GENERATING COMMITMENTS
TOWARDS IMPROVING CORPORATE
PERFORMANCE

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ABSTRACT

One of the pressing concerns of top management in the Western world must be on how to cope with the global recession. Initial, sharp declines in key corporate performance ratios often trigger managerial attention towards the urgency for improvements. One obvious strategy is for the top management to generate managerial commitments towards early corporate recovery through productivity improvements. Yet, there seems to be little work that provides insights into the dynamic process of generating organizational commitments to improvements, especially in developing countries. This paper illustrates an empirically grounded process of planning and decision making for improving productivity in a Malaysian palm oil plantation. The planning process involved employees in responding to the productivity difficulties revealed in management science and financial data supplied. Although there are many interacting factors which might explain the sterling improvements in the company’s performance, part of the success might be attributed to the intervention process. This paper describes this process and how it might be applicable to other non-Western organizations.

INTRODUCTION

There has been an increasing awareness of the importance of gaining a richer understanding of the process of change when trying to improve productivity in organizations. For example, in a recent article in Omega, Walsham (1992) suggested that “management scientists need to see themselves not just as technical and systems experts, but also as skilled agents of ... organizational change” (25: 9). Organizational change is a complex, dynamic process, and there is a need for case studies to assist management scientists to understand how to introduce the ideas they have created.

Within the literature on organizational change, there has been a number of writings on the activities which might assist in facilitating the process of change (Delbecq and Van de Ven, 1971; Lewin, 1947; Lippitt, Watson and Westley, 1958). Change, at its most basic level, consists of events of unfreezing, moving, and refreezing (Lewin, 1947), although the movement through these sequences is rather unclear. When a change is introduced, existing patterns and values are disrupted, producing a period of uncertainty and conflict. The degree of personal trauma is often associated with how people adjust to the uncertainties they face. Reactions during a period of change range from rejection and withdrawal to fundamental shifts in thinking and behaviour (Quinn and Kimberly, 1984; Isabella, 1990).
objective definition, measurement, modelling, performance criteria, and prediction of outcomes and choice criteria (Eilon, 1979). Many models of the decision process seem nicely nested in a world of stability and rationality which might be termed "mechanistic" (Ackoff, 1981). Yet, the world of management has been portrayed, most aptly, as chaotic (Eilon, 1992). William James, a nineteenth century psychologist, made the observation that people do not start a day's work with problems to be solved. The start of a day resembles a "great big buzzing confusion" or what his student John Dewey called "an indeterminate situation". Russell Ackoff called this situation a "mess," and indicated that what we usually confront are messes and not problems (Ackoff, 1981). Managers are concerned with steering and controlling industrial and business systems in order to achieve certain ends, usually defined in terms of characteristic behaviour or a series of performance criteria..." (Eilon, 1992, p.1).

The process of change when trying to improve productivity in organizations is even more ambiguous in developing countries such as Malaysia. For, despite the application by ASEAN corporations of a range of Western-style organizational or managerial techniques to improve corporate performance, there is a paucity of in-depth Asian organizational case studies. For instance, recent research by Foo, Grinyer and McKiernan found that the strategic planning process is widely used by ASEAN corporations. However, there has been much criticism of such interventions and suggestions that the effectiveness of change might be improved with methods which increase the capacity of local people to influence and control their futures (Gow, 1991).

This case study seeks to document such an intervention process which was implemented to generate organizational commitments to improving corporate performance.

In this paper, the focus is on facilitating organizational decision making and change, in terms of "...the whole lengthy and complex process of alerting, exploring and analysing..." (Simon, 1960). The central theme of this exploratory action research is on explaining how an organizational decision-making process (for defining strategies and approaches) in a non-Western organization achieved the commitments of employees in improving performance. The focus of this paper is on the implementation of an organization intervention process at the very early stages of a decline in corporate performance (Grinyer, Mayes and McKiernan, 1988). The paper first outlines a process of change which is conventional in Western organizations. It then illustrates the approach taken in improving productivity in a Malaysian palm oil plantation. The model is abstracted based on the experiences gained in implementing the intervention process. The paper concludes by offering suggestions for introducing productivity related changes in non-Western settings.

THE ACTION RESEARCH CHANGE PROCESS

Any change programme usually involves sequences such as assessing, focusing, and implementing. These three sequences are highly interrelated. For instance, the conception of an idea may not be termed successful unless it is implemented. The successful introduction of some new method implies that it is communicated and understood (Leavitt, 1965).

An action research change process requires more time in the formative sequences of the process. Participants or organizational members are involved in the definition of the need, and have the opportunity to use their creativity in developing the idea and its proposal. As a result, less time may be needed during the implementation stage for making adaptations or dealing with resistance. The investment of time in assessing and focusing can significantly reduce the amount of time required to implement and institutionalize the change. It should also reduce the possibility of having to scrap an unworkable idea and start over again.

An action research process is highly inductive and loose, especially at the beginning. Overall, however, the approach should take no more time than one would take in a more "top-down" project. The action research approach does not argue for months of field work and voluminous case studies as practised by some social anthropologists. It suggests that much of the energy in a change process might be used in developing an idea and getting commitment. The approach is well documented in the history of action
research and organization development in Great Britain and other countries (Cunningham, 1993).

Assessing the Need for Change

Successful problem or need identification is the crux of an action research effort. Individuals bring with them their own views of what is wrong with an organization or how it should be changed. Thus, an initial goal in an action research project is to gather information which represents the various perspectives underlying any issue or problem.

