



LEVEL 7 ASSESSMENT SPECIFICATION

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Programme:	MBA		
Module:	Change & Stability Management		
Module code:	HKBM7015	Contribution to Overall Module Assessment (%):	75%
Lecturer:	Dr. Joe Leung	Internal Verifier:	Dr. Poon Che Cheong
Assignment Title:	Assessment 2 Report	Word count (or equivalent):	2,823 words
Submission deadline:	18 April 2022	Return date of provisional marks & written feedback:	17 May 2022
Submission method:	All written assessments, where practical and possible, must be submitted via Turnitin unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into Turnitin or it will match many similarities with other students' submissions.) Alternative submission method (if applicable): Late submission of the assessment will result in a late penalty mark. Penalties for late submission: Up to one week late, maximum mark of 50%. Over one week late, 0%. Only the Extenuating Circumstances Panel may approve a change to submission dates.		
Academic honesty/ referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

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1 Introduction

This report will base on Ajisen (China) Holding Limited to analyse its current crisis and issues influenced by internal and external factors. Then it will conclude that change is necessary and beneficial to the business. The recommendation to the business will be give details examples combining with Prosci Methodology of 3-phases Changing Process to help the business plan and execute the change process. After the implementation of the change model, the business will keep balancing change and sustainability.

2 Background of Ajisen (China) Holding Limited

The history of the Ajisen brand was found in 1968 that Mr Shigemitsu Takaharu opened the first Ajisen restaurant in Kyushu, Japan. Now the brand has 65 restaurants in Japan and 754 restaurants overseas, which over 90% are in China (Ajisen Japan, 2022).

Ajisen (China) Holding Limited (HKEX: 538) is one of the leading fast casual restaurants in mainland China and Hong Kong. The company established in 1996, opening its first restaurant in Causeway Bay, Hong Kong. The restaurants sell Japanese ramen and Japanese-style dishes by incorporating Chinese preferences flavors. The company have developed more than one hundred types of dishes combining fast food culture and traditional restaurant elements. Ajisen (China) was listed on the Hong Kong Main Board of the Stock Exchange in 2007, which was the first domestic catering chain company listed overseas. The company has won different award within the industry, such as “2007 Best Mid-Cap Equity Deal”, “Asia’s 200 Best Under A Billion” etc (Annual report, 2020).

The key selling point or distinguished feature of Ajisen Ramen is their “famous white soup” which was made from the slow-cooking of tender pork ribs, with its emphasis on simple, hygienic, convenient, tasty and healthy noodles (Ajisen NYC, 2022)

