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Critically Evaluation of the Organisational Change of Hong Kong Technology Venture

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Introduction

It is a discussion never end on change or stability is the most ideal status for an organization. Change is unavoidable and uncertainty is the collateral product of every change which is unfavourable for almost everyone no matter in terms of an individual or organization. Even though uncertainty could be beneficial, it is human (including legal human which is formed by a group of human) nature to be reluctant for something unpredictable or non-calculable. Stability brings sense of safety, however, could be dangerous as it would blind an organization to foresee any potential risk(s) which seems harmless or insignificant at the beginning and may not endanger whose survival in one or many years but could sink a ship everyone thinks “too big to sink” eventually. If the management of every organization realize and keep the fact in mind that the environment, internal or external, is dynamic and ever-changing especially during the digital age that stability is just in between of 2 needs for change. It is just matter of time for an incoming no matter it is initiated by the management itself or forced by the external environment. So how the organization prepares for next change would determine it would manage the change and then thrive or be eliminated by the market.

This report will study some significant changes of a Hong Kong listed company, Hong Kong Technology Ventures (HKTV) due to the internal and external environments. By analysis of these changes, try to evaluate the possible outcome if HKTV either adapt or resist the needs for change. Although there is no definite conclusion of what if HKTV did not adapt the environment and change, the report could evaluate the market development afterward to forecast the possible outcome.

Background of Hong Kong Technology Venture

Hong Kong Technology Venture Company Limited was established as a telecommunication group in 1992. It was formerly known as City Telecom which was listed on the Hong Kong Stock Exchange in 1997. City Telecom was providing fixed landline, IDD and internet service. In 1999, it formed a subsidiary Hong Kong Broadband Network for a wide range of telecommunication network services including corporate data and residential broadband network services. It was the first telecom service provider to introduce fibre to replace copper wires in the Hong Kong residential internet service market.

After established as one of the biggest telecom operators in Hong Kong, City Telecom sold the telecom and broadband business segment (HKBN) to a private equity for HKD5bn in 2012. It renamed to Hong Kong Television Network in 2013 and focused on its ambition to enter the domestic free television broadcast market. HKTV submitted the first application for the TV service license in 2009. Since then, it invested heavily to hire production and acting staffs for own TV drama production. It even planned to build a new production centre with over HKD6m budget. The sale of its telecom business and renamed the organization showed the determination of HKTV to wholly shift the direction of organization development. However, the application was rejected by Hong Kong Government in Oct 2013. Two months later, HKTV acquired a mobile TV licence from China Mobile HK so it could launch the channel as planned. Along with a series of legal actions against the decision of HK government, HKTV submitted the application for license once again in 2014. Eventually, HKTV announced to withdraw the application for free TV licence in 2018 and surrendered the mobile TV license to Communication Authority to end the 8-years pursuit of domestic free TV dream. In 2021, the organization renamed again from Hong Kong Television Network to Hong Kong Technology Venture which may suggest the organization's change of vision again.

Critically Evaluation of the Organizational Changes of HKTV

From the history of HKTV since it started as a telecommunication service provider, HKTV had 2 significant organizational changes. One was by the management decision (internal factor) while another was adapting to the external environment factor (Rejection of TV licence application by Hong Kong Government).

1. Planned change for internal environment

When HKTV sold its telecom assets and business segment to finance and focus on the television broadcast business, most held a promising expectation of this change of HKTV as the market (Hong Kong citizens) was keen to introduce fresh blood to the traditional domestic free TV market which was dominated by one service provider solely. Investors were also very positive with the change by investing in the HKTV stock. They did not realise the concentration risk of an organization to put almost all of the financial and human resources on one single project which was completely dependent on the decision from the authority (HK

