



Campus MBA (FT/PT)

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Change&Stability Management

Organisational Change Case Study

Taking Tsingtao Beer as an Example

Written

By

Conghui He

Student number:2234026

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Executive Summary

As the oldest beer and beverage industry in China, it is a big challenge whether Tsingtao Beer can continue to flourish under the background of the new era. This composition aims at collecting various materials about Tsingtao Beer and then using various analytical tools to judge whether Tsingtao Beer should determine whether to formulate a strategy of change or stability in the development of the organization. Summarize the necessity of reform through analysis, and then give suggestions and directions for organizational reform based on data.

1. Introduction

Background

Beer has a long history and is the third most consumed beverage in the world after water and tea. Beer occupies an important constituent position in the alcoholic beverage industry, and China is a big country of beer production and consumption in the world.

Since beer was introduced into China, the beer industry has developed rapidly in China. Tsingtao Beer is produced by Tsingtao Beer Co., LTD., formerly known as the state-owned Tsingtao Beer, which was founded by British and German businessmen in 1903 and is one of the earliest beer production enterprises. 2008 Beijing Olympic Games official sponsor, among

the world's top 500 brands. Its products are exported to more than 100 countries and regions in the world, such as the United States, Japan, Germany, France, the United Kingdom, Italy, Canada, Brazil, Mexico, and so on (Yin, 2016).

The company's expansion has gradually shifted towards competition based on quality and differentiation. In addition, the concentration ratio of China's beer market is very obvious. Now, thanks to China's huge population, Tsingtao is the world's second best-selling beer with 2.6% of the world's total beer market (David A. Howard, 2019).

At present, the concentration of the domestic beer market is increasing, and the increasing number of competing products may lead to further intensified competition in the domestic middle and high-end product market, resulting in the continuous growth of advertising, promotion and other market costs. Therefore, in order for Tsingtao Beer to gain a foothold in market competition, it is necessary to improve their comprehensive ability.

The reason for change

In the past three years, the Pop and Pour market share of Tsingtao Beer has increased significantly. Beer is a FMCG product, but the Pop and Pour market share of beer is declining, which seems to indicate that consumers are not drinking. And Tsingtao Beer crisis, not only increased inventory pressure, dealer debt also increased.

The price of wheat, one of the main raw materials of beer, continues to rise. In recent years, the beer industry presents an obvious trend of low calorie and low alcohol. Low calorie, low alcohol, more focus on quality sense of "craft beer" has become the hottest track in the beer industry;

In addition to low alcohol, low calorie, beer cross-category fusion trend is increasingly significant. For example, beer milk tea, beer coffee, alcoholic soda, etc. These low-calorie, low-carb water, low-alcohol drinks can not only let people enjoy a moment of tiresome relaxation, but also do not affect the normal work after the health burden, so they are deeply pursued by young people.

While some premium ice cream products receive criticism because of their jaw-dropping prices, the newly launched Moutai ice cream has become an internet sensation and is being sought by a large number of consumers across China.

Now the domestic liquor market is undergoing changes, such as Moutai, the newly launched Moutai ice cream has become an internet sensation and is being sought by a large number of consumers across China(Contemporary pioneer net, 2022).

2.SWOT Analysis

A.Strength Analysis

Tsingtao Beer is obvious in both domestic and international advantages.

1.Domestic advantages: Tsingtao Beer is the largest beer producer in China, According to (Solley, Samuel, 2005) literature, Tsingtao Beer with the honor of "century-old national enterprise" and prominent international brand image. Especially with the help of the platform of 2008 Beijing Olympic Games, the international popularity of Tsingtao Beer has been enhanced again, and the internationalization effect of capital is obvious, which can rely on Tsingtao Beer as an external window.

2.International advantages: The product quality of Tsingtao Beer is excellent, and it has won the world product award for many times. The product price advantage of Tsingtao Beer is outstanding, which is a magic weapon in the fight of many international brands. Tsingtao exports to 85 countries and regions, and now ranks sixth globally in production, according to the Barth Report, an authoritative beer industry compilation(China Daily, 2014)

B.weakness analysis

Tsingtao Beer through the expansion and refinement of the development stage, the disadvantage also gradually appeared.

1.Domestic disadvantages: Compared with other domestic brands, the price of Tsingtao Beer is a soft spot in the international realization, especially in the market of developing countries, the "high price" of Tsingtao Beer has become a trend, and the overseas market channels are inferior to Yanjing, Snowflake and other enterprises to some extent(Shacom Finance Limited, 2021)

2. International disadvantages: Tsingtao Beer's overseas market share is very insufficient; The corporate brand image of "Made in China" exists; After the pandemic, consumption power has decreased and international trade has been affected; The natural disadvantages of capital technology management experience are difficult to compete with international beer giants, and the international market channels of products are limited(Shuju Wu, 2020).

