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Article

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Survival and Breakthrough: A Case Study of Evolutionary Change in a State-Owned Enterprise

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This study examines the processes undertaken by a state-owned enterprise to overcome limitations and successfully reverse its decline through moderate, gradual and small-scale evolutionary change. This paper utilizes the "social process research model" to analyze and record organizational changes at Jiangnan Resort, and further observes strategic countermeasures employed to address crises and successful management of organizational change. Results from our study suggest that organizational evolutionary change strategies should include institutionalization strategies, development of marketing channels, festival event marketing, placement marketing, product packaging strategies, niche market segmentation, service quality enhancement, and manpower flexibility strategies. Key factors in change management include Total Quality Management (TQM), Management by Objective (MBO), organizational members understanding of urgency and need of change, gaining support through education and communication, employee empowerment and participation, and institutionalizing change. The resulting information can serve as a reference for future qualitative research and development of strategic concepts for organizations planning to adopt evolutionary change into their companies.

Keywords: State-owned Enterprises, organizational change and development, evolutionary change, change management, Evolutionary change strategies

JEL: L16, L32

In this study, we focused on a state-owned resort with a history of over 10 years, and examined its successful strategy of implementing evolutionary change to address and curb the decline of visitors during two major crises events. We found that the changes instituted by the resort, in contrast to conventional organizational restructuring methods such as lay-offs and other drastic measures, offer outstanding results,

despite the changes taking relatively longer to take effect, being more moderate and having a smaller-scale.

The first crisis, resulting from a declining product life cycle, led to the management team implementing two major strategies in 2008, and successfully ebbing the flow of visitors from the resort, which was posting a successive 5-year decline (2004–2008) in visitors, with an average decline rate of –16 percent over the next 3 years (2009–2011), the successful strategies went into

full gear, and resulted in an average growth rate of 18 percent. However, in 2012, the resort suffered another setback when its greatest asset, a splendid vista over the lake, disappeared due to drought. This caused a second operational crisis, and spurred the management team to adopt a new wave of strategic organizational changes in 2013. In 2014, the resort regained a visitor growth rate of 75 percent (see Table 1). The successful transformation of this enterprise over two major crises deserves further study and attention.

The primary motive and importance of this paper is as thus: Firstly, Pan and Yu (2000) conducted a study on the state of organizational change in state-owned enterprises from multiple countries around the world. Results indicate that organizational change is exceptionally difficult, with many of the companies in various countries gaining only limited results after investing huge resources and time. Therefore, examples of

successful organizational changes in state-owned enterprises should attract further academic research. Secondly, past literature regarding evolutionary change (Smeds, Haho and Alvesalo, 2003; Hackney, Burn and Salazar, 2004; Andrew *et al.*, 2007; Peter and Roberto, 2009) focus on pertinent topics of evolutionary change in private-sector industries, while very little has been noted regarding evolutionary change management of state-owned enterprises, with its own unique operational regulations. Finally, the value of the evolutionary change management experiences involved in this case study is the unique position of the resort being both a state-owned enterprise, with governmental regulatory limitations, and the complexity of the tourism industry it is involved in, limiting its operational flexibility in a very competitive market. After experiencing multiple crises, how the subject was able to effectively employ evolutionary change management to successfully

First Crisis				Second Crisis			
Year	Number of Visitors	Growth Rate	Industry Growth Rate	Year	Number of Visitors	Growth Rate	Industry Growth Rate
2004	291,766	--	--	2012	223,030	-3%	-0.3%
2005	241,627	-17%	-10%	2013	206,331	-7%	3%
2006	172,387	-29%	6%	2014	360,120	75%	8%
2007	167,971	-3%	-17%				
2008	142,778	-15%	-3%				
2009	149,690	5%	7%				
2010	210,729	41%	16%				
2011	228,832	9%	-1%				

Source: Executive Information System, Tourism Bureau, M.O.T.C, Republic of China

Table 1: Number of Visitors to Jiangnan Resort by Year¹

¹ Overall industry growth rate = (Total number of visitors industry-wide in previous year - Total number of visitors industry-wide this year) / percentage of overall visitors industry-wide

reverse its decline deserves further study, with implications in management strategy and

organizational change management.

Robey and Newman (1996) suggested employing the Social Process Research Model (SPRM) to conduct research in organizational change. Different levels of relevance are consecutively described according to time of occurrence, in order to better understand and link the incidents to their resulting influence on organizational change, decisions, and culture. Consequentially, this study employed the above method to explore the topic, with the aim of accomplishing:

1. Under a scenario of evolutionary change for an organization, how the subject utilize available strategies to achieve organizational targets.
2. Under a scenario of evolutionary change, an examination of the management implications of organizational change under various strategies. The resulting information can serve as a reference for future qualitative research and strategic concepts for organizations planning to adopt evolutionary change into their companies.

LITERATURE REVIEW

Organizational Change

Faced with an increasingly competitive market, changing socio-economic environments, and increasing variance in consumer needs, organizations often have to implement varying strategies to cope with the new environment. A continuous decline in operation performance is a major sign of organizational crisis. In order to address this crisis, organizations often devise major strategic changes, which lead to

organizational change (Yang, Zhuo and Yu, 2009). However, success in organizational change is not known to be easy; results from a global survey of companies that have attempted to institute organizational change show that only 38 percent of respondents believe that organizational change has resulted in desired achieved performance targets. Furthermore, only 30 percent of respondents believe that organizational change has achieved long-term organizational health targets (Isern and Pung, 2007). Previous studies also suggest that organizational change can also increase the chances of organizational death (Jitendra, Robert and David, 1986). Evidence suggesting such a high incidence of failure, a study of successful organizational change has become a focal point of interest for researchers.