There are a variety of ways of gathering data, including unstructured or structured questionnaires, interviews, and focus groups. An action research (AR) consultant might be able to initiate a discussion with organizational members on how these methods can be used. One useful data-gathering method in AR is the open-ended interview. This technique focuses on the needs and problems of the organizational system, rather than on how the organizational system fits into some questionnaire. In AR, organizational members should develop the skills for designing questionnaires, analyzing the data and reporting. They are encouraged to use the interview information they have collected and develop a programme for more comprehensive research on the issues which are important.

Data gathering and analysis assignments are often left to those who are most interested and have a greater commitment to resolve a problem or issue. In any such effort, the AR consultant’s or chairperson’s responsibility is to assure that one perspective is not more represented than another, and that people do not offer their individual interpretations of the data.

The data gathering or assessment phase of any change project is a statement of the need for change. Even more, it is an opportunity for organizational members to indicate their positive and negative feelings about past events. The process provides a purging or cleansing; before the system can be renovated or redesigned, the old one has to be “buried”. The reporting of results from an organizational assessment is an indication of the willingness to address the problems identified.

Focusing and Designing a Programme for Change

Focusing an organization in a new direction relies on understanding what is realistic and possible as well as what has occurred previously. The process encourages brainstorming and other idea generation activities for identifying issues and trends that the organization will have to respond to in the short and long term.

Focusing a change is much like an architect’s task when beginning the process of renovating an old heritage building. The architect begins with ideas, sketches and models, and works within the constraints of the existing construction to “focus” the renovation. An architect’s concepts and visions are adapted to the present construction, needs of the tenant and community norms.

The focusing step encourages the organization’s membership to meet and discuss the most appropriate changes. This consists of a process where task groups meet and discuss various topics related to: (1) identifying opportunities and threats, (2) outlining strengths and weaknesses within the organization, (3) defining values and philosophies, (4) defining a mission statement, and (5) developing a vision for change. These discussions can be undertaken at short workshops or meetings designed to involve the organization’s members.

The opportunities and threats in the organization’s larger environment can potentially affect the way the plan is developed and carried out. In “scanning” the environment, the action research group can become aware of the current and potential actions of competitors, economic trends, government policies and legislation, demographic changes, changes in market influences and tastes, and so forth. This is a definition of known opportunities and threats. These can be prioritized in terms of the probability of occurrence, their impact and the ability of the organization to control or deal with them.

Participants can gain another understanding of the need for change by analysing the organization’s strengths and weaknesses. This “organizational” scan provides participants with the opportunity to examine the way the organizational resources are presently committed. It is also an opportunity to identify the
commitments deemed most valuable and those less useful to a "desirable" future.

Three other ingredients are important in focusing an organization's direction: a definition of the organization's mission, a statement of the organization's philosophy, and a vision of direction for the organization. An organization's mission statement describes its justification for existence. Organizations respond to social and political needs, and must justify their existence based on how well they meet these needs. It is doubtful that any organization ever achieves greatness or excellence without a basic consensus among its key stakeholders on an inspiring mission. A mission statement describes the organization's unique aim which sets it apart from other organizations. This statement refers to what the organization is in "business" for, or its purpose for existence. It is the raison d'être.

A philosophy statement can be useful for describing how the organization's members will work within this mission statement. It outlines the values for making decisions, principles for treating staff and ways to relate to a client. It provides a listing of the values and assumptions that people feel are important and allows them to state what they would like to achieve. The statement of values and assumptions describes an attractive view of the organization, a condition that is rather ideal.

Mission and philosophy statements should be much more than just a statement of words and ideas. The process of articulating these statements is probably more important than the resulting words. The process should provide an opportunity to build a consensus of the most important values and beliefs. The discussions and debate clarify values of what staff feel are important and unimportant. They provide a signal to staff of what values are thought to be valuable, and a forum for people to debate issues. So, the resulting statements should, ideally, reflect the mission and values that people are committed to.

A vision or statement of the desirable future is like an architect's description or sketch before the plan is begun. It is the artist's description of the values, concepts and ideas in designing a house. It provides enough detail so that people can understand the concept. In the same way, participants are asked to construct desirable futures for their own organization or work-groups. This is a statement of the desired directions - goals, focus on clients and focus on people in the organization. It is also a statement of what currently exists within an organization.

Before an architect can devise the final scale drawing of the planned renovation, he/she begins with sketches or models. There is a "vision" of what might work. The architect must work within the constraints of the existing construction, using concepts and techniques of current construction for developing a plan or direction. It is a process of renovation using concepts of what might be, and adapting them to the present construction, needs of the tenant and community norms.

The planning activities of creating a philosophy statement, mission and vision are creative exercises encouraging interaction with other people. The activities do not demand that people take on responsibility or use their time for carrying out tasks. That is, talking and interacting are fun and motivational in provoking changes in thought. They do not demand changes in the way people behave or carry out their activities.

Developing and Implementing an Action Plan

The focusing process has provided an identification of many of the threats and opportunities within the organization's environment, as well as assisting the organization's participants in articulating values and beliefs they want the organization to realize. The implementation sequence generally involves taking these philosophies, mission statements and visions, and developing plans and procedures for carrying them out. It involves a development of the strategic issues which are most important in responding to important threats and opportunities within agreed-upon values.