C.Opportunity Analysis

The national enterprise image of the century-old brand, especially the recognition of the overseas Chinese to this image is improving. After nearly ten years of China's accession to the WTO, the internationalization experience is increasingly rich, and the pace of internationalization is gradually accelerating. The development of the southeast market and the consolidation of the Latin American market are all major market opportunities(Chi Zhang &Yuan Huang,2022).

D.Threat analysis

Tsingtao is under threat at home and abroad.

1. Domestic threat: Yanjing, Snowflake and other domestic beer brands are accelerating their internationalization process and becoming international rivals. The international market of Qingdao Beer is also facing segmentation. After the merger and acquisition of Harbin Beer and other brands, with the help of the international channels of international beer giants, they begin to impact the market channels of Tsingtao Beer(Yanjing.com.cn,2023).
2. International threat: many international beer giants have begun to enter the Chinese market, and Tsingtao Beer is facing the threat of "being attacked from the inside and the back". Tsingtao Beer's loophole in introducing foreign capital makes Tsingtao Beer face the possibility of being acquired by Japan's Asahi Beer and losing its national brand to become a Japanese company(Zhong Ren &Ge Yan, 2023).

3.Consider the driver factors for change

A.Competition

The profit source of Tsingtao Beer mainly comes from mid to high-end products. Although products such as “Chunsheng” and “Auguste” have already occupied a certain market share, with the rise of high-end beer brands, the

domestic beer market pattern has ushered in new variables, and Beer companies are vying for high-end tracks and adding high-end products. As Tsingtao Beer, China Resources Snow Beer, Yanjing Beer, Chongqing Beer, and other high-end beer industry chains continue to layout, competition has become increasingly fierce. At the same time, compared to Budweiser Beer, which has the highest market share in the domestic high-end beer industry, and its competitors who are constantly seizing the market, Tsingtao Beer's high-end product marketing strategy is not yet mature enough. The high-end series such as Black Beer, White Beer, Hongyun Toutou, and IPA Craft Brewing have not fully opened up the market, and their advantages are not obvious when competing with other beer brands.

B. Digitalisation

The application of digital technologies such as the Internet, information technology, cloud computing, blockchain and so on has made great changes in all fields of society. Enterprises in all walks of life are undergoing Digital transformation. The changes in social environment in recent years have accelerated the process of Digital transformation of enterprises. With the impact of the COVID-19, measures to promote the digital progress should also be strengthened.(L.Zhu&Y. Wang,2021)

C. Culture

The development of Tsingtao Beer has had a profound impact on the lifestyle of local residents in Tsingtao. Tsingtao beer culture has become a carrier of urban culture and a microcosm of the daily lives of local residents in Tsingtao. In recent years, there have been more and more entertainment and cultural venues with the theme of Tsingtao beer culture. The rich experience has attracted a large number of tourists, which has also driven the tourism industry in Tsingtao. The increasingly healthy and mature various activities have gradually emerged, reflecting the diversified development of Tsingtao beer culture, not only driving the development of the city's economy and tourism industry, but also increasing the city's visibility.(Mingde Li,2022)

4.Resistance factors to the change

The resistance to change mainly comes from two major sources:

A. Internal resistance and external.Among the hundreds of companies surveyed, two-thirds of their quality management reform measures failed to produce the expected results. The situation of enterprise reengineering projects is similar, with a failure rate of about 70%. John Cooke from Harvard University studied the "corporate reengineering" projects of 100 companies, all of which were initiated by senior leaders after careful consideration. However, more than half of these companies were forced to step down at the beginning

of the change due to heavy resistance, and some were left unfinished in the process. The same applies to Chinese enterprises. As Robbins said, dealing with internal resistance The most common way to communicate with resistance is through persuasion, education, bargaining, social exchange, manipulation, and even coercion, which can more or less dispel resistance to change.(Fei Aihua,2019)

B.Internal resistance is further divided into personal resistance and organizational resistance:

a.Personal resistance: Employees' personal resistance stems from the basic human nature: fear and insecurity of the unknown: change will break the established contract between individuals and organizations, they also worry about changing past habits, resulting in reduced income, and coping with new leaders and relationships. Organisations seeking to bring about small changes to structures or tasks might find they meet greater resistance than they expected because they underestimate the psychological importance employees attach to these existing arrangements(Burnes Bernard,2017).

b.Organizational resistance: Organizational resistance includes long-term structural inertia and group inertia, as well as threats to professional knowledge, resistance to existing power relations and existing resource allocation. In order to ensure the good development of the enterprise through organizational change, it is necessary to coordinate the organizational

structure of the enterprise and ensure that its organizational model is scientific and reasonable.(Xi Ying,2021)

5. Change Management Module ——Force Field Analysis

Driving Forces

1. Product tastes are different. Because the operation and management cannot be unified due to a large number of mergers, However, differences in equipment, technology and other aspects lead to a lack of unity in the taste of goods(Wine knows,2032)

2.Consumer group is an important factor affecting beer sales. Beer is a Fast moving consumer goods, which are mainly consumed by young people, who like to try different brands and tastes. With the intensification of population aging, the market may shrink(New Yellow River client, 2022).