3 Critical Evaluation of the Organizational Change

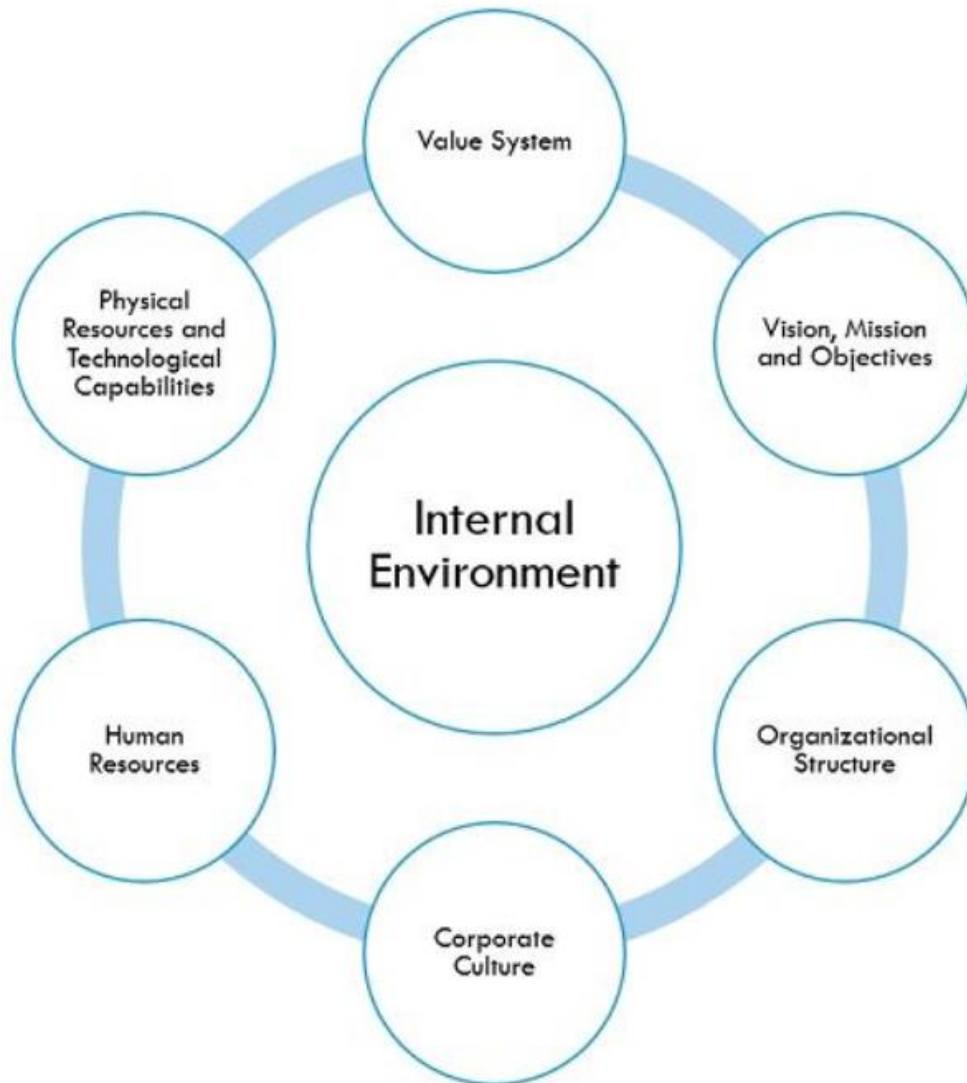
This section will cover details internal and external factors that affect Ajisen group’s business. These factors drive Ajisen to make changes to cope with the pressures, and the changes are beneficial to the group.

3.1 Stability in the Modern Business Environment

There are internal and external environmental factors that influence organizational activities and decision making. The organizational environment is always dynamic. Companies should analysis its internal and

external environment to judge what changes companies need to make to achieve its objectives, mission and vision. The strategies of the change won't be fixed. A six-year study of Fortune 500 companies is: concentrate on stability within a changing environment – don't fixate on change (Scott-Morgan, 2001).

Figure 3.1 Internal Environment Factors



Source: Cawsey, Deszca and Ingols, 2016

Within the Figure 3.1 listed internal environment factors, there are below highlights that the Ajisen (China) Holding Limited needs to focus on:

Vision, mission and objective: In Ajisen China and Hong Kong's homepage, the vision is – to make the world be more delicious, to make human beings healthier. The mission is – Build a world class food industrial chain, focus on delivering Asian food globally (Ajisen HK, 2022). The vision itself fits the company as a long-term target. Two key important aspects for food to customers are taste and healthy to body. However, the marketing strategy needs to emphasis what the company has done to achieve the vision. In other words, to show the customers its ingredients and cooking way to convince the customers. The management should consider how

to strengthen the “delicious” and “healthy” concept to public by different channels, which includes digital marketing platform which currently the group was not doing quite well. The company’s mission of “world class food industrial chain and deliver globally” should be questioned. Below Table 3.1 shows the past 10 years number of restaurants under Ajisen (China) Holding Limited. There are not many restaurants opened in non-Asia regions, currently there are two restaurants in Europe. The company mission should be reconsidered and defined as the scope of “globally” is not matching the current picture or trend of the business. If the mission is still to target a globally market, the management should have a series of short-term and long-term plan to develop global market, not only Europe, but real global scale.