There are three basic approaches to identifying strategic issues or directions, of where the organization might go: a direct approach, the goals approach, and visions of success (Bryson, 1988). The direct approach involves the identification of strategic issues after reviewing mandates, missions, and SWOT's (strengths, weaknesses, opportunities and
Generating Commitments Towards Improving Corporate Performance

The goals approach suggests that managers should establish goals and objectives and then develop strategies to achieve them. The visions of success approach relies on a manager’s ability to develop a “best” or “ideal” picture of the organization and its future. The task is then to define strategies for moving from the way it is now to the way it will look and behave according to its “vision” or picture of the future.

The strategic issue or direction provides specific sets of concepts and how they might be used within the specific organizational system. This is a statement of an idealized future, free of present-day constraints. A strategy is a policy defining what the organization does or will do (Bryson, 1988). It consists of the following six steps:

1. Identifying practical alternatives, and dreams or visions for resolving the issues
2. Identifying output requirements or standards to judge the usefulness of these options
3. Enumerating implementation requirements and barriers to achieving these alternatives
4. Outlining the major actions
5. Identifying the resources needed
6. Identifying a working plan (Bryson, 1988).

The alternatives enable the organization to focus on meeting requirements of adaptation, production, maintenance, and management coordination. Effectiveness is measured by criteria other than adaptation and change; an organization also has to focus on internal structures such as production, maintenance and management coordination. Each of these requirements must be met. A strategy is operationalized by a list of more specific steps, projects or working options.

A plan is a list of actions to implement the strategic alternative. Plans can vary a great deal in form and content. The simplest form may be nothing more than a written agreement in the minds of key decision makers about their organization’s mission and what it should do, given the circumstances. In this sense, the process of planning is as important as the actual plan. The formal plan is most useful as a communication document. This is especially important if there is a need to coordinate with a range of people in a diversity of programmes and for keeping people “on track” with the plan’s intentions. As people forget and new people are added on, a formal plan can provide an important set of targets to focus activities. In addition, a plan can serve as an important public relations document for external and internal audiences. The plan is really a summary of the previous steps which have been undertaken.

Getting commitment to a plan of action is possibly the most important aspect of the implementation process. The most effective implementation plan has a number of ingredients: they are incremental and recognize immediate needs; they illustrate a grand design and steps that need to be carried out; and they illustrate that the grand design or map will be modified at each stage of the change process. This idea of action planning is compatible with studies on technological innovation which indicate that small, rather than large, organizational changes play a key role in reducing production costs (Hollander, 1965). Daily accomplishments form the basis for a consistent pattern that allows people to see instant gains.

Commitment does not only involve the sequence of events for carrying out a project. It also involves understanding who in the organization must be committed to the change and to carrying it out. This is an understanding of the politics of the change. As a result, most change agents have suggested such terms as “getting the executive’s approval”, “getting key people on board”, “making sure the union is committed” and “having the membership understand it”.

Successful implementations require a systematic analysis of who is committed to the idea, who is able and willing to provide resources, and who is willing to carry out and persevere with the new process. In any change process, a critical mass of people is necessary to assure implementation. This may mean five of nine participants, but it may also mean two of nine participants who are the strongest informal leaders. In this sense, the critical mass includes “those individuals or groups whose active support will ensure that the change will take place. Their number may be small, but it is the critical number” (Beckhard and Harris, 1977). An implementation plan describes a series of action steps devised to secure the
support of people vital to the change effort (Beckhard and Harris, 1977). It outlines who is involved and how their commitment is assured.

THE PROCESS OF INTERVENING IN THE PALM OIL COMPANY

This paper grew out of interests to develop a better understanding of how changes could be implemented in a non-Western context, using an oil palm company in Malaysia as an example. The question which drove this study was, “What are the principles of change which were successful in this project which might assist other management scientists working in other cultures?” We were also interested in how the organization members responded to the strategies we used to implement their ideas for change. The study was an intensive case study which we believe to be consistent with the research goals and with the predominant methodology and assumptions used in similar studies.

The organization is a profit-oriented company operating in Malaysia, concentrating mainly on the cultivation of oil palm. Oil palm cultivation continues to enjoy steady growth in terms of total areas of land utilized, increasing from 54,638 hectares in 1960 to 1,785,661 in 1988. This is not surprising since Malaysia is the world’s largest producer of oil palm. Most of the workers are Malays, who have a unique culture and style of working. Malays are generally known as a broad category of people from Malaysia, Indonesia and Singapore. The traditional Malay social structure is hierarchical and is characterized as a unique relationship between the aristocracy and the subjects (Ahmad, 1960). The central theme in traditional Malay society is not the achievement of socio-economic mobility or the accumulation of wealth. Oral and literary traditions do not put great emphasis on human aspirations, achievement, achievement in education or success in economic activities (Choy and Ismail, 1992):

“... Even more impressive are comparative statistics collected by Professor Raymond Firth. While the Malay fishermen on the coast of Kelantan had an output of roughly 1.5 tons of fish a head per annum, the Japanese bream fishermen and drift-netters at the height of their prosperity (from 1926-1933) were producing about 8.3 tons, and the Chinese ring-net mackerel fishers of Pangkor (in 1938) about 10 tons. These figures may be compared with those of British fisheries, which before the war employed about 80,000 men and landed about 1,000,000 tons of fish per annum. Thus the average output of the British fisherman is about six or eight times that of the average Malayan fisherman...”

The oil palm corporation is relatively large, with a total of 587 persons employed at the different hierarchical levels within the organization. Although, the managerial core comprises only 3.75% of the total staff, the lack of teamwork at this level can be deleterious for corporate productivity performance. The estate labourers comprise the majority (85.1%) of the workforce. Supervisory (4.43%), clerical (4.09%) and non-clerical workers (2.56%) made up the remaining 11.08%.

