the transformation and ensure the effectiveness of change. In conclusion, the long-term



effects of transformational leadership practices, such as leading by example, ensure the long-term success and effectiveness of acquired change (Holten & Brenner, 2015), while transactional leadership measures, such as adjusting rules of the rewarding and punishing, ensure the change is institutionalized within the changed organization.

By addressing the key aspects of communication, coalition building, change management, and securing change, this change model shall be capable of increasing the organization's chances of successful and lasting transformation. This model is particularly useful for organizations undergoing significant shifts in strategy, culture, or market conditions, as it provides a structured approach to guiding the change process under time pressure. Compared to Kotter's (2012) eight-step model, the shortened and refined four steps addressed Sidorko's (2008) and Penrod and Harbor's (1998) concerns about the challenges of incorporating all eight steps in a single project. By applying this model, organizations can effectively manage the challenges and opportunities that come with change, ultimately leading to greater adaptability, resilience, and accountability. In addition to the immediate benefits of successful transformation, the four-step change model helps organizations develop a reliable foundation and coalition for future change efforts and needs. As organizations become more experienced in managing change, they can develop an environment of continuous improvement and adaptability (Betters-Reed et al., 2008). The changed culture enables SOEs to respond more effectively to evolving market conditions and industry trends, staying ahead of the competition, and maintaining a strong market position in addressing global challenges.

### **Implications for Research Question 2**

This four-step organizational change process has addressed RQ2 in reaching a model using the critical characteristics and steps identified in RQ 1, but also has extensive implications

for changing Chinese SOEs in the financial service industry. For example, this model has significant implications for employee engagement and satisfaction in addressing unique challenges of the SOEs, such as the iron rice bowl mentality (Berkowitz et al., 2017). By fostering open communication, collaboration, and empowerment throughout the change process, organizations can create a work environment where employees feel valued and heard. This, in turn, can lead to higher levels of employee satisfaction, increased productivity, and lower turnover rates during the change process.

In the context of changing Chinese SOEs in the financial service industry, the four-step change model can be particularly useful for addressing the unique challenges. To break the iron rice bowl mentality and “shell of complacency” (Lewin, 1947a, p. 35), these organizations must prioritize effective communication and coalition building, ensuring that employees understand the need for change and are engaged in the process. Adopting change management practices, such as establishing clear metrics and benchmarks, can help SOEs track their progress toward increased competitiveness and adaptability. Securing and institutionalizing the change in the organization’s culture is essential to ensure lasting transformation and a shift away from old practices. Since Thiel et al. (2020) pointed out that the principal-agent problem has commonly occurred between the agent of SOEs and the government owner, this change model can also help address the principal-agent problem in Chinese SOEs by promoting transparency, accountability, and alignment of interests. As organizations communicate their vision and goals effectively, engage employees in the change process, and establish clear metrics for tracking progress, they can mitigate the potential misalignment of interests between principals and agents. Moreover, in the literature, the use of clear metrics for tracking progress was advocated by Bate et al. (2000), who argued that leaders should clearly outline the order and consequence of each critical stage of

change. As the result of effective communication and established goals and metrics, change implementors can foster a more collaborative and results-oriented culture, driving long-lasting positive effects of organizational change.

In responding to RQ2, the four-step change model for Chinese SOEs presents a robust and comprehensive framework, based on critical items derived from RQ1, for implementing organizational change under global challenges. With its emphasis on communication, coalition building, change management, and securing change, this model is particularly relevant for organizations seeking to adapt and grow in today's fast-paced and competitive financial service industry. Alvesson and Sveningsson (2008) emphasized that organizations must adapt quickly to remain competitive and survive the fast-paced and constantly evolving world. By applying this model, Chinese SOEs in the financial service industry should be able to increase their chances of successful transformation, foster an organization of adaptability, and ultimately achieve a sustainable advantage in global competition.

### **Items of Critical Importance and Effectiveness**

Based on Table 13, the number of consensus items with an agreement level of 7, which stands for critical importance and effectiveness, is 39. In other words, the consensus items that are considered effective and important in changing Chinese SOEs constitute 69.64% of the total consensus items. Breaking down these 39 items with critical importance and effectiveness into four themes that were identified in the previous discussion, nine items were in the communication category, 14 items were related to building coalition and teamwork, six items were classified as change management practices, and 10 items were associated with securing and institutionalizing change.

Among these 39 with critical importance and effectiveness, as for communication and coalition building, Item 4, communicating with potential executives who may oppose the change, Item 6, depicting the benefits of the change for employees and the organization, and Item 18, hosting executive meetings to communicate the change vision at a leadership level, emphasize the importance of clear and effective communication throughout the organization to build support for the change initiative. This result is coincident with Paglis and Green's (2002) argument that leadership in change management involves building trust and influence among followers, inspiring them to take action and put in the effort to achieve change goals, and working together to overcome any obstacles that may arise during the change process. Regarding change management practices, Item 5, establishing clear goals and deadlines for the change process, Item 24, identifying the need for change and the potential benefits of implementing it, and Item 43, establishing clear metrics and benchmarks to track progress and success, highlight the significance of structured change management practices for successful organizational transformation. This practice effectively addressed Sidorko's (2008) and Dianis et al.'s (1997) criticism of Kotter's (2012) model, which is a lack of measuring the implementation level of each step and evaluating implementation level with success level. Moreover, establishing clear metrics and benchmarks aligns with Bate et al.'s (2000) suggestion that indicated leaders should clearly outline the order and consequence of each critical stage of change.