3.Should pay more attention to the tastes and ideas of young people.Impact of the COVID-19,China's economy is in a state of decline, and sales and profits may decline in the next few years(He Hong-yuan& Chen Sha,2022).

Restraining Forces

1.Worried that the unification of tastes will surely lose some customers who like diversified tastes,And the difference of beer taste has a great relationship

with water source(Jiang Z,2021).

2.With the help of "Double 11" shopping festival, it has attracted the attention of a large number of young people. Tsingtao Beer took the lead in Singles Day sales data across major e-commerce platforms. With the World Cup approaching, Tsingtao Beer sales growth trend is expected to continue(Jinan Times, 2022).

3.Most industries are affected by the economic downturn in china. The investment in overseas market expansion and e-commerce is too large in the early stage, and the short-term rate of return is low (Ouyang Zhirong & He Wei & Jiang Yun, 2018) .

6. The timing of change

When should an organization undergo change?Organizations start from a period of ignorance in the market, then enter a period of ability and confidence, then enter a period of maturity, and then as the market becomes more saturated and products become more abundant, they will move from a mature period to a declining period. Assuming there are point A and point B, point A refers to the rising stage of building capability and confidence in the enterprise, and point B refers to the node at the peak of the enterprise but with a simultaneous downward trend.

In reality, there are no absolute points A and B, and there is no absolutely correct answer. Choose point A for transformation. If successful, it will be

innovative and leading, but if unsuccessful, it will become a martyr. The change at this point is crucial for leaders. Foresight and judgment are great tests. Once misjudged, the enterprise will be in a VUCA (volatile, uncertain, complex, ambiguous) stage.

In contrast, the advantage of point B lies in its downward trend. To make changes, there is no need to convince the team. The willingness to organize changes is relatively strong, and as a leader, it is easier to promote change at this point than at point A. The disadvantage is that the team's morale and morale at this stage are not as good as point A.

From the perspective of research data, companies with relatively large size undergo organizational changes at point B, while companies with small size select point A. (Yulin Zhang, 2021)

For the scale of Tsingtao Beer, point B is undoubtedly better.

7. Conclusion

In terms of the emotional fallout that change can produce, a recent McKinsey's survey (2006) suggested that only 6 per cent of change management projects were completely successful and 32 per cent 'mostly' successful; the range of negative emotions were as follows: 44 per cent of people were anxious, 22 per cent confused, 23 per cent frustrated and 24 per cent fatigued. And that was for the successful projects. Figures for the unsuccessful projects were even higher (Esther Cameron & Mike Green,

2009) .

With the normalization management of COVID-19, retaliatory consumption has emerged. Wine culture has a deep position in China. It can increase the Cost input in nightclubs, bars and other places where young people gather. If the consumption of young people cannot be grasped, the development of Tsingtao Beer will be affected in the future.

Continue to build core competitiveness. With decades of internationalization experience and high brand awareness abroad, Tsingtao Beer faces "locked resources, controlled channels, huge costs of overseas expansion, and insufficient domestic profits to support Tsingtao Beer to go global" on the road of internationalization. How to continuously build the core competitiveness - "overseas market expansion ability" is the first urgent problem that Qingdao Beer and even Chinese enterprises should consider in the internationalization.

8. Recommendations

Tsingtao Beer should integrate existing resources, improve production and management technology, as well as the newly built plant and the purchased plant can be unified in specification and type, and the old plant can be transformed, so as to realize the optimization of various plant parameters. Unification ensures the uniformity of beer taste.

When change only needs to consider small-scale increments, it is

sufficient to fully expand one's own advantages and seize opportunities. For example, adding new brands to meet the needs of low-end customers, as Tsingtao Beer has sufficient production lines to compete with low-end products in terms of cost, and to highlight product characteristics (such as hygiene conditions, taste, etc.). We can also grasp the current market growth trend and expand the world share to achieve incremental goals.

On the road of internationalization, Tsingtao Beer should try its best to maintain product quality, highlight product features, enrich product types, increase research and development efforts, improve corporate image and enhance consumer satisfaction, so as to better go abroad and face the world.

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