Figure 1 illustrates the organizational structure. At the apex is the board of directors with a non-executive chairman. The chief executive officer (also a member of the board of directors), controls the oil palm operations through headquarters staff. The staff functions are divided into monitoring/technical, agricultural projects/trading, administrative/corporate planning, financial/auditing and development/planning. The performance of plantations is left in the hands of seven key estate managers. Although estates IV, V and VI are under the administration of a manager, they are collectively under the control of a senior estate manager (Estate VII) for purposes of reporting to the Head Office. Within each estate, there are further sub-divisions of plantation operations and administration/accounts. Each estate can also be compared in terms of: (i) profits, (ii) level of contribution, and (iii) generation of non-palm oil income.

Profitability

There are obvious differences in the profitability rates between the estates. These are shown in Table 1. Performance rankings using the two differently defined measures of profitability yield almost identical results. For both measures, the denominator is the same. The only difference is the exclusion of depreciation, duty and cess and miscellaneous items from estate working profits in computing
operational profits. Despite the tighter administrative control of a senior estate manager (estates IV, V and VI being grouped under estate VII), this cluster of estates is the least profitable. Using either measures of profitability, Estate I remains the most profitable (estate working profitability, 54.92%; operational profitability, 52.35%). The least profitable in both instances is estate VI (estate working profitability, 48.97%; operational profitability, 47.71%). In terms of performance gaps, there seems to be a wider gap between Estates I and VI in terms of estate working profitability (5.95%) than for operational profitability (4.64%). Such differences in financial performance suggest possible differences in the management of productivity within the estates.
TABLE 1
Cost Structure (%) and Profitability in Different Estates

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>Overall</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
<th>VII*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvesting</td>
<td>28.62</td>
<td>26.66</td>
<td>26.05</td>
<td>28.01</td>
<td>28.88</td>
<td>31.78</td>
<td>33.23</td>
<td>31.41</td>
</tr>
<tr>
<td>Processing</td>
<td>28.76</td>
<td>31.46</td>
<td>28.83</td>
<td>30.15</td>
<td>26.02</td>
<td>27.05</td>
<td>27.05</td>
<td>26.77</td>
</tr>
<tr>
<td>Distribution</td>
<td>4.32</td>
<td>4.67</td>
<td>4.28</td>
<td>4.48</td>
<td>3.85</td>
<td>4.31</td>
<td>4.21</td>
<td>4.11</td>
</tr>
<tr>
<td>General Expenses</td>
<td></td>
<td>12.23</td>
<td>11.22</td>
<td>12.03</td>
<td>12.10</td>
<td>17.62</td>
<td>10.50</td>
<td>12.23</td>
</tr>
<tr>
<td>Profitability+</td>
<td></td>
<td>54.92</td>
<td>50.23</td>
<td>52.53</td>
<td>44.93</td>
<td>48.80</td>
<td>48.97</td>
<td>47.93</td>
</tr>
<tr>
<td>Ranking</td>
<td></td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>n.a</td>
</tr>
<tr>
<td>Operational</td>
<td></td>
<td>52.35</td>
<td>48.30</td>
<td>49.97</td>
<td>41.19</td>
<td>45.82</td>
<td>47.71</td>
<td>45.19</td>
</tr>
<tr>
<td>Profitability++</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ranking</td>
<td></td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>n.a</td>
</tr>
</tbody>
</table>

* Estate VII comprises IV, V and VI
+ Profitability defined as estate working profits/revenue
++ Operational profits is defined as estate working profits less depreciation, duty and cess and miscellaneous expenses (excluding interest charges)

Differences in cost structures between the estates are also shown in Table 1. At the overall corporate level, these labour-intensive activities such as harvesting (28.82%), processing (28.76%) and cultivation (25.87%) constitute the major cost components whilst general expenses (12.23%) and distribution (4.32%) are less costly. What is most relevant for the shaping corporate performance improvements at the plantation level are the contrasting differences between estates in each aspect of the cost structure. Thus, for the cultivation of oil palms, the cost component ranges from a low 23.28% (Estate VI) to a high 28.81% (Estate II). In the case of harvesting activities, the lowest proportion is 26.05% (Estate II) and at the high end is 33.23% (Estate VI). The range for processing is 26.02% (Estate IV) to 31.46% (Estate I). This suggests that there are possibilities for improvements within the individual plantations for cost reduction. Interestingly, sharp differences are also seen for general expenses (10.50%, Estate V to 17.62%, Estate IV) as well as distribution cost (3.85%, Estate IV and 4.67% Estate I).

Level of contribution

There are differences in terms of the level of contribution by each of these estates to overall corporate performance in terms of output. Table 2 provides the breakdown in terms of contribution to corporate production, revenue (sales) and profits of each estate. As can be seen, Estates IV, V and VI together (shown collectively as Estate VII) contribute almost two-fifths of overall corporate production (39.25%), revenue (38.95%) and profits (36.75%). The remaining estates contribute roughly about a fifth each of the production (Estate I 19.35%; II 17.85% and III 23.55%), revenue (19.58%, II 17.85% and III 23.62%) and profits (21.18%, II 17.65% and III 24.42%). Seen individually, Estate III is the major contributor of production, revenue and profits.