Regarding employee engagement and empowerment, Item 17, providing opportunities for coalition members to share their experiences and learn from one another, Item 39, management by walking around to listen to the voices of frontline employees and middle managers, and Item 44, encouraging transparency and accountability in the removal of barriers, underline the role of engaging and empowering employees throughout the change process. In this regard, these items

agreed with Tzafrir et al.'s (2004) and Kotter's (2012) arguments that suggested increasing trust, breaking down barriers between management and employees, and providing necessary training are practical methods for empowerment.

For securing and institutionalizing change, Item 65, adjusting the rewarding and punishing rules and regulations to match the changed organizational environment, Item 66, leading by example and modeling the behavior in the new organizational culture, and Item 68, adapting the talent selection and recruitment standard to the changed organization, emphasize the importance of solidifying the changes through transformational leadership to ensure lasting transformation. In other words, these practices of reinforcing change with transformational leadership derived from Huang and Snell's (2003) case study of changing a Chinese SOE in heavy industry are considered important and effective in changing Chinese SOEs in the financial service industry.

These high-importance and critical-effectiveness items function as key building blocks for the four-step change model, providing guidance and direction for Chinese SOEs undergoing change. For example, by using Item 4, communicating with potential executives who may oppose the change, organization leaders can identify potential resistance early in the process and address it proactively. This helps build a strong coalition and creates a more supportive environment for change, which is in alignment with the philosophy of Lewin's (1947a) change model that emphasizes "modifying existing systems in support of the change" (Stouten et al., 2018, p. 753). Similarly, by utilizing Item 5, establishing clear goals and deadlines for the change process, change implementors can ensure that all stakeholders have a shared understanding of the objectives and expectations, promoting alignment and collaboration across the organization.

Moreover, by applying Item 17, providing opportunities for employees to share their experiences and learn from one another, leaders can foster a sense of ownership and involvement in the change process, increasing the likelihood of successful outcomes. The increased sense of ownership and involvement could not only address the principal-agent problem that occurred in Chinese SOEs (Eisenhardt, 1989; Thiel et al., 2020), but also assist leaders in effectively implementing change (Hussain et al., 2018). Lastly, by adopting Item 65, anchoring the change in the organization's culture through transactional leadership, such as adjusting the rewarding and punishing rules and regulations, leaders can create lasting transformation and a shift away from outdated practices, ensuring that the positive effects of the change initiative endure over time. From this standpoint, this result is in alignment with Vera and Crossan's (2004) findings, which highlighted the value of transactional leadership in the organizational learning process.

### **Items of Notable Effectiveness**

Based on Table 13, there are 14 notable consensus items with an agreement level of 6. Therefore, these 14 consensus items that are considered effective in changing Chinese SOEs constitute 25% of the total consensus items. Breaking down these 14 items with notable effectiveness into four themes that were identified in the previous discussion, five items were in the communication category, three items were classified as change management practices, and six items were associated with securing and institutionalizing change.

Among these 14 items with notable effectiveness regarding communication and coalition building, Item 30, identifying and involving key stakeholders in the communication process, Item 31, using a variety of channels and methods for communication, and Item 32, encouraging open dialogue and feedback from employees and stakeholders, emphasize the importance of transparent and inclusive communication to foster support for change initiatives. Regarding

change management practices, Item 55, identifying specific, achievable goals for more change, Item 58, engaging in ongoing learning and development programs to support the consolidation and pursuit of further change, and Item 60, establishing clear metrics and benchmarks for future change, highlight the need for continuous improvement and refinement of change management practices to achieve sustainable transformation. These items with notable effectiveness are consistent with the seventh step of Kotter's (2012) change model, which suggested consolidating the attained change in order to generate more and bigger change.

As for employee engagement and empowerment, Item 45, empowering employees and managers to take actions independently and voluntarily to implement the proposed change, Item 46, reducing micro-management to unfreeze and unchain employees, and Item 47, hosting open-door discussions and establishing channels for mutual communications, underline the importance of engaging and empowering employees to drive change and innovation within the organization. From this perspective, the increased organizational innovation from empowerment and effective communication will provide Chinese SOEs the competitive advantages in addressing global challenges in the financial service industry. For securing and institutionalizing change through leadership, Item 70, gradually implementing the change based on the established plans and regulations, and Item 71, implementing training programs for senior executives and promoting those who excel in learning, emphasize the necessity of integrating change efforts into the organization's culture and values over time, ensuring lasting transformation. From this standpoint, these items that advocate change and sustain change through culture and value are in line with Trompenaars and Woolliams's (2002) approach to change across cultures and Cameron and Quinn's (2011) practice of change by value.

