

# How to Change an Organization to Fit the Dynamic Environment: A Case Study on a Telecom Company of China

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## Abstract

This paper aims to explore how an organization changes to fit the dynamic environment. The paper's approach is a case study on a Chinese telecom company. Data have been collected through 2 questionnaire surveys as well as 15 interviews. The results show that the organizational transformation of Anhui Telecom has enhanced the vigor of it and employees by stimulating dynamic capabilities and forming a high performance system, as well as promoted the organizational capabilities, thus maintaining its sustainable competitive advantage. Nowadays, Chinese telecom industry is reconstructing. For each telecom operators, the organizational environment it faces has changed. Unfortunately, very little research on organizational change of Chinese telecom industry has been done. The study has significant reference for the business transformation of China Telecom.

**Keywords:** Strategy transition, Organizational change, Fit, Dynamic capability, Anhui Telecom Company, Case study

## 1. Introduction

Since China reforms and opens to the outside world, a great change has taken place in Chinese telecommunication market. Originated from the establishment of China Unicom in 1994, the change has resulted in a '5+1' market competitive pattern (note 1.) after the split of China Telecom Co., Ltd. (China Telecom) into North and South company, and the establishment of China Mobile, China Netcom etc. in 1998. In 2008, the change in Chinese telecommunication industry was going on. The six telecom companies were reconstructed to three ones: China Telecom, China Mobile and China Unicom. The market competition which China Telecom is confronted with is becoming fiercer. The rapid development of information technology, especially the mobile communication technology, and Internet technology makes the traditional voice business of China Telecom decline continuously, as a result of it, China Telecom is facing severe challenge now(it is predicted the traditional voice business of China Telecom will be reduced by RMB 10 billion Yuan in 2008(note 2.)). In order to cope with such a situation, in 2006 China Telecom proposed a strategy for transition from a conventional fixed network operator to an integrated information service provider as well introduced three major business modules, i.e. BizNavigator, Best Tone and broadband business.

As a state-owned large-scale enterprise, China Telecom has the advantages of monopoly and redundant resources, but the disadvantages of traditional state-owned enterprises such as backward system, lack of adaptability to market mechanism become the bondage for its strategic transition. Therefore, in order to achieve success in strategic transition, it must carry out corresponding organizational transformation. China Telecom Anhui Branch (Anhui Telecom) is a wholly-owned subsidiary of China Telecommunication Co., Ltd. and has independent corporate status. It has been standing in the leading positions for consecutive three years in the list of the group companies under performance appraisal. Anhui Telecom dares to innovate and always takes the lead in every transformation of China Telecom Industry. In order to adapt to business transition, Anhui Telecom has made bold reforms in various aspects, such as business integration, adjustment of organizational structure and system innovation etc.

This paper analyzes the organizational transformation and its effect of Anhui Telecom, and studies the effect of organizational transformation on maintaining and developing the competitive advantage of Anhui Telecom so as to provide helpful reference for successful implementation of transitional strategy of China Telecom.

## 2. Organizational Change in Anhui Telecom Company

### 2.1 The background of the organizational change in Anhui Telecom

In Anhui Province, China Telecom Anhui branch, as the leading telecommunication operation enterprise, is the biggest communication operation enterprise with richest network resources and widest service. It exercises jurisdiction over 17 city-level branches and 63 county-level branches, possesses 12 thousand employees, has registered capital of RMB 3.871 billion Yuan. Its original value of fixed assets exceeding RMB 26 billion Yuan, and has produced an average labor productivity per capital of more than RMB 60 thousand Yuan. The company is mainly engaged in operation of various kinds of domestic and international fixed telecommunication network facilities (including wireless local call), including local wireless loops; voice, data, image and multimedia communication and information service based on telecom network; operation of such businesses as system integration, technical development, technical service, information consulting, advertisement etc.

Anhui Telecom possesses the large-capacity, multi-means, high-rate, full-coverage, safe and reliable communication transmission network with optical fiber cable as the trunk, and the satellite and digital microwave as the supplement. Also it has the world advanced telephone exchange network, the complete and united public data communication network as well as powerful business supporting network, all of which covers the entire Anhui province not only urban but also rural. At present, the telephone network switchboard capacity of the entire province has exceeded 14,000,000 lines, the telephone subscribers has exceeded 12,000,000, the network has covered the 100% cities and above 99% administrative villages in the province. The business income and the user scale take the leading position among its counterparts in the telecommunication operation market of Anhui Province.