Generation of non-palm oil income

There are subtle differences between the estates in generating non-oil palm-based sources of income (see Table 2). For instance, in the most profitable estate, the ratio of income from non-oil palm-based is seen
to be the highest proportionately (1.37), whilst the least profitable estate also tends to be the least diversified (0.04). Such differences are clearly too small to be really significant. The fact remains that oil palm is still the main source of revenue. This suggests that there is scope for estate managers to diversify into other cash crops for more productive use of given land resources.

The Process for Introducing Change

The underlying conceptual model for generating organizational commitments towards improving corporate performance is illustrated in Figure 2. The initial intervention process was implemented over a period of three days in a holiday resort setting. It implicitly assumes that social interaction in groups can assist in rational decision making (Hall, 1987).

Assessment

The process began with the creation of awareness among managers of the visible signs of an early sharp decline in corporate performance. Systematic analyses of a wide range of corporate financial performance measures (sales, profits, profitability, asset turnover, liquidity, returns on investment) were presented. It began with short, focused lectures using critical, in-depth analyses of the published 1990 annual reports of the company.

The accounting ratios in Table 3, computed from the financial statements, showed clearly that there were problems in the company. Following Eilon (1992), however, only key corporate performance ratios are reported here. These ratios are inter-linked. The primary performance indicator is return on capital employed (r; profit/assets). This is seen as a product of two ratios: net profit margin (α; profits/sales) and asset turnover (a; sales/total assets). The results of the analysis on corporate performance is tabulated in Table 3. All the three ratios had declined sharply. Analytically, both the factors of profit margin and asset turnover are seen to contribute almost equally (α by 39.81%; a by 37%) to the sharp decline in return on capital employed (r by 62.13%). Short lectures were used to explain the operational meanings as well as implications of the various accounting ratios.

This step was followed by open discussion on the causes of the sharp corporate decline in corporate financial performance. The sharpness of the decline in corporate performance seemed to evoke very strong, emotive responses from the managerial staff present. Certain weaknesses and threats were identified - growing competition amidst depressed commodity prices for palm oil, labour shortages, low productivity, poor morale, lack of teamwork and office politicking. Most interestingly, “politics” (defined as “inter-group conflict of interest”), following March and Simon (1958), rather than external factors seemed to be the dominant explanation for declining performance. Although some politicking can be expected to be featured as a cause for weakening corporate performances (Grinyer, Mayes and McKiernan, 1988), the intensity with which it is perceived by participants as being the main contributory factor is
surprising. The consensus emerging from the discussions is that politicking must be reduced drastically before any substantial, meaningful progress is possible towards corporate improvements.

**Focusing or strategy identification**

The next distinct phase of the intervention process was to focus the participants' attention on the more critical productivity improvements issues. Figure 3 was implemented in short lectures. Although the model might appear simplistic, it is important to realize that the real difficulty in managing productivity improvement is in motivating people rather than the lack of available management science techniques.

The model assumes that the manager of plantation
"A" has land area of LB hectares, and an output of O metric tonnes. If there exists a system for measuring physical productivity performance, then the productivity level for "A" will be determinable as O/LB metric tonnes per hectare. If through the process of successfully implementing productivity improvements, O may be produced with less land, say (L-l)x(B-b) hectares, then the excess agricultural land available as represented by the shaded area in Figure 3 may be available for diversification such as through the planting of cash crops that yield more economic return per hectare. The revenue generated from such diversifications may then be utilized by the respective estate managers.

The revenue for each estate may be seen simply as follows:

Revenue = Output x Price

Since price is determined exogenously, the critical issue that emerged in the discussions is for estate managers to have physical productivity improvements. Productivity improvement efforts are likely to lead to lower costs of production and more output per unit of input factor (especially land). If productivity is enhanced, then the available land freed for diversification may be used for cultivating other cash crops (\{(LB - (L-l)x(B-b))\) or simplified as \{(Lb+lb+B+lB)\}).

It is interesting to note how quickly the application of such models can encourage commitment among the participants. Indeed, the head-office staff were quick to agree that as the estates are able to sustain the current level of output, there is little need for tight administrative controls over what is to be done with the excess land. The "dominant rationality" for head office to have tight control of the performance of estates is based on the necessity to balance the corporate cash-flow. Perhaps, organization development practitioners may have underestimated the effectiveness of such simple but mathematically-grounded models for facilitation.

The discussions encouraged a consensus among
TABLE 3
Key Ratios of Corporate Performance+

<table>
<thead>
<tr>
<th>Key Ratios</th>
<th>1989</th>
<th>% change last year</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax</td>
<td>8,223,634</td>
<td>-55.29</td>
<td>3,767,630</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>110,818,505</td>
<td>+17.93</td>
<td>130,691,143</td>
</tr>
<tr>
<td>Turnover</td>
<td>22,344,654</td>
<td>-25.70</td>
<td>16,602,355</td>
</tr>
<tr>
<td>Return on Capital Employed$^2$ (t)</td>
<td>0.0742</td>
<td>-62.134</td>
<td>0.0281</td>
</tr>
<tr>
<td>Net Profit Margin$^3$ (α)</td>
<td>0.3680</td>
<td>-39.81</td>
<td>0.2215</td>
</tr>
<tr>
<td>Asset Turn$^3$ (α)</td>
<td>0.2016</td>
<td>-37.00</td>
<td>0.1270</td>
</tr>
<tr>
<td>r*</td>
<td>n.a.</td>
<td>n.a.</td>
<td>-0.6213</td>
</tr>
<tr>
<td>α*</td>
<td>n.a.</td>
<td>n.a.</td>
<td>-0.3981</td>
</tr>
<tr>
<td>a*</td>
<td>n.a.</td>
<td>n.a.</td>
<td>-0.3700</td>
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<td>Interaction value of a*·α*</td>
<td>n.a.</td>
<td>n.a.</td>
<td>+0.1473</td>
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+ Source: After Eilon, 1992