Evolutionary Change

Depending on the scale and pace, organizational change can be categorized into evolutionary change and revolutionary change. The former being a gradual and step by step process that is relatively narrow in scope, while the latter is rapid, drastic, and wide-ranging in scope. Organizations choose to implement either of the two changes based on resources, characteristics and varying targets (Miller, 1982).

With regards to pertinent literature regarding evolutionary change, Smeds *et al.* (2003) proposed theoretical principles of evolutionary change management, and further developed a simulation game based business process development method built upon these principles to examine and verify evolutionary changes at a telecommunications and a pharmaceutical firm in

Finland. Hackney *et al.* (2004) developed and advanced a value-creating strategic framework encompassing critical elements such as e-market ecosystems, e-alliances, e-knowledge and e-systems for further strategic analysis for management of evolutionary change. Andrew *et al.* (2007) examined future opportunities of the sugar industry in South Africa and Australia through the value-chain research, concluding that value chain opportunities require more than just a technical solution; collective participation is needed from across the chain, and usually evolutionary change management. Peter and Roberto (2009) studied evolutionary change management in the civil engineering industry, and examined the influence of selection factors on evolutionary change methods. The above literature studied several pertinent topics of evolutionary change in private-sector industries. However, past research of evolutionary change management of state-owned enterprises, characterized by its unique operational regulations, is relatively rare. Past empirical research focusing on evolutionary change in state-owned tourist and recreational enterprises has proven to be even harder to find.

Organizational Change in State-owned Enterprises

Pan and Yu (2000) previously conducted studies on the state of organizational change in state-owned enterprises from Great Britain, The U.S., Japan, Malaysia, Singapore, and Mexico, with the results indicating the view that organizational change is exceptionally difficult, with many of the companies in various countries gaining only limited results after investing huge resources and time. Therefore, examples of successful

organizational changes in state-owned enterprises should attract further academic study.

In Taiwan, the majority of state-enterprises post lackluster performance results due to their inability to cope with shifts in the overall economic environment and evolving market competition. As a result, instituting effective organizational change strategies to enhance performance at these state-enterprises has become a focal issue. Just as private-sector companies face obstacles in implementing organizational change, so do state-enterprises. Examples include external interferences, such as political (political risks and policies), economic (non-market risk), and social (subjective consumer behavior) factors. Especially, different conflicts of interest between relevant parties (political groups, labor groups and unions, consumer organizations) imbue an extra level of uncertainty, complexity and risk (Guo, 2006). Internally, obstacles may come from deeply ingrained corporate values and behaviors that are hard to change. Examples of this include: ageing manpower structure, labor unions resistant to change, and cognitive differences in understanding between first-line employees and the management level (Zen and Gee, 2002).

However, one key difference between state enterprises and private sector organizations lies in the fact that organization changes of state enterprises are heavily influenced by the supervision of government bodies, inspection by legislative bodies and other external factors. One major issue is the necessity for clearly defined regulations before the organizational change can take effect, for example, changes in laws

regulating organization structure, human resources, product variety, pricing and performance reviews all need to endure the long and arduous legislative process. Therefore, implementing organizational change in state enterprises is more difficult than that of private companies (Chih, 2009).

Consequently, most state enterprises in Taiwan are only able to implement incremental, evolutionary, limited-scope evolutionary changes due to factors such as the high risks, complexity, resistance from employees, supervision and inspection from government bodies, and slow legislative process involved. Successful examples of evolutionary change in state-owned enterprises are therefore rare, and deserve more academic study.

METHODOLOGY

Case Introduction

Taiwan Sugar Corporation (TSC) is the parent company of the case study subject Jianshanpi Jiangnan Resort. Since TSC's inception in 1945, it has been a state-owned sugar refinery, and once was a major exporter and main foreign exchange earner. During its heyday, it contributed to over 74 percent of Taiwan's overall foreign income.

However, since 1964, as a result of major shifts in Taiwan's economic system and outside competition, it bore increasing costs in sugar production, and profits could no longer match costs. Sugar production no longer remained profitable, and 41 out of 43 sugar refineries around Taiwan were shut off and ceased production. Large numbers of civil servants could

not be arbitrarily laid off, so on taking account of the large tracts of land it still owns, Taiwan Sugar Corporation decided to build resorts near beautiful locales it owns. After retraining staff members in recreational and leisure management, they were reassigned to new posts in these resorts.

Organizational structures of the parent company (Taiwan Sugar Corporation) no longer suited the realistic needs of the subsidiary resorts, which needed a rapid response to address a fast-changing competitive environment. Therefore, professional teams were commissioned to conduct research on implementing organizational change and procedures to address much needed reforms. The conclusion was a consecutive, steady pace of organizational transformation (R.O.C. Ministry of Economic Affairs, 1999), with attention paid to minimizing organizational shock.

Jianshanpi Jiangnan Resort is located in Liuyin District, Tainan City, Taiwan. The vast property covers an area of more than 100 hectares, including over 76 ha of reservoir water and more than 20 ha of recreational zones. The reservoir, built in 1938, was originally constructed specifically to provide water for Xinyin Sugar Refinery. Throughout its 76 year history, the reservoir has been known for the tranquil beauty of waters surrounded by a backdrop of mountains and forests, hence its nickname "Jianshan Mists". It was once named the foremost beauty of the Eight Scenic Wonders of Nanying (Tainan).