The impact of mobile telephone business on fixed telephone business is becoming stronger. The quantity of newly increased fixed telephone subscribers of China Telecom is decreasing year by year from 2004 and has always been in negative growth after July 2007. Whereas the quantity of mobile telephone and internet subscribers is increasing rapidly (note 3.), The quantity of fixed telephone subscribers of Anhui Telecom is still increasing, but the growth rate of the subscribers has slowed down with a serious declination and negative growth of fixed telephone subscribers appearing since 2007 (Table 1). Therefore, it is necessary to develop transformation business and improve the percent of integrated information business as soon as possible in all business for Anhui, also for China Telecom.

In the course of business transformation, Anhui Telecom is faced with the following difficulties: one is backward mechanism and obsolete concepts. The enterprise has long been subsisting in the monopoly environment, its response to the law of market competition is insensitive and it is not familiar with the operating rules of market economy and many of various operating mechanisms in the enterprise do not fit the need of market change. The concept of cadres and employees need to be further changed; second, its network intelligentization is low and its consciousness of innovation is not high. Anhui Telecom possesses powerful network, rich customer and channel resources, but how to dig out the resources and create a multi-win value chain to provide overvalued integrated information service for users needs a strong consciousness of innovation; third, its employees are redundant, its distribution encouragement mechanism is unreasonable, its vigor is not sufficient and its labor productivity is low. Meanwhile, its personnel structure is unreasonable, it is short of compound management personnel, creative technical personnel and outstanding marketing personnel.

With respect to above problems, in order to adapt to the need of business transformation, from early 2007, Anhui Telecom implemented bold organizational innovation and organizational reform according to its own actual conditions.

## *2.2 Details of the organizational change in Anhui Telecom.*

Chinese telecommunication enterprises call the client terminal and the service terminal as front end and rear end, respectively. The function of market development and marketing is concentrated on front end, whereas the function of network construction and management is concentrated on rear end. The organizational transformation of Anhui Telecom is mainly represented in the following aspects:

(1) Establishing professional operation supporting organs. Anhui Telecom integrates information business into three support centers of transformational business such as integrated information operation center (Best Tone operation center), BizNavigator support center and multimedia operation center etc. Among them the integrated information operation center (Best Tone operation center) is mainly responsible for value-added business of 114 Best Tone, research and development, and operation of other integrated information; BizNavigator center is mainly responsible for overall solutions and system integration business of the sector; and the multimedia center is mainly responsible for IPTV-related business.

(2) In the organizational structure, the integrated information center, the BizNavigator center and the multimedia center all serve as the subordinate organs of the provincial company and are directly led by it, thus their positions

in the provincial company have been promoted. The integrated information center and BizNavigator center are put under the jurisdiction of the two channel organs--the market department and department for government and enterprise users and are directly led by the provincial company according to their customer groups of main products; for the main business of the multimedia center is restricted by policies, at present, it is mainly engaged in product research and development as reserve, it only receives the technical instruction from the Internet business department(Figure 1).

(3) In order to safeguard smooth implementation of business transformation strategy, break through the bondage of personnel and allocation in traditional state-owned enterprise, Anhui Telecom firstly has carried out bold reform of personnel and the distribution system of the traditional telecommunication system in the three operation supporting centers so as to change present situation of too strong dependence on traditional path, enhance the information excavation and operation capability, absorb more talented personnel in the aspect of integrated information business and strengthen support to the development of integrated information business. The main contents are as follows:

- ① Three business transformation supporting centers implement non-hierarchic management;
- ② Expanding the authorities of the general managers of the three centers, give the general managers the right to employ personnel, design internal organization framework and the post system, and design distribution system independently.
- ③ Establishing flexible and diverse personnel selection mechanism

The provincial company is responsible for selecting and engaging the main principals of the newly-built organs with a view to breaking restrictions in qualification and education, and selecting personnel without sticking to a certain pattern through competitive employment system and competitive bidding system. Besides publicly conducting competitive employment within telecommunication system internally, it also opens the social recruitment gate and recruits the required mature personnel from society.