Government). In addition to this external factor or risk, free TV broadcasting is a long-term investment instead of an one-off commitment. By the estimation made by HKTV itself, at least HKD2.5bn needed to be invested in the first 4 years of the establishment of the TV channels. Although the heavy investment was calculated and expected by the management of HKTV and it was mostly covered by the fund raised by the sale of HKBN, the return of the investment was highly uncertain. If HKTV's application for licence was approved by HK Government in 2013, it would be one of the three organizations (the other two operators are Fantastic Television and HK Television Entertainment) was granted the licence. In addition to the tradition 2 free TV operators, the competition from the existing and new market participants brought extreme high uncertainty when HKTV could expect profit from its investment. Though a conclusive outcome could not be reached as HKTV did not obtain the licence, a glimpse of the financial results of the existing operators could provide an idea.

In 2021, the biggest free-to-air television broadcaster, TVB, recorded almost HKD650m loss which was the fourth consecutive year. The plummeting revenues from TV commercials and viewership is the main reason for the loss. Traditional free TV channels are no longer the only or major options for advertising as most target consumers for the products and service have already shifted to online platform or other TV broadcasters as their main entertainment and information point. TVB tried to increase their exposure in the local e-commerce by acquisition of Ztore for HKD200m which is yet to contribute any profit. But since the outbreak of COVID-19 in 2019, the competition of the local e-commerce market is extreme keen. Raising the market share by heavy investment at this stage is difficult or yet to prove a good strategic plan or just a desperate action by TVB management. By projecting the impact on TVB by the development of domestic TV broadcasting market, the situation of HKTV could be reasonably predicted if it did obtain the licence in 2013 and did not start the online shopping platform in 2014 as result of failure of the licence application. It would have invested heavily, estimated HKD2.5bn in first 4 years according to HKTV management, to enter a declining market and missed out the chance to be the leader in a up and coming e commerce market.

On the other hand, ViuTV which is the television channel operated by HK Television Entertainment, could provide another perspective to project the possible outcome if HKTV entered the free TV market with two other operators. Since the channel launched in 2016, ViuTV recorded loss every year until 2021 thank the breakthrough of local boy group

MIRROR who attracted viewership and advertising revenue. The viewers and advertising revenue were shifted from traditional broadcaster TVB who recorded loss for four years shows that it is probably only a reallocation of market share instead of a growth of the whole market. If HKTV entered the market in 2014, it would engage with the traditional market player with “default viewership” and the new comer with young age group support at the same time. Free TV market in HK has passed the growing period, if not declining, with the competition from foreign movie and drama streaming services and online video sharing platforms. The pattern and behaviour of consumers or viewers had changed progressively in an increasing speed this few years especially after the outbreak of COVID pandemic.

Therefore, the decision made by HKTV management, if not solely by its CEO, to sell out the assets and business segment which they have built for 2 decades is a change could be proved highly risky and get the organization to a very dangerous position could even matter its survival. Especially the decision was made before it got the application result from Hong Kong Government, could conclude that HKTV management did not evaluate the situation accurately and allow the survival attached to an external factor completely which it could not control at all. It seems like a gambling instead of a strategic decision made by the organization after adequate due diligence and risk evaluation.

2. Unplanned change to response to external environment

In contrast to the planned change to shift the organization’s direction from telecommunication to multimedia industry, HKTV transformed to be one of the online shopping market leader in Hong Kong is more a response to the external environment. When its application was rejected by Government in 2013, the management of HKTV (and its shareholders and Hong Kong community) was shocked and refused to accept. As described by the Kubler-Ross Change Curve model, it is the Denial stage that HKTV was not able to digest the result as it was totally out of its prediction. And the stake they have put into this project was so high that losing may even endanger its survival. The second stage: Anger is usually happening right after or even at the same with the first stage. The CEO of HKTV, Mr Ricky Wong, made lot of controversial comments on the Government’s decision publicly. HKTV, as a legal entity, also took legal actions against the result. The staffs, alongside with Hong Kong citizens, protested and chanted “Stop monopoly in TV market” outside Central Government Offices. The fear about the organization future after a 4-years project used all its resources fell apart exposed