In 2000, in line with Taiwan Sugar Corporation's overall business diversification plan, Jianshan Reservoir was remodeled into a

tourist recreational area. Overall planning and design of the resort was awarded to renowned architect Lee, C.Y. (the architect of Taipei' s iconic Taipei 101 Tower). Hundreds of millions of dollars (NTD) were allocated to create the renowned recreational area that it is today. In 2003, the overall construction of the resort was completed, and business operations were launched on September 6th of the same year.

Options for accommodation within the resort include Jiangnan Hotel, Moon Suite, and Log Cabins, with a total of 102 rooms. A variety of recreational activities and facilities are available, such as: conferences, sightseeing, barbequing, camping, paint-balls, tour boats, pedalos (paddle boats), mini-trains, mini trains, canoeing, tree-climbing, zip-line, paddleboards, ecological guided tours, adventure and discovery sessions, etc.

(2008–2014). This serves as a testament to the quality of the operations and affirms Jiangnan as a first-rate resort park in Central and Southern Taiwan.

Research Design and Data Collection

This paper has categorized the two major crises and strategic countermeasures that occurred at the resort from 2004 to 2014 as two periods and 8 strategic events, which are further described in the third section of this study through the “ process model” method to portray the circumstances and context of the crises and countermeasures. Two of the authors of present study have each commenced employment at the resort starting from July and December 2012, respectively. As a result, they are able to collect data through the observational method (Jorgensen, 1989). This study employs data from multiple

No.	Item	Year	Content	Quantity
1	Annual Business Plan	2004-2014	Annualized review of current business strategies and strategic planning for the following year	11
2	Monthly Reports	2004-2014	Monthly audit of performance results for each department	132
3	Weekly Performance Review	2013-2014	Weekly revenue income from accommodation, food, ticketing and recreational facilities	67 (Conducted irregularly)

Table 2: Secondary Data Source and Content

For Jiangnan Resort, quality in recreational management is of paramount importance. Since business operations commenced in 2003, the resort has won the “ Outstanding Prize” for Recreational Area Operations Management and Safety Maintenance Inspections Competition held by the Tourism Bureau for 7 consecutive years

sources, including secondary data; such as the annual business plan, monthly reports, weekly performance reviews, etc. (see Table 2).

Informal interviews were conducted between May to December 2014 individually on relevant personnel involved and information collected

compared and measured for optimal accuracy (see Table 3).

Rank/Title	Subjects interviewed
General Manager	1
Chief Financial Officer	1
Manager	2
Supervisor	3

Table 3: Subjects of Informal Interviews

Data Analysis: Social Process Research Model

The Social Process Research Model is a qualitative research tool, where “events” are the basic units to link, record, and analyze the reasons and processes for phenomena. The sequential order of occurrence is used to analyze the organizational change, decisions and formation of corporate culture due to the events (Homans, 1958). The Social Process Research Model is suitable for the study of processes in organizational change. It describes events with different scales of relevance through the sequence of occurrence (Robey and Newman, 1996). This study adopts Davidson, (2002) and Robey and Newman (1996)’s methods of viewing the whole process as a TV drama, with

different strategic events acting as “sequels” to the previous episode. An episode is a basic descriptor, with every episode entailing the commencement of an action. For example, a suggestion or action proposed to address a certain issue, with responses from other people to this action, and the resulting outcome. Based on a chronological order, this paper categorized the strategic measures adopted by the resort to the crises into two stages (First, crisis from 2004–2011, second, crisis from 2012–2014). The strategies employed to address the crises are further organized into 8 strategic episodes (1–8). The units follow the “action, response, outcome” process as described above.

The following section details the strategic episodes, while the fourth section analyzes the data and managerial context.

Case Studies and Social Process Model Analysis

First Crisis and Strategic Countermeasures (2004–2011)

This stage is separated into two main strategic units. Since opening for business in September, 2003, visitor numbers were consecutively dropped for 5 years due to novelty wearing off, and a

2004-2008	Late-2008	2009-2011
Visitors number decrease year on year due to novelty wearing off and a decreased product life cycle	Two countermeasures were proposed (strategic unit 1 and 2) and executed	Countermeasures take effect and visitor numbers rebounded

Source: This study

First Crisis and Process of Countermeasures

decline in the product life cycle, which resulted in a gradual loss of visitors that precluded the need for strategic countermeasures.

-Strategic Episode 1: Institutionalization

Action

The management team of Jiangnan Resort realized that in the course of business operations, organizations are faced with pressures from a variety of institutional environments. This is especially true for the political spectrum, whereby industry regulations deeply affect tourism in the amusement industry. Failure to comply with the relevant legal regulations and requirements can result in the government agencies having the authority to suspend operational licenses, a serious consequence that will result in the shutdown of the whole park, thus affecting the survival of the organization.

Response

A review of recreational quality and infrastructure for greater institutional legitimacy. In order to obtain official approval, and in an effort to obtain operational "legitimacy", Jiangnan Resort continuously exhibit behavior and practices those are in line with the compliance of regulatory expectations. Although tourism and recreation industry currently has no objective and absolute performance metric standard, but official certification and recognition as a "best practice" firm, can be an effective strategy to obtain public recognition and identification through effective quality marketing strategies.

The main government body overseeing the tourism and amusement industry is the Tourism

Bureau of the Ministry of Transportation and Communications. Due to earlier instances of illegal conduct from inferior operators, a lot of outstanding regulations have been set up, with the most important being "Regulation for the Management of Tourist Amusement Enterprise". Budget is also allocated every year for inspections, with such ferocity that the inferior competition were replaced and eventually improved.

In recent years, as the majority of the operators within the industry have reached a certain level of quality, officials have decided to break from the usual strict management system, and veer towards using encouragement and incentives to guide the industry to actively participate, including up to a certain level of industry evaluation scores will receive incentive payments, to maximum of up to NT\$ 5 million.