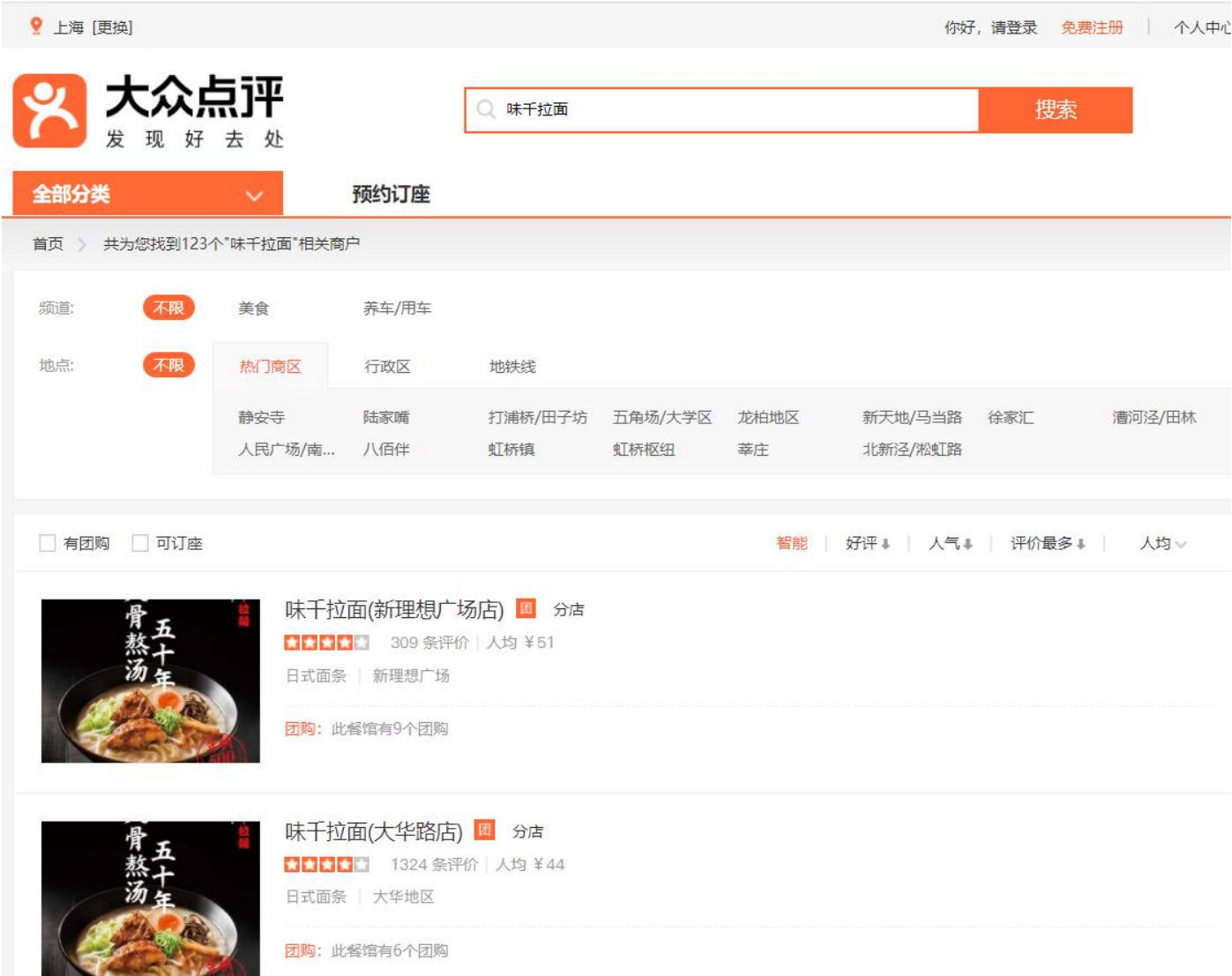
Table 3.1 Number of Restaurants of Ajisen (China) Holding Limited

Number of Restaurants	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Mailand China	698	770	735	674	614	635	630	600	628	636
Hong Kong	22	27	30	29	35	38	39	38	35	38
Europe	2	2	1	1	1	0	0	0	0	0
Total number of Restaurants	722	799	766	704	650	673	669	638	663	674

Source: Ajisen Annual Reports, 2011-2020

Physical resources and technological capabilities: the company is still under the traditional dine-in restaurant mode technologically while the industry has been operating in different ways. Below Figure 3.2 shows the rating numbers and rating of Ajisen’s restaurant in Shanghai, China via one of China’s most popular food rating platforms, which the score is 4 out of 5 with hundreds or over one thousand comments, while some popular restaurant has over 40,000 comments. Figure 3.3 shows the rating in Open Rice, one of the most popular food rating platforms in Hong Kong. The result is also disappointing with very less comments. Both China and Hong Kong market are converting to online platform for reviewing comments, finding restaurant information, for example, location, spending per head, menu, on-line booking and promotions. Ajisen group should assign internal department to view and act how to boost more comments and positive comments online. It could be the Marketing or the Public Relationship departments.