These items function as essential components of the four-step change model, providing additional guidance for organizations undergoing change. By addressing these aspects, leaders can more effectively manage change initiatives and create an environment that supports growth and adaptability. For instance, by utilizing Item 32, encouraging open dialogue and feedback from employees and stakeholders, leaders can create a two-way communication channel that allows for the identification of potential issues and opportunities for improvement, ensuring that the change initiative remains responsive and adaptive to evolving circumstances. Moreover, by applying Item 45, empowering employees and managers to take action independently and voluntarily, change implementors can foster a sense of ownership and investment in the change process, increasing the likelihood of successful outcomes and long-term commitment to the transformation. Empowerment could be seen as a practice of transformation leadership and served as one of the most critical determinants of change from followers (Durand & Calori, 2006).

Additionally, by practicing Item 58, engaging in ongoing learning and development programs to support the consolidation and pursuit of further change, leaders can ensure that their organization continually evolves and adapts to new challenges and opportunities, promoting an atmosphere of continuous improvement and resilience. Finally, by adopting Item 70, gradually implementing the change based on established plans and regulations, and Item 71, promoting senior executives who excel in learning, organizations can secure the change within the organization's culture, reinforcing the new values and behaviors that support the transformed organization. In this regard, these items are consistent with Egan et al.'s (2004) finding, which suggested using organizational learning as a positive intervention to improve employees' job satisfaction and performance while containing their turnover intention.



### **Items With Limited Effectiveness**

Based on Table 13, there are three items with an agreement level of 5, which are considered items with limited effectiveness. These three consensus items with limited effectiveness in changing Chinese SOEs constitute 5.36% of the total consensus items. Breaking down these three items with limited effectiveness into four themes that were identified in the previous discussion, two items were in the communication category, and the remaining one item was classified as the change management practice. Among these three items with limited effectiveness, Item 2, sharing examples of the potential consequences of inaction, may generate a certain level of urgency within the organization, as suggested by the first step of Kotter's (2012) model, but it may also lead to unwanted resistance or negative emotions, such as panic and anxiety, if inappropriately implemented. Therefore, categorizing this item into items with limited effectiveness is credible. In addition, Item 7, warning employees of potential dismissal, implies a similar theme to Item 2, which could result in anxiety and confusion rather than needed urgency for change.

The last item, Item 48, encouraging risk-taking and nontraditional ideas, activities, and actions, could also be seen as a risky attempt at change management. Although encouraging risk-taking and nontraditional ideas, activities, and actions can lead to innovation and growth, several potential adverse effects, such as loss of focus and increasing uncertainty, could limit its effectiveness. For example, these encouraging risk-taking and nontraditional ideas autonomously taken by employees may go off track with the direction of the planned change and lead to unwanted uncertainty and complexity in the organizational change processes. In other words, the potential risk of uncertainty and complexity limits the effectiveness of this item.

### **Nonconsensus Items**

Based on Table 10, there are 17 items that have not reached the final consensus after three rounds of the Delphi study. These 17 nonconsensus items constitute 23.29% of the total items developed. It is noteworthy that there are at least four items, Item 4, Item 19, Item 29, and Item 42, associated with layoff and downsizing and constitute 23.53% of total nonconsensus items. In the literature on organizational change, Hammer and Champy's (2009) change model suggested using layoffs to reengineer an organization's internal processes to achieve organizational change could be seen as the theoretical basis for these nonconsensus items. However, Hammer and Champy's (2009) change model has also been prolongedly criticized as a risky attempt to advocate organizational change through layoff and downsizing. Therefore, the result of nonconsensus reflected that the change practices based on layoffs and coercive leadership remained controversial and debatable.

In addition to the four items above, nonconsensus items that advocate the use of coercive leadership also include Item 40, identifying and silencing these internal opponents to communicate the vision to the majority effectively, Item 54, visibly disciplining and punishing people who failed to reach the predetermined benchmarks, and Item 69, adopting coercive leadership during the change process. These seven nonconsensus items that suggest changing through layoffs and coercive leadership constitute a considerable portion, 41.18%, of the total nonconsensus items. This result further validates the previous speculation that the adoption of layoffs and coercive leadership in the organizational change process is controversial and debatable. Moreover, such lack of consensus in adopting coercive leadership led to Kanter et al.'s (1992) argument of adopting directive approaches in a situation of crisis to address high

RTC, and Kim and Mauborgne's (2003) suggestion of intentionally identifying and silencing the internal opponents of change being questionable.

The other theme that emerged from the five nonconsensus items is seeking consensus of change from broad representation and discussion across the organizational hierarchies. These five nonconsensus items include Item 8, Item 9, Item 16, Item 20, and Item 63. A probable clue in interpreting the rationale of such nonconsensus is that seeking broad representation and consensus within the whole organization is a time-consuming process. The prolonged time spent on seeking broad representation and consensus from the whole organization will slow down the overall change process and undermine the efficiency of change. In order to complete the organizational change for addressing imminent global challenges, Chinese SOEs in the financial service industry demand speed and efficiency rather than representation and consensus.