In addition, if the subject in question was rated "outstanding" for three consecutive years can earn the right to setup signs at the nearest highway interchange. Highway traffic is heavy, and signs are usually governed by strict regulations. To be able to set up a legitimate symbol on the highway would be of invaluable worth as a marketing platform. Also, "Outstanding" participants are also given priority service quality improvement grants and subsidies, with the amount ranging from hundreds of thousands to millions of dollars (NTD) per year. Recent revisions to the regulations stipulate that should the operator earn two consecutive "outstanding" ratings, priority and assistance will be granted during the review

process to identify the park as a scenic must-see destination for Mainland Chinese Tourist groups visiting Taiwan, drawing a much-needed client base to the park. Because the incentives provided by the Government are relatively attractive, competitors in the industry will spare no effort to fight for the honor. The top ten outstanding candidates have scores that are different between only two digits to the decimal point.

Accordingly, on the issue of declining number of tourists, the management team resolved to base upgrades and planning on the expert advice offered by official audits and inspections. In order to secure the goal of winning the outstanding prize in addition to obtaining recognition for the institutional environment, substantial government incentives and grants can also be approved and support for setting up road signs, etc., have also been on the operational quality of the official certification, the quality of marketing is also a powerful selling point.

Result

From 2008 until 2014, Jiangnan Resort had received seven consecutive “Outstanding” ratings. Therefore, in addition to millions of dollars (NTD) in subsidies awarded to the resort through this program, another incentive includes the legal setup of road signs and directions to the resort at nearby highways.

In addition to providing guidance for tourists driving to the resort, the daily traffic of millions of vehicles passing through the area accrues further eye contact with passing motorists, providing invaluable benefits in terms of advertising exposure. Since being awarded for the first time

in 2008, advertising materials distributed by Jiangnan Resort declared the “Outstanding” accreditation and resulting prestige has effectively gained the trust of customers all over, not to mention the potential business opportunities by being recognized as a quality attraction for Chinese Tour groups, which hopefully will bring about high-value business opportunities.

–Strategic Episode 2: Developing Marketing Channels

Action

Since its launch in 2003, the number of visitors during the second year of operation peaked at nearly 300,000 unique visitors. However, as the novelty of the locale and setting faded with time, with no new facilities being upgraded or set up, the Resort saw a steady decline in visitor numbers.

Response

Repackaging existing resources and developing new market groups. In light of this, the management team recognized the stagnation and aging product ensembles were not sustainable in the long run. However, lacking the fiscal resources to conduct large-scale facility upgrades, it was strategized that existing resources should be repackaged, and a new sources of customers should be appealed to. With regards to the choice of new client groups, marketing towards individual visitors would be prohibitively expensive, with stability and estimated number of visitors hard to grasp. Accordingly, the strategy has been more focused towards targeting group visitors as the main market. Jiangnan Resorts also worked towards

closer cooperation with channel distributors, while working towards the centralization of resources, breaking down of processes, and increasing target market sales performance.

Under these strategic goals, Jiangnan commenced the second phase of its strategic operations. First of all, the camping site, after on-site improvements, was leased to a professional camping company specializing in student activities. Through the outsourced company's professional experience and market knowledge, this company was able to attract a formidable amount of student groups into the resort and engage in multi-day outdoor activities and classes. Revenue from ticket fees are channeled directly to the resort, while customer service and facility management are maintained and controlled by the outsourced vendor. After fixing up and leasing out the facilities, not only did the Resort increase its revenues, but also steeply decreased running costs for maintaining the camping grounds, thereby enhancing overall performance.

The second strategy is a special product "Family Day" package targeted at companies around Chiayi and Tainan. Full support is given to meet customer needs, whether hardware facilities or services. These events are mostly held by the welfare committee of each company, usually with a one-day excursion activity at the resort for employees and their families. Hence, visitors to the resort could number into the hundreds and thousands for these events. Revenue is created not only through ticket sales, but Family Day activities are usually bundled with ticket coupons

for use within the resort, thus creating multiple sources of excellent revenue for the resort.

Result

Due to an increased amount of visitors from both market segments, the number of visitors to Jiangnan Resort increased dramatically, proving the strategy effective. In 2009, increases in visitor numbers climbed by 5 percent, while in 2010 it climbed to 41 percent. Even in 2011, there was a 9 percent growth rate. From 2009 to 2011, average growth rate was at 18 percent.

Second Crisis and Strategic Countermeasures (2012–2014)

Just as business operations at Jiangnan Resort were entering an optimal state, another crisis struck in 2012 that threatened the very survival of the resort altogether.

In July 2012, Jiangnan Resort, usually known for the beautiful tranquil waters and surrounding mountain vistas, decided to open the flood gates and released the almost full waters of the reservoir due to safety concerns over the large amount of rainwater projected to increase in the reservoir due to the impending typhoon. Due to serious concerns for the safety of inhabitants living downstream, so almost all of the water was released from the reservoir. However, the typhoon did not bring about a rich amount of rainfall, and the subsequent drought resulted in the reservoir storing no water. This spelled disaster for Jiangnan Resort, which was wholly dependent on tourism with the reservoir as its star attraction.

The following 13 month drought created an unprecedented survival crisis for the resort. across an interesting festival held at Tottori, Japan. Called the “ Shan–Shan Umbrella

2012	2013	2014
Typhoon strikes Taiwan, and authorities drain reservoir out of safety. The ensuing drought caused Jiangnan Resort to lose its most valuable asset: splendid views. This caused a large decrease in visitors	6 Proposals as countermeasures (Strategic Episode 3 to 8) and executed.	Strategy takes effect and visitor figures rebound again.