Figure 3.2 Ajisen Restaurant Rating in Dazhong Dianping



Source: Dazhong Dianping, 2022

Figure 3.3 Ajisen Restaurant Rating in Open Rice



Source: Open Rice, 2022

Other than the online rating, booking ordering platform, Ajisen (China) Holding Limited does not have its own app which is less competitive and attractive compared with its competitors. For other Japanese food groups, many of them have developed convenient app for its members for functions as booking remotely, saving points that can be redeemed in the future purchasing, other food purchasing, alerts for discounts etc (Aspray, Royer and Ocepek, 2013). Ajisent (China) Holding Limited will lose the young generation customers without change its technology to catch up the market.

By analysing internal environmental factors, the areas of vision, mission and objective; physical resources and technological capabilities should be the first priorities that the company should lay their eyes on.

On the other hand, there are also external factors that the group should drill down to details and keep monitor the dynamic environment. There are various tools that the group could implement to proceed external factors analysis. One of the most common tools is PESTEL. It can be used to identify the macro forces that an organization is facing. The letters stand for Political, Economic, Social, Technological, Environmental and Legal (Feys and Probert, 2019).

Table 3.2 PESTEL Tool

P	E	S	T	E	L
- Government policy - Political stability - Corruption - Foreign trade policy - Tax policy - Labour law - Trade restrictions	- Economic growth - Exchange rates - Interest rates - Inflation rates - Disposable income - Unemployment rates	- Population growth rate - Age distribution - Career attitudes - Safety emphasis - Health consciousness - Lifestyle attitudes - Cultural barriers	- Technology incentives - Level of innovation - Automation - R&D activity - Technological change - Technological awareness	- Weather - Climate - Environmental policies - Climate change - Pressures from NGO's	- Discrimination laws - Antitrust laws - Employment laws - Consumer protection laws - Copyright and patent laws - Health and safety laws

Source: Feys and Probert, 2019

For Ajisen group, political could be complicated and sensible to the business in difference regions as people's acceptance to Japanese food and culture vary. In China, there are over 70 years of anti-Japanese sentiment in the country (BBC, 2014). The group in China has clarified themselves as a Hong Kong based company to make Chinese customers' acceptance. It helps the group to overcome the difficulty time that the China-Japan

relationship was tense. In contrast, Japanese food and culture is quite popular amongst Hong Kong people, especially young generation (SCMP, 2017). In general, China market is a bit challenging for Ajisen from political point of view. However, it is an advantage for Hong Kong market.

Economic point of view, it is quite challenging since 2019 COVID outbreak globally including China and Hong Kong. As restaurant industry requires more contacts of customers and sellers, it is more difficult to other industries, for example, trading. Below Table 3.3 show some figures of Real GDP Growth, Trading Figures and Unemployment rate in the past ten years of Hong Kong, China and globally. For the figures, it shows the real GDP growth recorded 2.8 in 2019 and -3.1 in 2020 which compare with the past years above 3 is a big drop. China keeps growth in all years, but 2020 rate decreased to 2.3 which is the lowest in the 10 years. Hong Kong had two years negative rates which 2019 shows -1.7 and 2020 shows -6.1. Export and import numbers decreased 2.8% in 2019 and around 7% in 2020. The same declining trend was recorded for Hong Kong and China respectively. Unemployment rate increased to 6.47 in 2020, which shows the highest in the past 10 year. Hong Kong recorded 5.8 which is very high compared with past figures around 3. All figures show the macroeconomic environment was very tough after COVID-19 outbreak.

Table 3.3 Real GDP Growth, Trading Figures, Unemployment Rate in the past Ten Years

Real GDP growth (Annual % change)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Mainland China	10.6	9.6	7.8	7.8	7.4	7	6.9	6.9	6.8	6	2.3	8
Hong Kong SAR	6.8	4.8	1.7	3.1	2.8	2.4	2.2	3.8	2.8	-1.7	-6.1	6.4
World	5.4	4.3	3.5	3.4	3.5	3.4	3.3	3.8	3.6	2.8	-3.1	5.9