- ④ Setting up market-oriented employment mechanism

To carry out the completely market-oriented employment management, the newly-built organ, standardize labor relationship based on labor contract so as to realize free access of personnel and form a good personnel flow. By establishing a performance evaluation system and employee withdrawal mechanism, the labor contracts are generally signed once a year, the withdrawal rate of contract employees of each unit should not be lower than 10% every year.

- ⑤ Setting up salary distribution mechanism in which income matches with contribution and risk.

The provincial company implements annual salary system for the main principals of newly-built organs, checks and ratifies the total amount of the annual salary according to condition of step subscription target, the salary distribution embodies the principle of "high contribution, high reciprocation and high risk", and risk and interest coexistent, meanwhile, allocates labor cost to newly-built organs according to the principle of " total amount approval, appropriate support and independent allocation" to guarantee the market competitive power of the salary level. Every organ carries out independent distribution and sets up pluralized incentive modes internally. For special personnel, salary distribution modes such as contract salary, negotiation salary, annual salary system, etc. can also be adopted.

### *2.3 The effects of the change in Anhui Telecom*

The organizational transformation of Anhui Telecom is mainly carried out at the three front-end operation centers--BizNavigator, integrated information and multimedia (mechanism). At the end of 2007, one year after the implementation of organizational transformation, we conducted a study on the effect of this transformation by means of information collection, medium and higher-ranking interview, discussion with representatives of employees and questionnaire investigation. In order to analyze the transformation effect more comprehensively and objectively, we also investigated the operation situation of business supporting center, Yellow Pages and Advertisement companies (under old mechanism) less affected in the organizational transformation this time as a contrastive study. The investigation shows the organizational transformation has obtained the following achievements in the three front-end operation centers:

- (1) Organizational transformation has made the adaptability of the three centers to the external environment improved, made them more sensitive to market demand and change, and made their response quicker.

Before the organizational transformation, the three centers were just product R & D departments subordinate to

marketing department, department for government and enterprise customers and Internet department, respectively. They have neither independent right for choosing development projects nor direct connection with market, the response of market to the developed products needs to be fed back by the marketing personnel. Therefore, the response links, which are numerous and have a long response time, causes their products insensitive to market demand. The organization transformation this time makes the three operation centers rise to the same position with its former super-ordinate department in the organization framework, in this way, they can decide the research and development projects at their discretion while facing directly with market, and the former super-ordinate department simply gives some suggestive directions on their business. As for the former market channels, the three centers just make use of them, but not fully rely on them, that is, the business channel of the provincial company is just one of the channels for pushing the products of the operation centers into the market. This organization arrangement tightens the relationship between the three operation centers and market, so as to make the centers have more sensitivity and quicker reaction to the demands and changes of the market.

(2) From the general manager to the employees of the three centers, their concept has been changed by the organization transformation, in the operation process of the centers, they think highly of customer need and interest, and improvement of customer value. What they said impressed us deeply when interviewing them.

The General Manager of Business Navigating Center said that during the cooperation process, some large IT companies praised that his company had strong cooperation consciousness and were easy to communicate, which made the IT companies change the negative image of China Telecom.

When the general manager of the integrated information department talked about the information based community, he also emphasized the interest of the cooperative partner: “we deal with our relevant business by linking all the telephones of property owners in residential apartments with the telephones of neighboring stores to form a network, in which basic necessities of life and entertainment are all included so as to create a value chain connecting the stores and property owners. Through using our phones, three parties are benefited, stores and property owners get in a win-win situation; Each year employees must participate in sales and marketing at the front-line, this year is 4~5 times, and I also directly go to countryside and have talks with customers.

When talking about the cooperation with Shanghai Media Group, the general manager of the multimedia center said very emotionally, “why we can sign the contract smoothly is just because we have given full consideration to the interest claim of other party.” Besides, when mentioning the project design, she always emphasizes full consideration of the audience’s feeling.

By comparing the degree of emphasis of the new mechanism represented by the three centers and the old mechanism represented by business supporting center, the Yellow Pages and Ads Center on customer demand ( $p < 0.01$ ), customer interest and improvement of customer value ( $p < 0.05$ ) (from 1= never emphasized to 5=always emphasized) in their ordinary works, we can see the customer consciousness of the three centers after organizational transformation has been improved substantially compared with other two centers under the old mechanism (Table 2).