Source: This Study

Second Crisis and Process of Countermeasures

–Strategic Episode 3: Festival Marketing Strategy

Action

“ Jianshanpi Reservoir Empty...and almost looks like a big grass plain” was the title of a newspaper article regarding the crises brought on by an empty reservoir. Hotel booking cancellation calls soon rang day in and day out, while day visitors found little motive to visit the resort. The resort faced a difficult situation where their biggest competitive advantage was gone. Jiangnan Resort was forced to foray into other methods at attracting visitors while lacking in natural scenic attractions. The management team gazed intently into the dry mud bed with umbrella grass growing through the cracks. They were studying the possibility of taking advantage of “ festival tourism” to achieve a breakthrough in this difficult time, and commenced marketing activities right away.

Response

Turning disadvantages into advantages (festival marketing). The management team, during multiple brainstorming sessions, searched for festival customs throughout the world, and came

Dance” , the story of the origins of this dance goes back to the late 18th century, when the area was afflicted by a long drought. The dry riverbeds were also full of umbrella grass. With no harvest due to the drought, life in this area was very difficult. An old farmer, seeing this, took a broken umbrella and started a rain dance that lasted for 7 days and 7 nights. Finally, rain returned to the area again and the area was relieved of the drought at last. However, the old farmer fell down and died from fatigue (Agency for Cultural Affairs, 1975). The residents held a dance festival every year in his honor from then on, with the climax being the Shan–Shan Umbrella Dance, whereby thousands of people march through town dancing with a broken umbrella just as the old man did. The dance symbolizes people’ s wishes to God for rain and good fortune. The old broken umbrellas of yesteryear have been transformed into modern times into extravagant costumes and round umbrellas with bells. After learning of this story, the management team at Jiangnan Resort concluded that the reservoir was built by Japanese engineers 70 years ago, and as

a result, the Japanese Shan-Shan Umbrella Dance is a fitting response to market the event.

Next, the management team asked an umbrella master from Mei-Nong to construct 6 large and 100 small umbrellas based on the original Japanese round umbrella design. These exquisite hand-crafted umbrellas were set around a “ Pray for Blessings” Umbrella footpath, wall and umbrella knowledge center. A carpenter was tasked with creating a parade car with round umbrellas, and female performers were trained to perform the umbrella dance, etc.

Result

With everything ready, the Jiangnan Shan-Shan Umbrella Dance Festival, with its rich Japanese stylistic elements, was launched in early 2013, around the time of the Chinese New Year. This festival cleverly combined the theme with Taiwanese traditions of praying for blessings and good fortune during the New Year. The rich variety of umbrella themed facilities, along with the Japanese-themed festivities contributed to Jiangnan Resort having comparable results during the drought period with the same period a year ago. In stiff competition with Tsou-Ma-Lai Farm’ s Winter Hot Air Balloon Festival then, the cultural creativity of Jiangnan Resort garnered favorable reviews.

–Strategic Episode 4: Placement Marketing Strategy

Action

With the passing of the 10 year milestone since its founding, in terms of visibility, Jiangnan Resort still has a lot of work to do. However, with a marketing budget that lags far behind that of its competitors, how should Jiangnan Resort

effectively conduct its marketing strategy? The management team thought about how to increase visibility and exposure without a marketing budget.

Response

Placement marketing in TV dramas to increase visibility.

With this principle in mind, a combination of placement marketing with TV dramas was the quickest way for Jiangnan to gain traction and visibility. Placement marketing is the deliberate placement of advertising items into media content through an array of clever methods, and through the spread of the media content, also maximizes exposure of the ad. With a glut of advertising information in our modern lives, this is another effective way to spread marketing content.

Filming a TV drama on set is no small feat, with large amounts of labor and equipment needed to complete a scene. As a result, Jiangnan Resort took note of their own advantages, namely a locale with a beautiful scenic backdrop and complete range of facilities, such as accommodation, food, entertainment, etc. to provide a TV/film crew with different sets and scenes. Through free accommodation, food, and general administrative support during filming in exchange for free advertising and exposure, it should make for a convincing exchange of resources. As a result, through negotiations, a TV soap drama (Father’ s Wish) with favorable ratings was convinced enough to agree to the exchange and started filming at Jiangnan Resort, completing a placement marketing campaign for the resort.

Result

The TV drama consisted of 30 episodes, and according to research conducted by AGB Nielson, the average viewership rate was 3.24 percent. Every episode topped the charts for the same time slot, with an estimated viewership of 3 million people. The exposure gained through placing advertisements on such a popular show and a natural tendency of fans to track and expose more trivia about their favorite actors/actresses, this cooperation yielded good results and helped Jiangnan Resort gain visibility to a certain degree.

–Strategic Episode 5: Product Packaging Strategy

Action

A wide variety of famous festivities were held by the local government close to the resort, including the “Yanshui Beehive Fireworks” Festival, “Baihe Lotus” Festival, “Mashagou Salt–Sand Art Sculpture” Festival, “Guanzilin Hot Spring” Festival, etc. All these events draw huge crowds every year. Many competing resorts and amusement parks with better financial resources tend to hold events to rival the government–run events in a bid to attract more customers. However, Jiangnan Resort, with its lack of financial resources, can still achieve this through effective strategies.