In addition to these two themes that emerged, the remaining four nonconsensus items could be seen as trivial and fragmented. These four nonconsensus and trivial items are Item 3, highlighting opportunities that could be missed if change is not implemented, Item 49, hosting events to celebrate successes and milestones along the way, Item 64, implementing cultural learning programs, and Item 73, providing decent severance packages and outplacement service for the laid-off employees. Among these four fragmented and nonconsensus items, it is noteworthy that Item 64, implementing cultural learning programs, was derived from the eighth step of Kotter's (2012) change model. A probable clue in interpreting the rationale of this nonconsensus item is that the panel was doubtful about whether a new organizational culture for anchoring the change could be cultivated through learning.

### **Implications of the Study**

The formation and application of the four-step organizational change model that derives from the consensus items was thoroughly examined through the previous discussion. However, the profound implications of the themes merged from the nonconsensus items, which are also developed from scholarly literature and comprehensive case studies, are worth further review. For example, the coercive measures of organizational change, such as Item 19, seeking empowerment from supervisory authorities to replace the entire top management team with advocates of change (Huang & Snell, 2003), or Item 42, transferring the employees who failed to act to the subcompanies (Hassard et al., 2010), had been empirically proved to be effective and successful in changing Chinese SOEs and achieved the turnarounds in desperate situations. However, neither of these items that derived from recommendations of the existing literature has reached a final consensus from the panel.

One of the implications of this paradoxical phenomenon could be interpreted as the global challenges for Chinese SOEs in the financial service industry are imminent, but the situation is not desperate. Although the coercive measures suggested by literature and case studies successfully achieved organizational change in the desperate situations, these extreme practices may not work well for the Chinese SOEs in the financial service industry in addressing global challenges under a low urgency level, as pointed out by Kotter's (2012) first step of change. If the coercive measure, Item 19, laying off the entire top management team with advocates of change, was planned to be imposed by leaders of the SOEs (Huang & Snell, 2003), the empowerment for conducting such extreme practice might not be granted by supervisory authorities without reaching a considerable urgency level. Additionally, even if such coercive practice were approved and enforced, the massive layoffs of the management team would result in the organization suffering a high talent outflow and brain drain. From this standpoint, the

severe side effects caused by extreme coercive measures could significantly offset the positive yield generated by change. Leveraging the benefits and costs is essential for leaders in implementing organizational change.

On the other hand, to avoid the side effects of extreme change measures, the fourth step of this change model calls on the leaders of the SOEs to abandon bureaucratic leadership and embrace transformational and transactional leadership in securing the change and ensuring long-term successes in global competitions. Therefore, the other implication of this study is that leadership theories and practices should be further integrated and embedded into the practical steps of organizational change models. This integration not only addresses the potential side effects of extreme change measures, but also maximizes the positive impact of the change by leveraging the strengths of both leadership styles. In this regard, this study suggests adopting a combination of transformational and transactional leadership can lead to more effective change management, improved employee engagement, and sustained success in the ever-changing global business landscape.

### **Limitation of the Model**

Despite its merit and effectiveness, this four-step change model should be considered as a limited and linear model for limited circumstances. First and foremost, as discussed in Chapter 2, the advocates (Abbott, 2001; Anderson, 1999; R. Lewis, 1994; A. D. Meyer et al., 2005; Stacey et al., 2000) of organizational complexity theories argued that the environment and organization within form a complex, dynamic, nonlinear system that “the outcomes of their actions are unpredictable” (Burnes, 2005, p. 75). These opponents of the equilibrium theories argued that researchers should organize “far from equilibrium” (A. D. Meyer et al., 2005, p. 456) and embrace nonlinear change models in the organizational field. Since this four-step change model

was derived from the organizational equilibrium theory and Lewin's (1947a) linear change processes, it is subject to the criticism of complexity theories. However, while simplicity and straightforwardness were considered strengths of Lewin's (1947a) three-phase change model along with other embedded models of human and organizational change (Elrod & Tippett, 2002), this linear and straightforward four-step change model could help leaders of the SOEs plan and implement the change in a more approachable manner.

Second, this change model was constructed on the critical items developed from the Delphi method. As with all other research methodologies, the Delphi method is not a perfect method and comes with certain weaknesses and limitations. For example, Ecken et al. (2011) pointed out, "If experts in a Delphi study share a pronounced common desirability for an event, final Delphi results can be distorted" (p. 1667). Such desirability bias in the Delphi process increases the complexity of accurately interpreting results and reduces the quality of decisions. Therefore, one of the key assumptions of this study is that the Delphi panel did not share any pronounced common desirability that might bias or distort the result.