(3) Organizational transformation has inspired the vigor of the three centers under new mechanism.

Compared with the old mechanism, both the perceived organization support and equity sense for distribution have been significantly improved ( $p < 0.01$ ), but the overall degree of work satisfaction is reduced ( $p < 0.05$ ) (Table 3). What is noteworthy is that the satisfaction degree of employees under new mechanism averagely is still above 3.5 (the evaluation criteria for satisfaction degree is 1 = very unsatisfactory, 2 = not satisfactory, 3= averagely satisfactory, 4= comparatively satisfactory and 5 = very satisfactory), which is moderately satisfactory. High organization support and distribution fairness will inspire the work initiative of employees and improve work efficiency, and the reduction in satisfaction degree is mainly attributed to work pressure, which is fully embodied in our interview. In our investigation on the factors attracting employees to remain employed and work hard, we find what are ranked at the top three places are respectively prospect of information business, chance for learning and exertion of self ability and the scores for these three factors are all higher than those of employees under old mechanism ( $p < 0.01$ ) (Table 4). It indicates that the organizational transformation has enhanced the confidence of employees in business prospect, inspired their work initiative; and it indicates the study atmosphere of the three centers under new mechanism is stronger and their study ability is higher. Whereas in daily work, their emphasis on innovation and perception of new mechanism for encouraging innovation are all higher than the old mechanism ( $p < 0.001$ ) (Table 5), indicating the new mechanism is able to inspire the innovative consciousness of employees. All these represent the effective promotion of the new mechanism for work initiative, study and innovative consciousness, and thus inspiring of the organizational vigor.

For the pressure of employees under new mechanism which is mainly represented by such factors as that the

interviewee thinks of high requirements of the work, fast work pace, numerous changes in market demand etc., we have very deep experience in our interview, it not only arouses their challenging courage but also causes the reduction in their satisfaction degree.

A medium-level manager of the integrated information center said he generally feels the work pressure is bigger than before, and needs to attend high-grade training in other cities, the times with developed information are different from Internet surfing, more exchange with the outside can widen our thinking.

A medium-level manager of BizNavigator center said: the requirements of subjective initiative are higher and are subtle influence, the center has appraisal of innovation achievements, now everybody is emulating each other and the atmosphere is favorable, everyone has enthusiasm. The center has set up a training system, there are many study chances and now the atmosphere is very good, moderate pressure is a driving power, he feels the work pressure is ok, just has more work to do, and feels very busy in work time which is much helpful to personal growth.

A medium-level manager of BizNavigator center said: overtime works are not rare, in daytime, more time is spent in phone calls, visitors and meetings, writing work, reporting materials etc. which are tedious and mind-consuming and must be finished at night, sometimes they have to be modified 20~30 times, almost every day we work overtime.

Representatives of employees of BizNavigator: we hope to do less overtime work. Leaders have more overtime works to do, and hope leaders work less overtime. We don't dare to say the leaders are not good, but leaders indeed work more overtime. In case of more works, we work overtime everyday and even at weekend. Telecommunication work is busier, which is attributed to project responsibility system.

(4) Organization transformation has enhanced absorbability of personnel outside telecommunication system, enriched the composition of Anhui Telecom's personnel, and injected fresh flood. It has alleviated the situation of lack of information business personnel, and improved competitive consciousness of personnel and aroused organizational vigor.

There are three persons in BizNavigator center, ten persons in integrated information center and six persons in multimedia center. They are mature information personnel employed from the society, accounting for 18.8%, 47.6% and 75% of total personnel of respective center. For the personnel employed from outside, everyone in each center from the responsible person to common employee gives positive evaluation to them. They think, though at the beginning the externally employed personnel are not familiar with telecommunication business, they have good technology, strong sense of crisis, and high work enthusiasm and initiative as well as strong adaptability, they bring certain competitive pressure to the employees inside the telecommunication system.

(5) The change has made the overall performance of the three centers improved substantially. After one year's operation, they all achieved excellent performance in terms of each examination index for the organizational performance besides the enhancement of concept, consciousness and vigor in the three centers under new mechanism.