Response

Tour packages that combine the resort with nearby attractions and festivities, with a complementing cooperation strategy. Jiangnan Resort, with its limited and constrained resources, instead of competing for the same market, fully utilizes these events through cooperation strategies, to create a new collective value with an aim to

expand the current market, instead of competing over the same piece of pie. The management team, upon realizing that festival–goers have a need for shuttle buses, accommodation, and guided tours, which cannot be provided by the organizers, took advantage of this market demand and launched a festival package. This package includes accommodation, food, shuttle buses to and from the festival site, and guides. Employees are tasked with serving guests whenever possible with their local knowledge, providing visitors with an even richer festival experience. Survey results indicate visitors who bought the package commonly responded positively to the experience.

Result

Survey results indicate visitors who bought the package commonly responded positively to the experience. An example from a questionnaire form filled in by one guest: “I want to thank the driver for taking us to the Sand and Salt Sculpture Festival, and his detailed explanations. We came without a plan, but had a lot of fun. Best of all was a secret scenic spot he recommended that only locals know about. Thank you!”

–Strategic Episode 6: Niche Marketing Strategy

Action

The Wedding Banquet is a business with short service span but high profit, and is a big contributor to a hotel’s revenue, which is why it is a hugely competitive field. Jiangnan Resort is located in the Greater Xinying Metropolitan Area. Local weddings tend to be held in mid to large restaurants, or open air banquets. Prices for a table are usually below ten thousand dollars (NTD) per table. However, due to the fact that

Jiangnan Resort is 20 minutes away from downtown Xinying by car, it is usually not the first choice to hold weddings. Location has always been a prime disadvantage for Jiangnan's banquet catering services. In 2012, the Jiangnan's wedding business was still declining at 3 percent per year. Jiangnan was still unable to find a niche market for its wedding services.

Response

Carving a niche, and creating a new market segment. Niche is a set of conditions that are conducive to the survival of a business, and every company should have to find their own specialized niche. After much thought, Jiangnan Resort eventually found its own set of niche conditions, including an elegant hotel designed by renowned architect C.Y. Lee, an expansive and beautiful park, convenient parking for large vehicles, a 7-meter high lobby and banquet hall. The lakeside pool and grass vistas all add up into a desirable wedding location. None of Jiangnan's competitors come close in terms of facilities and premises. Another observation made was that Southerner's tend to value grandeur in weddings. In short, the above conditions should be the perfect conditions to create a differential market segment, and thus carving out a niche market for Jiangnan Resort.

In comparison with its competitors, Jiangnan Resort has the ability to provide a high value-added wedding package, with chief selling points including a one-stop wedding solution. Certain incentives, such as free photo sessions at Jiangnan before the wedding, free parking for wedding guests, wedding hosting free of charge, etc. Jiangnan Resort possesses the conditions to

host weddings at a price higher than the usual rates, proving that the adage "Price over Volume, Value over Price" has taken effect.

Result

In 2013, the wedding segment had a huge turnaround, and by the end of the year, growth rate reached 10 percent, with 2014 maintaining a growth rate of 5 percent.

–Strategic Episode 7: Service Quality Enhancement Strategy

Action

Customers measure service quality through the SERVQUAL Model, which consists of 5 general facets: tangibles, reliability, responsiveness, assurance, and empathy. Of these 5, tangibles indicate the physical facilities, equipment, and appearance of personnel provided by the company. Jiangnan Resort especially emphasizes on the tenets of tangibles: Employees are taught to be sensitive to their appearance in front of customers, and in 2002, spent tens of billions of dollars (NTD) recruiting the renowned architect C.Y. Lee to design Jiangnan Hotel and Moon Suite. The architecture or the interior design, the elegant styles of the hotels have consistently received positive reviews.

However, it has been over 10 years since the buildings were constructed. Even with the greatest care and maintenance, signs of aging can still be observed. With limited resources, how Jiangnan Resort will to provide its guests with a renewed sense of novelty and inspiration will be a major point in service enhancement.

Response

With limited resources, upgrading facilities most frequently used by guests. To resolve this issue,

the management team categorized facilities into the following classifications: 1. Can't see, can't feel, 2. Can see, can't feel, 3. Can see, can feel. Under limited resources, items in the third category should be replaced or renewed, including: curtains, carpets, TVs, restaurant chairs, etc. This was done to expand and enhance the customer's sense of tangible quality.

Result

After all the necessary items have been replaced, often one would read in the satisfaction survey: "The seats inside Gui-Hua-Yuan Restaurant have been replaced, the bright purple does bring a sense of class into the restaurant", "The carpet has been replaced, and the quality seems exquisite", "You've replaced many old items, I can see the hotel is sincere."

-Strategic Episode 8: Manpower Flexibility Strategy

Action

The recreational industry has a very distinct peak/off-peak season. During the weekends, large-scale events, or banquet events, there is a temporary large demand for additional manpower. However, as Jiangnan Resort is situated in a relatively remote region, the recruitment of temporary manpower is not easy, resulting in a compromise on service quality during peak periods. Temporary manpower may not necessarily be familiar with the environment and position, with service skills leaving much to be desired. HR staff members usually need to dedicate a considerable amount of time and energy into pre-job training. However, when the peak period ends, the training that is invested on

temporary staff is usually wasted, resulting in a waste of human resources.

Response

Integration and utilization of human resources operations-based organization structure.

Under these circumstances, Jiangnan Resort has chosen to implement the principles from the "manpower flexibility theory" as a response to challenges resulting from a rapidly changing workplace environment. Policies include flexible adjustments of manpower structures, employee numbers, job descriptions, job durations, and employee salaries, among other factors. Actual implementation takes references from the Operations-Based Organization System as utilized by Japan's Sanrio Company. This system puts emphasis on the flexible coordination and use of existing employees for different tasks. After all employees are trained in their respective fields, they can assist with ticketing, housekeeping, food and beverages, and operation of recreational facilities, among other frontline positions. In order to clarify the various supporting roles and divisions, the management team standardized the system and created an S.O.P. (Standard Operating Procedure) document, so as to ensure that all support staff have standardized procedures to follow.