Notes: (1) Operationalized as net profit before tax/capital employed.
      (2) Net profit after tax/turnover.
      (3) Turnover/Capital employed.

the participants to form themselves into action study groups to improve the organization. Short intense lectures were given on theories of strategic management and productivity improvements to the participants. The groups then proceeded to discuss how they would reshape the corporate strategic planning process, work out a strategic productivity improvement action plan and develop a shared vision of corporate future. Each group leader and the members then presented their respective ideas. The organization development (OD) consultant (first author) then helped to facilitate an integration of these ideas as a whole.

The 3-day workshop was designed as part of an annual corporate strategic planning exercise. Prior to the commencement of the strategic planning workshop, the OD consultant met with company representatives (General Manager and Manager, Corporate Planning) in order to plan for the conduct of these planning workshops. Based on the prior analysis of the available financial statements, it is obvious that one of the critical problems confronting the company is improving productivity. Since the control and management of the operations in the company has been decentralized, there is a dire need to gain managerial commitments towards productivity improvements. Although there was a general understanding as to the objectives of the 3-day workshop, the facilitator was given wide scope to refine the workshop plans drawing on the experiences gained first-hand in the initial stages of the intervention process.

Implementation

The strong sense of commitment and resolve for making corporate improvements contrasted sharply with the divisiveness and despondency at the beginning. Participation in the collaborative group efforts had generated a high degree of commitment towards changes for corporate improvements. Also, in contrast to acrimonious feelings that prevailed at the commencement of the intervention, there was now a strong sense of unity and purpose among the managers. The facilitator (first author) had little
doubt that there was indeed a very strong sense of commitment for making corporate improvements among the participants. The detailed content of these strategies that had evolved from the group processes seem to further confirm the building up, during this period, of strong commitments among participants to corporate improvements. It would be quite unlikely for these to be developed if the participants had remained fragmented and divided.

One possible indication of commitment is the degree to which managers were involved in the strategic planning team to assist in the planning process. In earlier planning efforts, little opportunity was available for the input of line managers. Present planning efforts encourage a very active and involved planning process. To begin with, there is a requirement to integrate the participant’s beliefs and values within the corporate goals and to improve planning capabilities. Also, it is a requirement to integrate planning analyses with the external forecasts of future environmental trends, followed which an in-depth SWOT profile is determined (strengths, weaknesses, opportunities and threats). What should then emerge from these planning activities are specific project proposals. These proposals may then be “tested” in the marketplace for financial feasibilities. Even though these changes may appear to be inconsequential to an outsider, the process seems to be very satisfactory for those involved. Active participation in the restructuring of basic organizational processes such as in the redesign of the strategic planning process is seen as the key to generate psychological commitments to an organization.

**KEY STRATEGIES**

**Intervention process**

Figure 4 provides a synoptic view of the contents of the intervention process which were presented on flip-charts through the workshop sessions. The figure summarizes the strategy process, strategic planning model, and future strategic directions. Figure 5 outlines the productivity improvement action plan and the 1992-1996 work plan. These tangible outcomes are indicative of the success in implementing the intervention process - a participative, commitment approach to formulating strategies for improving corporate performance.

**Long-term strategies**

As a result of group discussions, several long-term strategies were mapped out. These obviously go beyond the typical 5-year work-plan. The different hierarchical levels involved in the process (ranging from the Chairman to the assistant managers) mean different time perspectives. Hannan and Freeman (1977) suggested that time perspectives may vary for the different levels in the organization. To respond to this, the managers sought to integrate the corporate strategies with the actions taken in the plantations for improving productivity. They suggested that strategic planning should involve constant scanning of the environment for emerging business opportunities. Where appropriate, opportunities should be translated into project feasibility studies. Such studies are to be evaluated by the board of directors. In the process, a data-bank of “bankable” projects is to be developed. The data-bank may prove to be a useful resource when diversification moves are envisaged. To minimize the risk involved in diversification, the choice of projects should relate to corporate strengths, capabilities or types of business. For instance, downstream manufacturing activities are obviously feasible alternatives to consolidate the company’s present plantation business through land acquisition: right price, right land and right time.

**Corporate productivity improvements**

A related output of the intervention process that suggests commitment is the enthusiasm seen in developing action plans for making corporate improvements (Figure 5). One possible indicator of commitment can be seen in how the estate managers proposed a collaborative-competitive strategy to improve productivity. For instance, as part of collaboration, estate managers agreed to pool their technical expertise (e.g. in the cultivation of higher yields plants) to enhance productivity. Also, estate managers could “experiment” with novel ideas for improving workers’ productivity and share their experiences. To enhance competitiveness, estates should compete for an annual “Most Productive Estate” award. A strong sense of self-reliance emerged from these group discussions. For instance, estate managers suggested that the funds needed for automation and mechanization should be accumulated from productivity gains rather than be provided by the
FIGURE 4