Last, as previously emphasized, this four-step change model is designed for Chinese SOEs in the context of addressing global challenges. The global challenges for Chinese SOEs are imminent, but the overall situations are still manageable and not desperate. Therefore, this model may not work well under urgent organizational change circumstances. For organizations in crises or with impaired structural integrity and internal governance, extreme change measures with severe side effects, such as laying off the entire top management team (Huang & Snell, 2003), should be applied in the context of life-and-death organizational change. It is advisable to examine carefully the circumstances and contexts of the organization prior to determining the best organizational change model.

## **Recommendations for Future Research**

Although these coercive items may cause more side effects than positive feedback and failed to reach the final consensus in this study, their importance and effectiveness are worthy of being further examined and appraised in future organizational change research, especially in circumstances of organizational crisis (Kahn et al., 2013). The initial instrument in future research could consist of the nonconsensus items that related to coercive leadership and transactional leadership, such as Item 1, launching a wave of strategic layoffs, and Item 19, seeking empowerment from supervisory authorities to replace the entire top management team with advocates of change. Compared to this study, future research on organizational change study could be structured in the context of achieving organizational change under urgent situations with time pressure. It is presumed that, under changed context and setting, the critical items related to coercive leadership would reach a consensus since the immediate effectiveness of coercive leadership items would prevail over their severe side effects in the context of life-and-death organizational change.

## **Author's Observations**

Compared to a number of established organizational change models and theories developed by Western scholars, organizational change studies in China are relatively primitive and remain in the initial stage. The literature review also revealed that Chinese leaders and managers relied heavily on their personal experience or case studies to guide organizational change processes rather than “base practices on the best available evidence” (Rousseau, 2006, p. 256). However, while personal experience could not avoid biases and case studies could not develop a generalizable plan of action, the practitioners of organizational change in China faced the awkward fact of the absence of a widely applicable change model designed for Chinese

organizations. Moreover, this study also found that practices of changing Chinese SOEs suggested by case studies could bring more detrimental side effects than positive outcomes.

From this perspective, the four-step change model developed from this study could be considered the first formal organizational change model derived from scientific validation designed for changing Chinese SOEs. Hopefully, the change model and the best available practices concluded from this study would contribute to filling the research-practice gap between academic research and managerial practice and serve as a reference guide for organizational change practitioners. The underlying pursuit of this model is to complete the demanding task of changing Chinese SOEs by overcoming unique resistances while minimizing the use of detrimental practices which may lead to severe side effects. The author suggested avoiding extreme change measures with detrimental effects while possible and believed that the changed organizations should be structurally intact and internally energetic to meet the incoming global challenges.

## **Conclusion**

Based on the data collection and analysis through three rounds of the Delphi study, the merged themes from the critical characteristics and steps identified in RQ1 (see Table 13) constituted a new four-step organizational change model (see Figure 2) for Chinese SOEs in addressing global challenges. Compared to other organizational change models, this model highlights using effective communication to guide and coordinate the whole change process and establishing reliable change coalitions to address unique and persistent RTC, such as the iron rice bowl mentality (Berkowitz et al., 2017), in Chinese SOEs. Moreover, this model suggests implementing change through clear metrics and goals to track and quantify the progress of planned change. The visible data based on clear metrics and benchmarks could not only ensure



transparency of the change processes, but also provide reliable feedback and guidance for leaders and coalitions to adjust the change implementation stage accordingly. Besides, these clear metrics and goals assist employees in aligning their behaviors to the change. The positive feedback from the improved metrics could boost morale, increase confidence, and in turn, inspire the organization for bigger changes. Furthermore, this change model advocates securing change through leadership to ensure the changed behaviors are safe from regression (Buchanan et al., 2005). The long-term effects of transformational leadership practices, such as leading by example, ensure the long-term success and effectiveness of acquired change (Holten & Brenner, 2015), while transactional leadership measures, such as adjusting rules of reward and punishment, ensure the change is institutionalized within the changed organization.

Compared to Kotter's (2012) eight-step change model, this refined and concise four-step model addressed Sidorko's (2008) and Penrod and Harbor's (1998) concerns about the challenges of incorporating all of Kotter's eight steps in a single project. Moreover, the shortened and condensed four-step model will contribute to closing the research-practice gap in responding to Rousseau's (2006) and Walshe and Rundall's (2001) appeals and assisting managers and practitioners in understanding complex change processes and making managerial decisions. Additionally, since the critical items that constitute this change model were developed from scholarly literature and have been validated through the Delphi method, this model bypasses the drawbacks of Kotter's (2012) model, which was criticized for the lack of scientific consensus or validation (Appelbaum et al., 2012). Furthermore, by tailoring the steps for Chinese SOEs, this model addresses Burnes's (1996) concern that Kotter (2012) is fundamentally a prescriptive approach that may not work well under different cultural or organizational settings.

Although the global challenges for Chinese SOEs in the financial service industry are imminent, the situation is not desperate. By applying this four-step organizational change model, leaders of the SOEs could avoid the use of extreme measures of change suggested by case studies, such as laying off the entire top management team (Huang & Snell, 2003), and achieve the planned organizational change smoothly and efficiently. With effective communication, reliable coalition, and strong leadership established during the change process, the changed SOEs should be able to keep pace with the fast-changing world, turn challenges into opportunities, and thrive in global competitions.