Operations-Based Organization standard procedures are based on a "Group/individual room occupancy rate projection", "Group/individual headcount projection", and "Group/individual meal table occupancy projection" estimate, and is further subdivided into A, B, C categories. For example Category A

indicates an occupancy rate of 80 percent, or over 1000 visitors to the resort, or restaurant table occupancy rates at over 41 tables. Under level A, the staff members corresponding to their original roles will all have to defer holidays and fully support the resort. They can also require other departments to assist should they still need more manpower.

With this strategy, employees can expand their list of skillsets through training and foster a second area of expertise, while overcoming issues that arise out of temporary staff not being familiar with their environments and job responsibilities, and not being able to retain the results from their training, which in the long term this helps increase the overall performance of business operations.

Result

From 2012 through to 2014, flexible manpower allocation has helped reduce labors costs by nearly Nine hundred thousand dollars (NTD).

DISCUSSION

The subject of this study was able to adopt evolutionary change strategies during times of crises to overcome many adverse conditions, eventually achieving its organizational targets. This is a rare instance of successful organizational change, and its successful change management deserves further discussion. Informal interviews conducted with several managers at the resort demonstrate the following 6 management measures:

-Total Quality Management

The resort fully adopted incentive measures within the regulatory boundaries stipulated by its

government authorities, and implemented a total quality management stimulus and enhancement plan. For instance, premises safety (amusement facilities, buildings, fire prevention and safety, emergency services, labor safety, etc.), facility maintenance (of all facilities used by visitors), beautification schemes (food safety, cleanliness, gardening and wastewater treatment), public liability insurance plan, visitor services (services, guiding, consumer rights), marketing, environmentally sound initiatives, corporate social responsibility, etc. With a clearly defined objective, long-term support from the organization, full participation from all members, and a clear-cut reward and punishment mechanism, service quality was enhanced across all facets, inducing a stronger foundation for organizational change:

“ By following the systems set up by the tourism bureau, although there were a lot of complex projects to implement, but it is true that both tangible and intangible aspects were covered. Furthermore, it gave everyone a direction and goal. This results in a clear objective and fair reward and punishment mechanism when calling on all employees to participate in the stimulus plan.” – General Manager, Jiangnan Resort

“ The reward is around a few million dollars (NTD) in total. This may not be much to the big corporations, but for medium-sized and small enterprises like us, it is quite a formidable figure. It is a good motive for all of us to follow the rules of the game.” – CFO, Jiangnan Resort

-Management-by-Objective

Every year, a meeting is called before the commencement of the next financial year. The performance targets for the next year on a monthly basis are set, for example: number of visitors, revenue size, customer satisfaction, etc. During the monthly review meeting, all departments report and discuss their progress and resolutions to why should they fail to reach their targets. This allows for a clear reward system for achieving set goals, and encourages and motivates them to improve and change for the better:

“ Every year, we set a goal for the next financial year based on the performance numbers of this year and expectations from upper level managers. Every month, we review our performance, and although stressful, but at least there’ s a standard...” – Sales Manager, Jiangnan Resort

“ Sometimes, during low season, such as right before Chinese New Year, most people don’ t want to travel and venture out. Our sales performance is thus affected. But the company has set some incentive measures for us to work even harder. I will therefore commit even more to sourcing for visitors through telephone sales and visitations, one tour group after the other.” – Day-Trip Sales Director

–Understanding Urgency and Need of Change

The resort publishes an open target achievement rate on a board every day and reviews meeting, which helps all staff members to understand the urgency of lagging performance, and the difficult predicament that might result from it. However, the company’ s directors and management team will also timely announce they are standing with

the employees, and work together to resolve any problems. This is to help lower the anxiety and stress levels of employees:

“ Although I am from the housekeeping department, but I also know the performance figures of other departments, because the bulletin board is updated every day by company secretaries. I pass by every day and will also look at the figures. The General Manager will also report the figures during our morning meetings. Actually, he will also propose some solutions for us to refer to. We will not feel lost and anxious because of a sense of no direction.” – Housekeeping Director, Jiangnan Resort

–Support through Education and Communication

As a state-owned enterprise, the resort’ s employees had been accustomed to the highly regular schedules of the sugar refinery for the past 20 or 30 years. Although retraining and several years of working in the service industry has mellowed this somewhat, there is still occasionally a resistance to change, and maybe even incurring some misunderstandings, mistrust, sense of threat and uncertainty. The management team conducts a monthly departmental meeting and individually surveys, explains and communicates with each staff member in order to resolve unnecessary cost for organizational change, and further induces the participation and commitment of each and every employee:

“ The GM convenes a monthly meeting with all staff members of my department, and lets us bring up questions regarding company policy, and also asks if we know something, and what our opinions are, and if we are willing to cooperate with it. Sometimes, we do have our

misunderstandings, leading to really aggressive scenes. However, it is still good to have face-to-face meetings to let us know the reasons behind a new policy, and how we are expected to cooperate.” – Management Department Director, Jiangnan Resort

–Employee Empowerment and Participation

The subject resort empowered its employees to have the right to propose new actions for organizational change. This further encouraged innovative ideas and actions, and enhanced a greater sense of participation, successfully promoting change to the different departments.