**Strategy Process**
- Performance Analysis
- Published Annual Reports: 1989 & 1990
- Threats of Competition:
  - Depressed Prices, Labour Shortages,
  - Low Productivity, Poor Morale, Lack of Teamwork
- Consensus Formation
  - Chairman,
  - Directors, Managers, Assistant Managers, Estate Managers and All Staff Present
- Major Critical Problem:
  - Improving Plantation Productivity
- Organizational Learning:
  - Approaches to Strategic Planning
  - & Productivity Improvement Strategies
  - Japanese Performance Management
- Brainstorming:
  - Development of Overall Corporate
  - Productivity Improvement Strategies
  - by Estate Managers as a Team

**Development of Strategic Planning Model**
- Evolving Corporate Philosophy and Values
- Developing Strategic Planning Capability:
  - "Plan for Planning"
- Gathering, Processing and Analysis
  - of Major Competitors' Actions
- Developing Forecasts of Environmental and Industry Trends
- Strategic Analysis based on SWOT Concept:
  - Strengths, Weaknesses, Opportunities and Threats
- Developing Specific Project Proposals
  - based on Product-Market Matrix Analysis
- Testing of New Proposals in the Marketplace for Financial Feasibility
- Exploring Collaborative Alliances as well as Diversification Opportunities
- Most Critically: To Maximize the Use of Present Available Resources: Agriculture Land

**Future Strategic Directions**
- A Consultant to Facilitate the Productivity Improvements
- Efforts in the Key Plantations: A Critical Success Factor
- A Longer Term Strategy is Required to Complement the Plantation Actions to Improve Productivity
- A Corporate Planning Unit to be Actively involved in Scanning the Environment for Opportunities
- To Develop Expertise in Translating Outside Opportunities into "Project Feasibility Studies" for Approval by the Board of Directors and Staff
- These Project Feasibility Studies are aimed at Building up a List of "Bankable" Projects
- A Need to Develop a Comprehensive Plan for Diversification based on Detailed Project Analysis
  - To Minimize Risk, Such Diversification Projects be Related to Present Corporate Capabilities and Strengths
  - Also, Explore the Possibility of Downstream Activities such as in Manufacturing
  - Consolidate their Market Share of Plantation Business to Build up their Land Bank if Given Suitable Opportunities:
    - Right Price, Right Land & Right Time
FIGURE 5

**Developing Productivity Improvement Action Plan (1)**
- Estate Managers ("Plantation Chiefs") to collaborate as well as compete
- Developing Incentive Scheme for Improving Worker’s Productive Efforts
- Plan for Developing and Improving the Infrastructure in the Plantations
- Work Out a Plan for Improving the Workers’ Welfare in the Plantations
- To Develop a Mechanism for Sharing of Ideas on How to Improve Productivity in the Plantations
- Cultivate in Workers the “Daily Efforts in Productivity Improvements Attitude”
- Plantations to Develop Common Measures of Productivity such as Output per Worker or Output per Square Ft.
- Plantations to Compete in Productivity Performance

Using the Productivity Measures - “Most Productive Estate”

**Developing Productivity Improvement Action Plan (2)**
- Plantation Chiefs, through Productivity Gains to Accumulate Funds for Mechanization of Operations
- Plantation Chiefs to Work Towards Diversification in Planting of Cash Crops
- To Develop and Share Plantation Expertise such as in Planting High Yield Crops
- Plantation Chiefs to Develop the Managerial Skills of the Assistant Estate Managers to ensure continuing Expertise
- To Develop Tight Monitoring and Control of Plantation Productivity; e.g. Index of Performances
- To Cultivate in Workers Quality and Cost Consciousness: No Wastage, Efficient Handling and Teambuilding
- To Minimize Office or Plantation “Politicking” as this will Lead to Low Productivity
- To Develop Productivity Gainsharing on a Team Basis in the Plantations
- To Develop an Effective Recruitment Strategy: Hire and Train Local Malaysian Workers

**1992-1996 WORK PLAN**

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head office! There was also consensus on the use of quantitative measures of productivity to facilitate more effective monitoring and control of operations. They agreed to start the process by charting output per worker indicators and, eventually, develop a wider range of measures to provide longitudinal comparisons.

**Motivational Improvements**

There is also concern with motivational issues as part of corporate improvements strategies. The human relations perspective is featured strongly with certain themes being emphasized: work safety, training on improving techniques, improving morale through motivation, team-building, more effective recruitment, infrastructural improvements for workers. There was consensus that some form of "goal orientation" is needed for corporate improvements to be realized. Also, workers should be motivated through plantation campaigns aimed at getting workers to be more efficient and quality-conscious and to reduce wastage. For example, workers should develop the attitude of putting in "daily efforts in productivity improvements". To enhance both workers' morale and to improve productivity, some form of gainsharing schemes should be worked out as well. These proposals are consistent with the classical theories of motivation (e.g. Herzberg and Snyderman, 1959).

**Power issues**

Power issues (Clegg, 1989) are found to be embedded "in and around" the various issues (Mintzberg, 1983) and they in group discussions. For instance, this is embedded in the call for a formal, more systematic approach in developing the technical competence of the Assistant Estate Managers. The widely held perception is that the estate managers are generally reluctant to impart their knowledge and skills in the finer aspects of estate management. One plausible reason seems to be the fear of weakening their base of expertise power if such skills are being disseminated or imparted to their assistants. There is also a general consensus that the level of "politicicking" in the organization should be kept within bounds. Organizational politicking is seen widely as dampening the productivity performance of the plantation. Even though this a profit-oriented organization, such an observation is consistent with the pervasive influence internal political structures have in influencing the level of commitments (Knoke, 1981).