The BizNavigator center increased its sales revenue rapidly from RMB 18 million Yuan in 2006 to RMB 61 million Yuan in 2007, and over-fulfilled the target it subscribed for. The customer penetration rate of three BizNavigator packages ranks at the third place in the entire group; it fulfilled 8 informational solutions for scale-popularizing with customer satisfaction of 85%. Informational products for medium and small hospitals are listed by China Telecom as the key dissemination projects in 2008.

The integrated information center fulfilled sales revenue of RMB 153 million Yuan, among which the sales revenue of Best Tone business is RMB 15 million Yuan and that of integrated information business is RMB 16 million Yuan; The penetration rate of platform business exceeds 40% with customer satisfaction of 88%. The rural information network won the first-rate prize of China Telecom and is listed as the key dissemination project in 2008.

The multimedia center fulfilled sales revenue of RMB 23.7 million Yuan, among which the sales revenue of IPTV business is RMB 2.8 million Yuan; it developed 4 excellent value-added products like Anhui Fengcai etc., built 4 wideband video professional markets for hotels, etc. with the number of subscribers reaching 5259 households and time length of effective stream media content up to 8,000 hours; customer satisfaction reaches 83%.

### 3. Discussion on the organizational change in Anhui Telecom

In order to adapt to the change of external environment, the enterprise must continuously carry out organizational transformation. Under the dynamic environment, dynamic capability is the source of competitive advantage of enterprise. The so-called dynamic capability is the organizational capability of enterprise to adapt to the changes more rapidly, promptly and flexibly ( Eisenhardt, and Martin, 2000, p1113). The individual or joint action of such factors as technical innovation of the industrial sector, change of regulations, economic cycle, change in characteristics of sector competition etc. causes the change of market environment (Treece, Pisano, Shuen, 1997, p528). After reform and opening to the outside world, Chinese telecommunication industry has been developing all the time along the direction of breaking up monopoly, relaxing control and encouraging competition. With the spin-off and re-organization of the telecommunication sector, a great change has taken place in Chinese telecommunication market. First, after the rules and regulations are relaxed, companies such as China Netcom, China CRCnet, etc. can be engaged in the fixed telephone business, causing aggravated direct competition; Second, with the reduction of the cellular telephone expense of China Mobile and China Unicom, the cellular telephones as the substitute products of fixed telephones nibble away up the fixed telephone market indirectly; Third, the development of network technology (e.g. QQ, MSN) has also formed a great challenge to the voice business of fixed telephone network operators. Therefore, the declination of traditional voice business is unavoidable and is difficult to recover. This development tendency of the telecommunication business has also progressed through the whole world. The major reason for the dynamic change of external environment encountered by Anhui Telecom and even China Telecom is attributed to innovation of information technology besides aggravated competition due to change of regulations. Therefore, in order to continue to achieve competitive advantage, it is the natural choice for China Telecom to transit from conventional fixed network operator to integrated information service provider. However, in the information service market, besides several big communication enterprises, there are also portal websites, and system integrators who are participating in the communication market competition directly, and making the degree of market orientation and degree of competition severity higher.

The organizational transformation of Anhui Telecom firstly has made the three transformation business centers closer to market and directly face the customers, granted more independent right to them, and made them directly under the influence of dynamic market and kept them interact with dynamic environment at any time. According to the dynamic capability theory, the dynamic mechanism of environment is an influential factor for formation and evolution of organizational capability, and the development of organizational capability is the consequence of long-time action of dynamic capability of the organization (Wang and Ahmed, 2007, p). Therefore, such organizational arrangement can develop and improve the organizational capability, improve long-time performance of the organization and make the organization win sustainable competitive advantage.

The major breakthrough in organizational transformation of Anhui Telecom lies in the reform of personnel management mechanism of state-owned enterprises. Though China Telecom possesses advantage in customer resources of fixed network, advantage in brand and powerful Internet resources, the disadvantages are also more outstanding, which are specifically represented in the following aspects: innovation inertia and insensitivity to the market under the protection of long-time monopoly policies, pan-administration of enterprise management due to non-separation of government function from enterprise function (the management personnel has the corresponding administrative rank), and the rigid employment system as well as distribution system of state-owned enterprises etc. These disadvantages have directly caused deficiency in the ability of adaptation, absorption and innovation of China Telecom when facing the external changing environment, and thus initiating the crisis of its competitive advantage.