the management did not have any contingency plan for this failure. Without any planning, it could only respond passively. After the first 2 stages, HKTV moved into third stage: Bargaining. When the anger stage passed, HKTV started to evaluate the situation and worked out options for the organization's next move. It did not drop the aspiration to enter the TV market. Instead, it was desperately to get the channel launch as soon as possible and planned to submit another application while taking legal actions against Hong Kong Government. Two months after the application was turned down, HKTV acquired the mobile TV licence for HKD142m from an existing holder, China Mobile HK as the platform for its channel launch. However, not long after HKTV announced it would launch the TV channel through the mobile TV spectrum, it was shocked by Government again when received letter from Communication Authority to reinstate it would require a free-TV license if the number of recipients is over 5,000. It was written in the broadcast ordinance though was not actually executed on any service providers before. Another series of legal action were taken by HKTV but if the management did realise there were some hidden reasons for Government not allowing them to be a free TV operator, they should have done the due diligence and such condition attached to the mobile TV licence should be noted. However, at this stage when encountering the forced change, HKTV acted recklessly to "do something" by acquiring the licence to launch the channel by all means. Eventually it just brought another financial and morale damage to the whole organization. At this stage of the Change Curve model: Depression, it is the stage before the organization would realise and accept the fact. The morale must be low especially when it found all those reckless response and action did not change the nature of the need for change at all. There is nothing left for it to avoid or refuse the truth: the change is inevitable. Longer HKTV took to get over these stages, longer it could move on from the crisis and thrive again. Alongside with these major actions such legal appeal, acquiring mobile TV licence and submitting another free TV licence application, one supposed to be just a back up option was found very critical for the survival of HKTV. It is the online shopping platform launched together with the mobile TV channel in 2014. At the beginning, it was just one possible revenue source and broadcast channel for HKTV's own produced TV series so it could fight the long term battle for the TV licence. Until 2018, 5 years after the first application was rejected, HKTV abandoned the long pursuit of the domestic free TV service licence finally by withdrawing its second application submitted in 2014. It also surrendered the mobile TV licence to the Authority which it bought for HKD142m. The CEO of HKTV admitted the free TV market is no longer profitable for any new joiner and it did not earn or lose much from the HKD5bn it sold the telecom business for.

From the shock by the rejection in 2013 till HKTV gave up the free TV project in 2018, the whole process took 5 years and almost all revenue generated from the sale of the business it built for 2 decades. Although it started the online shopping platform since 2014, it has to wait till 2020 to record profit for the first time since HKTV decided to change its direction from telecommunication to multimedia industry. Lack of risk assessment and contingency plan after concentrating the risk solely dependent on a highly uncertain external factor reflected the management of HKTV could have done much better to shorten the cycle and contain the damage to the organization.

Conclusion

Change, no matter it was planned or unplanned, is not avoidable for every organization. Some would take change as an opportunity some are reluctant to accept. The Change Curve model introduced by Kubler-Ross or many other change models after numerous studies of organizations in different scale, industries or generations demonstrated how early an organization could identify the need for change and prepare for that would determine if the organization could survive or even thrive from the change. There are always winners and losers in every wave of change even under the extreme situation like COVID pandemic we are engaging currently. By studying how HKTV planned and responded to the significant changes which could have determined its survival, the benefits and drawbacks of key-man decision making in an organization are obvious. The success in past could be the reason of failure in present. It is an argumentative debate how an organization could sustain the growth and survival by balancing the benefits from the key-man decision making which could be very effective and inspirational and, from the group decision making which could be more objective and logically. It is hardly possible for an organization to make every change right, more important is how the organization to evaluate the result of change continuously and derive the rectification actions to adjust the change to the right direction. Under the digital generation, the cycle of change is faster than ever. No organization in the world could guarantee it would grow or even survive forever. A change seems insignificant could end up transform the whole market and determine who would win or lose.

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