**Five-year work plan**

Another indication of the growing sense of organizational commitment was seen in the development of a specific work plan (1992-1996). The ideas that have evolved out of the group processes are translated into a range of activities. These are charted in Figure 5 and include plantation productivity improvements, the development of strategic planning capabilities and human resource development. As part of core activities diversification, there should be moves into Indonesia. For non-plantation diversification, businesses should be developed in stages. To minimize risk and maximize organization learning, the first step should be to open a "window" to any new business through some form of corporate involvement. The initial shareholding interest could be enhanced in time to that of a substantial minority interest, and followed ultimately by securing controlling interest in any new business undertaking. Managers, through such participation in shaping the work plan, may have derived psychological satisfaction engendering growing commitments to making corporate improvements.

**Post-intervention performance**

The financial data in Table 4 extracted from audited financial statements of the corporation reflected remarkably sharp improvements. Obviously, there are many external factors that may explain such sterling performance, especially the overall growth which is occurring in Asia overall. Asian growth rates are approximately 5 to 10% in the most dynamic economies while China has a slightly higher rate of 10% to 20%. Indications specific to the palm oil industry are hardly as rosy: "Asian palm oil prices likely to weaken further" (caption, Singapore Straits Times, Oct 4, 1993). The improvements in performance suggest that profits are 186.58% higher and turnover is 15.38% higher. The most remarkable corporate performance improvements are captured in the ratios of capital employed (184.34% improvement) and net profit margin (148.3%
improvement). This intervention sought to improve the performance measured by such criteria and it might be reasonable to assume that some of this might be attributed to the intervention. The intervention could have instilled much higher aspirations in the senior management. Alternatively, the senior management may be more goal oriented and more motivated. Motivated senior managers may in turn inspire greater workers’ commitment to the organization and thus enhancing organizational effectiveness (Angle, et al., 1981).

DISCUSSION

As the literature on organization development (e.g. French and Bell, 1990) suggests, the success or failure of any intervention is dependent on certain conditions - for instance, the degree of involvement of top management in the process. In this project, those involved at the top were strategic level managers (“Chairman”, “Director” and “Chief Executive”) as well as the main staff (“Manager of Planning and Development”, “Administrative and Corporate Affairs Manager”) and key line managers (“Senior Estate Manager” and “Estate Manager”).

Another factor that may have contributed to the success of organization development intervention is the interdisciplinary richness of context within which the improvement ideas are surfaced, debated, argued and disposed of in a variety of ways. Those participating in the intervention process collectively represent a rich mix of multi-disciplinary skills and talents. The managerial group included people with a diversity of skills in economics, management, business, social sciences, engineering, psychology, accounting, chemistry. Reflecting the agri-business background of the company, there is some dominance of agriculturally-based qualifications (agri-cultural economics, management, business, engineering; land management; rural development). The dynamic interplay of ideas, when participants with such diverse backgrounds interact, is truly exciting. Such an observation is consistent with empirical findings by Foo (1990), which found evidence of interdisciplinary interactions in the strategy formulation process.

The emphasis on providing productivity information may be equally important in contributing to the success of organization development intervention process. Indeed, rationalism may be stimulated by the use of very simple yet powerful quantitative models. For instance, a simple model is used to draw out the logic of productivity improvement as a critical element in formulating corporate strategy. The simple quantitative model is found to be most useful to focus the discussion on the major, strategic issues in seeking productivity improvements internal.

This paper contributes by providing some qualitative insights into how an organization may be
able to generate organizational commitments towards corporate improvements through implementing an organization development intervention. There is an obvious lack of organization development case studies drawn from the ASEAN region. Yet, this is economically one of the world's fastest growth regions. Such case studies that detail the contextual content, as well as the process aspects of organization intervention, can supplement our understanding of corporate productivity improvement achieved through other empirical research investigations (Foo, 1990). There are useful lessons that may be drawn from this case study for generating managerial commitment to improvements.

First, it is important to realize that the success in the application of organization development intervention techniques may also be due, at least in part, to the gotong royong culture prevalent among the Malays. Guillic (1987) has defined gotong royong as "working together, cooperation in a village". For the facilitator (author of this paper) personally, it is a new and enlightening experience to witness religious ceremonies being held at the commencement of the intervention process. This lends support to Meyer and Rowan’s (1977) observation that corporations often incorporate practices reflecting societal ethos reflecting an embedded perspective of organizations. There is a paucity of real-world case studies that explore a possible role for culture (so far, none that is reported that is drawn from a Malay community) in explaining success or failure in the use of OD interventions. Culture may be a major factor in determining the outcomes in the application of any OD techniques. Recent work suggests that there are cultural differences (ownership) in how organizations organize for productivity improvements (Foo, 1992).

Secondly, the case provides an opportunity to empirically “test” the relevance of conditions often cited in the organization development literature (French and Bell, 1990), for contributing to the success of its implementation. Clearly, the personal and active involvement by top management as well as facilitation by an external consultant are important factors. Equally important are the facilitative skills of internal managers during the group processes. The developmental approach emphasized during the process also helped. Another important factor is the rich mix of different disciplinary backgrounds of the participants as well as their experiences.

Thirdly, future research of this genre may explore the possible roles for mathematical models in facilitating organization development interventions. Given the eventual easy availability of palm-tops computing power, there is likely to be some scope for involving the use of analytical models as part of the organization intervention process. This will help complement the tendency of management science literature to focus attention mainly on the more technical or analytical aspects of mathematical models (e.g. Foo, 1989 and 1992).

REFERENCES


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