The view of strategic human resource management (SHRM) based on resource-based theory regards human resource as the headspring for sustainable competitive advantage of enterprise. Wright (1998, p190) thought only the SHRM system with very strong integrity has the characteristics of idiosyncraticity, complexity, difficulty of imitation and path dependence. Concern on these problems, a brand-new direction for SHRM was developed, that is, the high-performance work system. Pradeop (2002, p20) thought high-performance work system is “an organizational system that is able to sufficiently deploy various kinds of resources of the organization, effectively satisfy the need of market and customers and realize high performance.” Whereas Huselid (1995, p657) defines the high-performance work system as “series policies and activities which ensure the human resources serve the strategic target of the enterprise with high unanimity inside the company.” Wright et al (2001, p718) thought the theoretical assumptions contained in the high-performance work system are that while the organization well treats its own employees, the employees will improve their work attitude and continuously increase their sense of satisfaction and sense of commitment. Such attitude will continuously influence their behavior, which in turn can

promote the performance improvement of an organization.

According to the view of Bailey and Johnson (1995, p2-6), the structure of high-performance work system consists of such three parts as employee's ability, employee encouragement and chance of employees in participating in decision making. Macduffie (1995, p197-221) also proposed that SHRM practice system must have three essential factors in order to be able to improve the performance of an organization: (1) the employees must have corresponding knowledge and skills; (2) activities of human resource management practice must be able to arouse employees to make full use of their knowledge and skills; (3) it must be able to let the employees help the organization realize its objective actively.

By building up flexible and various personnel selection mechanisms, market-oriented employment mechanism and salary distribution mechanism in which the revenue matches with contribution and risk, Anhui Telecom not only has guaranteed the requirements for employee's ability, but also has formed a fair internal competitive environment, which improved the equity sense of employees and their commitment to the organization, and encouraged employees to exert their own ability so as to work hard for the realization of the organizational objective in the end. Therefore, the organizational transformation of Anhui Telecom has preliminarily constituted a high-performance work system in the aspect of human resource management, which becomes the basic guarantee for improving organizational performance and establishing competitive advantage.

To sum up, the organizational change of Anhui Telecom and re-design of organizational structure makes its kernel business units close to market, makes the dynamic change of external environment directly act on its new business units, promotes the improvement of its dynamic capability, and consequently forms and develops the kernel capability of the organization, and improves performance of the organization so as to make the organization maintain competitive advantage under dynamic environment. Through reform of human resource management inside the organization, it has improved the consciousness of employees for competition, study and innovation, aroused employees' enthusiasm, initiative and working vigor so that they exert themselves to actively realize the objective of the organization with a view to setting up a high-performance work system and form the competitive advantage of the organization. Therefore, the organizational transformation of Anhui Telecom starts from internal and external paths of the organization through joining and interaction and has formed its own source of sustainable competitive advantages (Fig. 2).

#### 4. Conclusion

The organizational change of Anhui Telecom is the consequence of change in external competitive environment due to change of rules and regulations, and development of information technology. Through analysis from the perspective of dynamic capability theory, Anhui Telecom has improved its ability of adaptation, absorption and innovation to the dynamic environment at organizational level through business integration and design of organizational structure, and thus improved the level of its dynamic capability. Improvement of dynamic capability enables the organization to develop and evolve its organizational capabilities. In the aspect of human resource management, the transformation has aroused employees' work enthusiasm and initiative, improved employees' consciousness of competition, consciousness of study and consciousness of innovation through the reform of personnel selection, personnel placement and distribution encouragement mechanism, aroused the vigor of employees and the organization, and preliminarily formed a high-performance system. The ability of the organization for development and evolution and high-performance system interact with each other so as to jointly form and maintain sustainable competitive advantage of the organization.

At present, China Telecom has just commenced its new round of restructuring, and new changes will take place in the internal and external environment encountered by the China Telecom after restructuring. How to adapt to such changes and maintain sustainable competitive advantage in the changing environment is a great challenge which all telecom enterprises will encounter, the experience of Anhui Telecom in organizational change should merits references for the enterprises.