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## APPENDIX A

## IRB Approval Notice

Pepperdine University  
24255 Pacific Coast Highway  
Malibu, CA 90263  
TEL: 310-506-4000

**NOTICE OF APPROVAL FOR HUMAN RESEARCH**

Date: February 28, 2023

Protocol Investigator Name: Chenyang Feng

Protocol #: 22-11-2033

Project Title: Explore the Best Organizational Change Model for Chinese State-Owned Enterprises in the Financial Service Industry to Address Global Challenges

School: Graduate School of Education and Psychology

Dear Chenyang Feng:

Thank you for submitting your application for exempt review to Pepperdine University's Institutional Review Board (IRB). We appreciate the work you have done on your proposal. The IRB has reviewed your submitted IRB application and all ancillary materials. Upon review, the IRB has determined that the above entitled project meets the requirements for exemption under the federal regulations 45 CFR 46.101 that govern the protections of human subjects.

Your research must be conducted according to the proposal that was submitted to the IRB. If changes to the approved protocol occur, a revised protocol must be reviewed and approved by the IRB before implementation. For any proposed changes in your research protocol, please submit an amendment to the IRB. Since your study falls under exemption, there is no requirement for continuing IRB review of your project. Please be aware that changes to your protocol may prevent the research from qualifying for exemption from 45 CFR 46.101 and require submission of a new IRB application or other materials to the IRB.

A goal of the IRB is to prevent negative occurrences during any research study. However, despite the best intent, unforeseen circumstances or events may arise during the research. If an unexpected situation or adverse event happens during your investigation, please notify the IRB as soon as possible. We will ask for a complete written explanation of the event and your written response. Other actions also may be required depending on the nature of the event. Details regarding the timeframe in which adverse events must be reported to the IRB and documenting the adverse event can be found in the *Pepperdine University Protection of Human Participants in Research: Policies and Procedures Manual* at [community.pepperdine.edu/irb](http://community.pepperdine.edu/irb).

Please refer to the protocol number denoted above in all communication or correspondence related to your application and this approval. Should you have additional questions or require clarification of the contents of this letter, please contact the IRB Office. On behalf of the IRB, I wish you success in this scholarly pursuit.

Sincerely,

Judy Ho, Ph.D., IRB Chair

cc: Mrs. Katy Carr, Assistant Provost for Research



## APPENDIX B

Informed Consent for Participation in Research Activities

**PEPPERDINE UNIVERSITY***Graduate School of Education and Psychology***INFORMED CONSENT FOR PARTICIPATION IN RESEARCH ACTIVITIES****IRB #:** 22-11-2033**Formal Study Title:** Explore the Best Organizational Change Model for Chinese State-Owned Enterprises in Addressing Global Challenges**Authorized Study Personnel:**

Principal Investigator: Chenyang Feng,  
100259301,  
chenyang.feng@pepperdine.edu.

**Key Information:****If you agree to participate in this study, the project will involve:**

- (Males and Females) between the ages of (18-90)
- Procedures will include (Contacting participants using the recruitment script, informed consent, data collection via questionnaire, analysis of data, documentation of findings)
- The completion of the questionnaire 3 times.
- The total time commitment of 90 minutes (30 minutes for each cycle).
- There is minimal risk associated with this study
- You will not be paid any amount of money for your participation

- You will be provided a copy of this consent form

**Invitation**

You are invited to take part in this research study. The information in this form is meant to help you decide whether or not to participate. If you have any questions, please ask.

**Why are you being asked to be in this research study?**

You are being asked to be in this study because you are a leader in the financial service industry.

You must be 30 years of age or older to participate.

**What is the reason for doing this research study?**

The purpose of this study is to determine the best organizational change model for chinese state-owned enterprises in addressing global challenges.

**What will be done during this research study?**

You will be asked to complete a questionnaire for a total of 3 cycles. Each cycle will take approximately 30 minutes to complete. You will be asked a series of questions aimed at figuring out how industry experts perceive certain behaviors. While the research will take approximately 26 to 52 weeks, your participation will only take 90 minutes over the course of several weeks.

**How will my data be used?**

Your questionnaire responses will be analyzed, and aggregated in order to determine the findings to the established research questions.

**What are the possible risks of being in this research study?**

This research presents minimal risk of loss of confidentiality, emotional and/or psychological distress because the questionnaire involves questions about your leadership practices. You may also experience fatigue, boredom, or anxiety as a result.

**What are the possible benefits to you?**

You are not expected to get any benefit from being in this study.

**What are the possible benefits to other people?**

The benefits to society may include better understanding of leadership strategies used within your industry. Other emerging leaders might also benefit from any additional recommendations that are shared through this process.

**What are the alternatives to being in this research study?**

Participation in this study is voluntary. There are no alternatives to participating, other than deciding to not participate.