Exports goods – annual (Billion US dollar)							Imports goods – annual (Billion US dollar)					
Location	2015	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019	2020
Mainland China	2274	2098	2264	2487	2500	2591	1680	1588	1844	2136	2079	2058
Hong Kong SAR	511	517	550	569	535	549	559	547	589	627	578	570
World	16561	16047	17747	19560	19020	17619	16737	16213	17988	19840	19290	17829
Exports goods Year-on-Year Change							Imports goods Year-on-Year Change					
Mainland China		-7.7%	7.9%	9.8%	0.5%	3.6%		-5.5%	16.1%	15.8%	-2.7%	-1.0%
Hong Kong SAR		1.2%	6.4%	3.5%	-6.0%	2.6%		-2.1%	7.7%	6.5%	-7.8%	-1.4%
World		-3.1%	10.6%	10.2%	-2.8%	-7.4%		-3.1%	10.9%	10.3%	-2.8%	-7.6%

Unemployment rate	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mainland China	4.09	4.05	4.09	4.05	4.02	3.90	3.80	3.62	4.24
Hong Kong SAR	3.29	3.40	3.30	3.32	3.39	3.09	3.04	2.96	5.80
World	5.78	5.77	5.63	5.63	5.66	5.55	5.37	5.37	6.47

Source: IMF, Statista, WTO

Social point of view changed a lot for the restaurant industry. In terms of population growth rate and age distribution are quite flat. However, people's health consciousness, lifestyle attitude changed due to COVID-19. People concern more about the quality of the food, eating more natural, organic food are accepted. However, fears of dine-in and more home-cooking are challenges for the restaurant businesses (Di Renzo et al., 2020). For Ajisen group, to make themselves a "healthier" brand should be in a priority to-do list. Make

some products to help people home-made is also a good channel to expand their current business. Ajisen hand-made noodles, fresh vacuum-packed white soup etc should be new products for customers to purchase in different channels.

Technological urgency was mentioned earlier that the online purchasing has changed lot of peoples' buying habits especially amongst young people and during COVID-19 to be contactless. Many companies would consider technological change or upgrade as one of their initiatives.

In conclusion, external factors are not all beneficial to Ajisen group, some might be challenging, for example, economic factors and technological factors. Ajisen group need to analyse data and define future directions and initiatives. Both internal and external factors will change by time. The group should review and capture the updates timely so that to adjust their change plan accordingly.

3.2 Beneficial and Exceptional Event

For Ajisen group, change is beneficial for them in a long-term perspective. There are multiple reasons for an organization to change. For Ajisen group, below are the reasons that drive for changes:

Crisis: COVID-19 is the most challenging to the group and whole restaurant industry. There are also other crisis like the conflict between Ukraine and Russia lead to the tight supply and increasing price for food (CNN, 2022). It will impact the Ajisen groups food material supply and price as well. Procurement department should take actions, for example, negotiate with suppliers with a longer-term contract with better price; to source multiple suppliers as contingency plans etc.

Performance gaps: It shows on Ajisen's annual report that financial performance gives alert to the management of the declining revenue and negative profit. The group has to change to make it convert completely. Making profit is the main objective for many businesses so that they can survive in the market. As the profit is related to both revenue and cost, the group should look at both sides to maximize its profit.

New technology: It is quite common and normal in the restaurant to apply online sales, online delivery or even own app for customers easy operation. Not mentioning some Japanese Sushi restaurant uses Artificial Intelligence to save labour cost, improve service and efficiency to customers (Fujita, 2020). One of the Japanese chain food sushi restaurants – Genki Sushi has launched its “high-speed” rotating sushi service chain in their Hong Kong restaurants which received positive feedbacks from their customers. It also provides attractive features to the restaurant for some specific target customers, i.e., children or train fans (Genki, 2022).

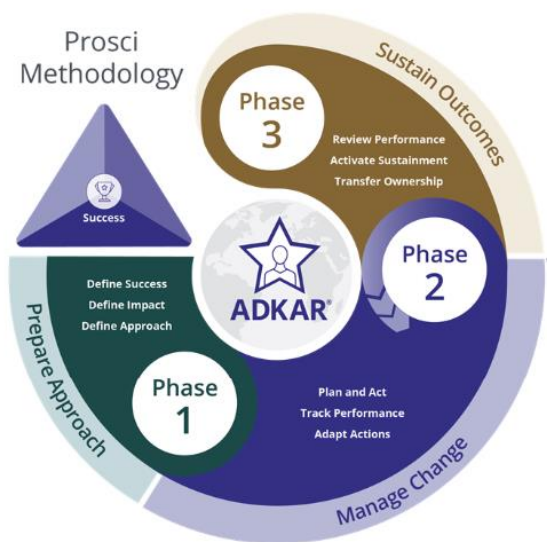
Reaction to internal and external pressure: Based on above internal factors and external PESTEL analysis, there are multiple factors that drive pressure to Ajisen group which requires a change to cope with.