“ The Jiangnan Shan–Shan Umbrella Dance Festival that the planning department proposed then was not such a bad idea, and the company was also open to new ideas from different departments. For example, my department proposed constructing a Wishing Wall in front of the Statue of Guanyin, letting visitors buy the wooden boards to write their wishes and dreams. My department can gain revenue from selling the boards, while visitors can also have fun from engaging in this activity. This activity we planned also gave us a greater sense of accomplishment.” – Manager, Recreational Department, Jiangnan Resort

–Institutionalizing Organizational Change

In order to sustain and continue successful ventures in organizational change, the resort utilized employee work manuals and SOP systems to codify and formalize the resulting changes into the institution for maximum effect. This will help new and senior employees to follow a standard set of working instructions:

“ Every May or June, we get very busy because we need to prepare for an audit by the Tourism Bureau. What is fortunate is that processes and documents we prepared before were retained, and became our SOP. So, although we’ ll be busy, but at least we have a direction and everyone knows what to prepare.”

– Manager, Management Department, Jiangnan Resort

“ All previous projects and events conducted by the planning department have been compiled into a work manual. The work manual contains all sorts of information. For example, who prepares what forms at what time during a press conference? Also included are venue maps, directions to the site, etc. Next time, when we hold a similar event, all we need to do is edit this work manual.” – Manager, Planning Department, Jiangnan Resort.

Past literature regarding evolutionary change strategies deployed in state-owned resorts have been relatively rare. Results from this article can serve as invaluable reference for organizations wishing to implement organizational change strategies, and also provide academia a resource to expand on research into strategic management, organizational management, human resource management, and marketing management topics in recreational and leisure industry. The authors have also identified that key factors in successful change management largely corroborates with past studies. For example, Porter and Paker (1993) emphasized the importance of Total Quality Management in the implementation of successful organizational change, including the long-term, full and total

participation of organizational members. Cumming and Worley (2001) proposed regular face-to-face interviews between managers and subordinates to collectively set a target goal and action plan to ensure the meeting of target objectives and full implementation of Management-by-Objective (MBO) Strategy. Schein (1992) further proposed that key factors to motivate organizational members to accept and own organizational change include "letting organizational members understand the urgency and need of change." Kotter and Schlesinger (1979) mentioned in their paper that various methods should be deployed to communicate with and educate organizational members in order to dispel any misunderstandings and mistrust, among other negative emotions. Beer, Eisenstat and Spector (1992) suggest that employee empowerment and participation will allow the successful expansion of change into all departments and sections within the organization. This would especially encourage the forming of innovative ideas and actions and institutionalize the change through stipulating new regulations and plans to formalize the change. Although key factors in change management corroborate to conclusions from past literature, but in terms of implementing change at state-owned resorts, professional managers need to heed extra effort and patience due to the employees (organizational members) being civil servants or government employees, and protected by relevant regulations.

"I've had over 20 years of experience working in a professional managerial role in the private sector. Over here, due to the

organizational culture and the legally protected status of government employees, I cannot take drastic action or measures to induce change, such as decreasing pay and laying-off employees. Therefore, although management skills are not that much different than that of private-sector companies, but I have to put in extra effort and patience" – General Manager

CONCLUSION

The subject resort adopted an evolutionary change strategy to reform the organization. The evolutionary changes include institutionalization, marketing channel development, festival marketing, placement marketing, product packaging, niche marketing, service quality enhancement, and manpower flexibility strategies.

These strategies were drawn upon after an overall review of the resort's strengths, weaknesses, and balanced with demands from the external factors. Furthermore, during the process of organizational change, major factors were involved in the managerial aspect, such as the scope of the change was revolved around the principal axis of "Total Quality Management". A desire for the comprehensive enhancement of both hard and soft qualities at the resort set the foundation of the organizational change. During the process, "Management-by-Objective" was the basis for the execution and review of the results. Performance results were discussed openly through meetings and bulletin boards in order to divulge "sufficient information for organizational members to understand urgency and need of change"

In instances whereby employees had doubts and questions, or when miscommunication was obvious, the organization actively sought to “gain support through education and communication”. Where appropriate, the organization “empowered employee participation”, thus raising the relevancy of change to every member of the organization, from top to bottom. Lastly, “institutionalizing change” through work manuals and SOPs to pass down experiences is the critical factor that allows the organization to retain and continue the positive results of the changes.

Contribution

1. This case study was focused on a state-owned resort, and attempts to examine the course and progress of its evolutionary change, with strategies including institutionalization, marketing channel development, festival marketing, placement marketing, product packaging, niche marketing, service quality enhancement, and manpower flexibility.
2. During the process of executing the changes, major factors in managing the change include “Total Quality Management”, “Management-by-Objectives”, “sufficient information for organizational members to understand urgency and need of change”, “gaining support through education and communication”, “employee empowerment and participation”, and “institutionalizing change”.

The above strategies adopted by the resort to address crises and change management play a critical role in its success, and can be a reference for future academic qualitative study. Furthermore, they can be a good reference for

companies wishing to activate evolutionary change in their respective organizations.

LIMITATIONS

The authors of this article collected a large body of data; however, the staff members interviewed were mostly mid-to-high level managers, with the resulting information inclined towards the views and perspectives of these managers. Furthermore, only 2 members of the management team have served from 2004 to 2014, through the two crises. Therefore, a comprehensive portrayal of strategic details regarding the two pivotal moments of the organization's change is relatively difficult. In addition, the research subject, as a state-owned enterprise in the recreational and tourism industry, is rather unique. Although some aspects might not be suited to private-sector enterprises, but it can still serve as an invaluable reference for organizations going through a similar phase wishing to utilize evolutionary change within their organizations. In addition, future research should be conducted on leadership topics for professional managers instituting organizational change in state-owned firms.

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