**What will participating in this research study cost you?**

There is no cost to you to be in this research study.

**Will you be compensated for being in this research study?**

There will be no compensation for participating in this study.

**What should you do if you have a problem during this research study?**

Your welfare is the major concern of every member of the research team. If you have a problem as a direct result of being in this study, you should immediately contact one of the people listed at the beginning of this consent form.

**How will information about you be protected?**

Reasonable steps will be taken to protect your privacy and the confidentiality of your study data.

The data will be deidentified and stored electronically through a secure server and will only be seen by the research team during the study and until the study is complete.

The only persons who will have access to your research records are the study personnel, the Institutional Review Board (IRB), and any other person, agency, or sponsor as required by law.

The information from this study may be published in scientific journals or presented at scientific meetings but the data will be reported as group or summarized data and your identity will be kept strictly confidential.

**What are your rights as a research subject?**

You may ask any questions concerning this research and have those questions answered before agreeing to participate in or during the study.

*For study related questions, please contact the investigator(s) listed at the beginning of this form.*

For questions concerning your rights or complaints about the research contact the Institutional Review Board (IRB):

Phone: 1(310)568-2305  
Email: gpsirb@pepperdine.edu

**What will happen if you decide not to be in this research study or decide to stop participating once you start?**

You can decide not to be in this research study, or you can stop being in this research study (“withdraw”) at any time before, during, or after the research begins for any reason. Deciding not to be in this research study or deciding to withdraw will not affect your relationship with the investigator or with Pepperdine University.

You will not lose any benefits to which you are entitled.

**Documentation of informed consent**

You are voluntarily making a decision whether or not to be in this research study. Signing this form means that (1) you have read and understood this consent form, (2) you have had the consent form explained to you, (3) you have had your questions answered and (4) you have decided to be in the research study. You will be given a copy of this consent form to keep.

**Participant**

**Name:**

---

(First, Last: Please Print)

**Participant**

**Signature:**

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Signature

Date

## APPENDIX C

## Recruitment Script

Dear [Name],

My name is Chenyang Feng, and I am a doctoral student in the Graduate School of Education and Psychology at Pepperdine University. I am conducting a research study examining the best organizational change model for Chinese state-owned enterprises in addressing global challenges and you are invited to participate in the study.

If you agree, you are invited to participate by completing a survey over the course of 3 distinct cycles that will lead to a consensus on the best organizational change model. The survey is anticipated to take no more than 30 minutes for each cycle. The total time commitment for participating in this study is estimated to be 90 minutes. Participation in this study is voluntary. Your identity as a participant will remain confidential during and after the study. Confidentiality will be maintained using a series of security measures, including password protected email communication using university firewall protections, deidentification of data using pseudonyms as well as compartmentalization of the various data elements, keeping all information separate. If you have questions or would like to participate, please contact me at [chenyang.feng@pepperdine.edu](mailto:chenyang.feng@pepperdine.edu).

Thank you for your participation,

Chenyang Feng

Pepperdine University| Graduate School of Education and Psychology

Doctoral Candidate

## APPENDIX D

## Initial Instrument of the Questionnaire



Q1. In order to unfreeze Chinese state-owned enterprises (SOEs) for planned organizational change, change implementor (leader) should create a sense of urgency by

- |  |                 |                          |
|--|-----------------|--------------------------|
| 1. launching a wave of strategic layoffs.  | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 2. sharing examples of the potential consequences of inaction.                   | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 3. highlighting opportunities that could be missed if change is not implemented. | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 4. communicating with potential executives who may oppose the change.            | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 5. establishing clear goals and deadlines for the change process.                | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 6. depicting the benefits of the change for employees and the organization.      | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 7. warning employees of potential dismissal.                                     | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 8. hosting an open discussion to convey the problems with employees.             | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |







Q2. In order to unfreeze Chinese state-owned enterprises (SOEs) for planned organizational change, change implementor (leader) should build a guiding coalition by

- |  |                 |                          |
|--|-----------------|--------------------------|
| 1. building a representative coalition of supporters across the organizational hierarchies   | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 2. establishing clear roles and responsibilities for coalition members                       | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 3. providing training and development opportunities for coalition members                    | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 4. identifying and addressing potential conflicts or roadblocks within the coalition         | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 5. providing resources and support to ensure the success of the coalition.                   | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 6. leveraging the collective expertise and knowledge of coalition members                    | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 7. engaging in regular evaluation and feedback to ensure the effectiveness of the coalition. | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |
| 8. identifying and involving senior leadership and decision-makers in the coalition          | ★ ★ ★ ★ ★ ★ ★ ★ | <input type="checkbox"/> |














9. providing opportunities for coalition members to share their experiences and learn from one another. ★★★★★★
10. hosting executive meetings to communicate the change vision at a leadership level. ★★★★★★
11. seeking empowerment from supervisory authorities to replace the entire top management team with advocates of change. ★★★★★★
12. training a team of followers across departments as pioneers and volunteers to convey the change. ★★★★★★
13. picking influential representatives (key people) from different levels and departments. ★★★★★★
14. establishing an emotional commitment within the coalition by building consensus and exchanging ideas. ★★★★★★
15. developing a common goal within the coalition. ★★★★★★

Q3. In order to change Chinese state-owned enterprises (SOEs), change implementor (leader) should develop a vision of change by

1. identifying the need for change and the potential benefits of implementing it 
2. aligning the vision and strategy with the organization's mission and values 
3. providing employees with a clear, concise, and compelling vision. 
4. inviting employee representatives across departments to participate in drafting the vision statement. 
5. ensure the goal and vision is practical and down-to-earth. 
6. seeking empowerment from supervisory authorities for additional power to lay off employees and executives. 