There are more reasons for change. In general, change is required for Ajisen group in a long-term. The crisis sometimes cannot be forecasted, but a systematic change analysis and model can help the business quickly target the issues and establish the reaction plan. Then the group needs to maintain the stability, which does not mean no change. Sustainable means the result and achievement rate, change is the action that people or the organization take.

4 Recommendation and Conclusion

Based on above analysis, change is necessary for Ajisen group considering the internal and external pressures the business is facing. They are different change models that the group can apply. For example, they can apply Prosci Methodology, 3-phases change process.

Figure 4.1 Prosci Methodology 3 Phases



Source: Creasey, Hiatt and Firm, 2007

Figure 4.1 shows the 3 phases of Prosci Methodology.

Phase 1, prepare approach. The three stages are: define success, define impact and define approach. For Ajisen group, these can be separate by different regions. For China market, it is how to improve profit by both increasing sales revenue and decrease procurement costs. From the annual report, it shows the group has take some actions to control the material and labour cost. Different threats trigger the cost fluctuation, including

weather, political reasons etc. The group should also keep close eye on the cost trend and act accordingly. For sales, in Hong Kong market, to gain more market share is the first priority as the number of restaurants decreased dramatically in the past 10 years. For European market, the group steadily owned 1 or 2 restaurants in the past 10 years. The management should analyse Europe environment, for example, European countries are gradually re-open their borders, loosen or remove the restrictions for travellers. This is positive signal for re-bounce demand of tourism and catering, which the questions to the management are: Shall we open some more restaurants in Europe? Where should we target? Meanwhile, for all Ajisen regions, improve the technology application should be on the first priority to catch up the rapid development pace. Marketing campaign should also be launched to help the revenue. After market resource, the group should launch its new products, which could include their current serving menu or completely new products that customers can purchase and help home-cooking. The group needs to break down these initiatives into details steps by giving target dates, involved department and detail action plans. For example, marketing campaign should be led by the marketing head and supported by the sales team. Open new stores in Hong Kong or Europe should be led by local project team and help from China team to share the successful experience or valuable human resources.

Phase 2, Manage change. There are also three stages: Plan and act, track performance and adapt actions. In the stage, meetings are involved by the management explaining to related team members of following changes. For example, the management would like to open 5 new stores in Hong Kong in 2023, what are the timelines, budget, location and support needed. The group in China would launch the marketing campaign by Meituan, what is the budget and target sales to achieve, training to the related team. The group would like to launch new products with a target launch date, commercial advertisement, promotion programs. These are examples that are on the list of the group change program. When the plan is done and fully engaged to related team members, act, track performance, adapt actions should be a close cycle to repeat. Review and amendments are very key to the final change success. The measurement of result is very important. One of the key elements to impact the final result is the performance of people. Do people change, how do they change are crucial to the final targets achievement rates. The leadership can set up KPI, key performance indicator to different individuals to manage the performance. It usually provides a quantifiable measure of performance over time for a specific objective. KPIs provide targets for teams to shoot for, milestones to gauge progress, and insights that help people across the organization make better decisions. (Parmenter, 2020). Periodically review of KPI would help the business to make timely adjustments to the original plan details.

Phase 3, sustain outcomes. It includes review performance, activate sustainment and transfer ownership. In some organizations or projects, implementation team and operations team are different, sometimes they are the same people, but in order to maintain its sustainability, wider group of people needs to be involved. For example, when Ajisen group decided to launch its new app for customer use. They might work with internal

or external IT developers. Before the system launching, UAT – user acceptance training would be proceed. The group can invite the sales team to trial first, then roll it to all internal employees as anybody could be the customers. Once all passed, the system can be launched publicly. The ownership will be changed from developer to IT maintaining team. Once there are customers complains, it might lead to a system bug repairing or system upgrade. The system upgrade might come from complains, internal reviews or external factors, for examples, new technology.

In conclusion, the management could refer to the Prosci Methodology to execute its change plan. It will help the business to achieve their targets and keep sustainable and competitive in the dynamic environment.

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