Q4. In order to change Chinese state-owned enterprises (SOEs), change implementor (leader) should communicate the change vision by







1. identifying and involving key stakeholders in the communication process. 
2. using a variety of channels and methods for communication, such as meetings, newsletters, and social media. 
3. encouraging open dialogue and feedback from employees and stakeholders. 
4. highlighting the potential benefits and opportunities of the change for employees and the organization. 
5. addressing potential concerns and questions about the change. 
6. leveraging data and evidence to support the need for change. 
7. providing opportunities for collaboration and co-creation in the communication of the change vision. 
8. requesting leader and the task force all embody and act with the change vision. 

9. clearly outlining the specific, actionable steps for each critical stage of change. 
10. management by walking around to listen to the voices of frontline employees and middle managers. 
11. identifying and silencing these internal opponents to communicate the vision to the majority effectively. 








Q5. In order to change Chinese state-owned enterprises (SOEs), change implementor (leader) should enable action by removing barriers by

- |  |          |                          |
|--|----------|--------------------------|
| 1. Identifying and removing potential obstacles and barriers to the change effort                                    | ☆☆☆☆☆☆☆☆ | <input type="checkbox"/> |
| 2. Transferring the employees who failed to act to the sub-companies.  | ☆☆☆☆☆☆☆☆ | <input type="checkbox"/> |
| 3. Establishing clear metrics and benchmarks to track progress and success.  | ☆☆☆☆☆☆☆☆ | <input type="checkbox"/> |
| 4. Encouraging transparency and accountability in the removal of barriers  | ☆☆☆☆☆☆☆☆ | <input type="checkbox"/> |
| 5. empowering employees and managers to take actions independently and voluntarily to implement the proposed change. | ☆☆☆☆☆☆☆☆ | <input type="checkbox"/> |
| 6. reducing micro-management to unfreeze and unchain employees.  | ☆☆☆☆☆☆☆☆ | <input type="checkbox"/> |
| 7. hosting open-door discussions and establishing channels for mutual communications.                                | ☆☆☆☆☆☆☆☆ | <input type="checkbox"/> |
| 8. encouraging risk taking and nontraditional ideas, activities, and actions.  | ☆☆☆☆☆☆☆☆ | <input type="checkbox"/> |

Q6. In order to change Chinese state-owned enterprises (SOEs), change implementor (leader) should generate short-term wins by

1. hosting events to celebrate successes and milestones along the way. 
2. Providing resources and support to ensure the success of the change effort. 
3. highlighting the potential benefits and opportunities of achieving short-term wins for employees and the organization 
4. propagated tangible achievements, such as improved financial reports, increased market shares, positive feedback from satisfied customers. 
5. visibly recognizing and rewarding people who made the wins possible. 
6. visibly disciplining and punishing people who failed to reach the predetermined benchmarks. 

Q7. In order to change Chinese state-owned enterprises (SOEs), change implementor (leader) should consolidate gains and producing more change by

1. identifying specific, achievable goals for more change. 
2. leading by example and complying with the rule of rewards and punishment. 
3. identifying and involving senior leadership and decision-makers in the consolidation of gains and pursuit of further change. 
4. engaging in ongoing learning and development programs to support the consolidation and pursuit of further change. 
5. engaging in regular outreach and communication with employees and stakeholders. 
6. establishing clear metrics and benchmarks for future change. 
7. highlighting the potential benefits and opportunities of further change for employees and the organization. 

Q8. In order to refreeze the changed Chinese state-owned enterprises (SOEs), change implementor (leader) should anchoring new approaches in the culture by

1. recognizing and rewarding employees who excelled in the changed organization.
 

☆☆☆☆☆☆
2. hosting open discussions to address employee's concerns and questions about the anchoring of new approaches.
 

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3. implementing cultural learning programs.
 

☆☆☆☆☆☆
4. adjusting the rewarding and punishing rules and regulations to match the changed organizational culture.
 

☆☆☆☆☆☆
5. lead by example and model the behavior in the new organizational culture.
 

☆☆☆☆☆☆
6. transferring employees and managers who cannot accommodate to the new culture to the new position or sub-companies.
 

☆☆☆☆☆☆



Q9: (Optional) What other approaches or practices do you consider effective in changing the Chinese SOEs?