#### Notes

① The '5' of '5+1' pattern refers to five large telecom companies: China Telecom, China Unicom, China Mobile, China. Tietong, and China Netcom. The '1' refers to China Satcom whose market share is less far than the former five companies.

② Information obtained from interviews with high-ranking leaders of Anhui Telecom.

③ The statistic bulletin of development of China communication industry of 2007, C-enterprise Management, March, 2008:p74.

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Table 1. Statistics on quantity of fixed telephone, mobile telephone and Internet subscribers in Anhui Province

	Fixed telephone (10 <sup>4</sup> subscribers)	Mobile telephone (10 <sup>4</sup> subscribers)	Internet subscribers (10 <sup>4</sup> subscribers)
2004	1191.6	873.4	---
2005	1349.5	1046.9	75.3
2006	1501.4	1216.7	113.9
2007	1494.3	1410.0	155.9

Sources: statistical yearbooks of Anhui Province (2004, 2005, 2006 and 2007)

Table 2. Comparison in customer consciousness between new and old mechanism

	New mechanism (N=44)		Old mechanism (N=24)	
	Mean	Std. D	Mean	Std. D
Customer demand orientation	4.711	0.54864	4.4583	0.65801
Consideration of customer benefit	4.3636	0.68509	4.2917	0.69025
Improvement of customer value	4.5778	0.54309	4.2083	0.82397

Table 3. Comparison of equity sense for distribution, perceived organization support and overall satisfaction for work of employees under new and old mechanism

	New mechanism (N=44)		Old mechanism (N=24)	
	Mean	Std. D	Mean	Std. D
Equity sense for distribution	3.8084	0.62151	3.6786	0.41543
Capability support	4.2639	0.54305	3.8229	0.46321
Overall satisfaction	3.5333	0.89443	4.0000	0.60302

Table 4. Comparison of factors for employees remaining employed to work hard between new and old mechanism

	New mechanism (N=44)		Old mechanism (N=24)	
	Mean	Std. D	Mean	Std. D
Prospect of information business	4.5909	0.54210	3.9583	0.46431
Chance for learning new things	4.3409	0.56828	3.8333	0.63702
Exertion of self ability	4.0227	0.54936	3.6667	0.63702



Table 5. Comparison of innovative consciousness between new and old mechanism

	New mechanism (N=44)		Old mechanism (N=24)	
	Mean	Std. D	Mean	Std. D
Emphasis on innovation of product form	4.3556	0.71209	4.2500	0.73721
Emphasis on innovation of product content	4.5111	0.66134	4.1250	0.79741
Emphasis on innovation of operating mode	4.4444	0.72474	4.1667	0.76139
Encouragement for innovation	4.3778	0.61381	3.9583	0.62409

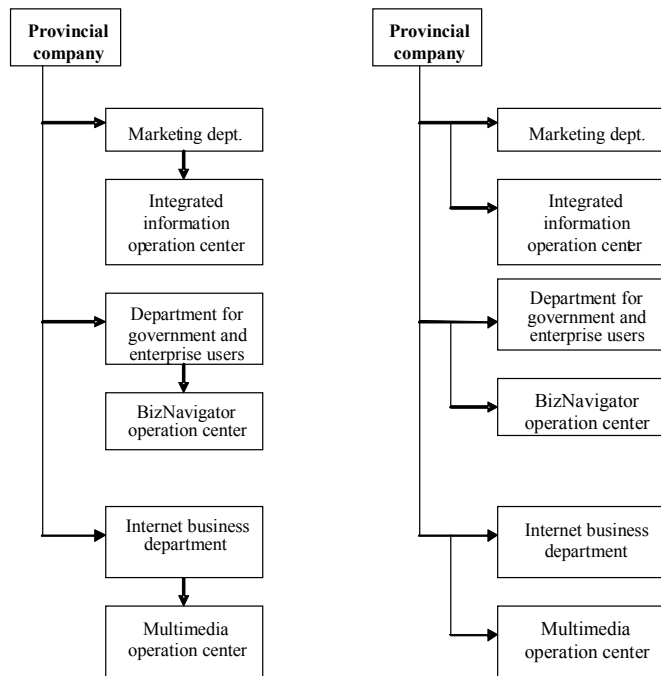


Fig. 1. Position Changes of the three operation centers in the organization before (left) and after (right) organizational transformation

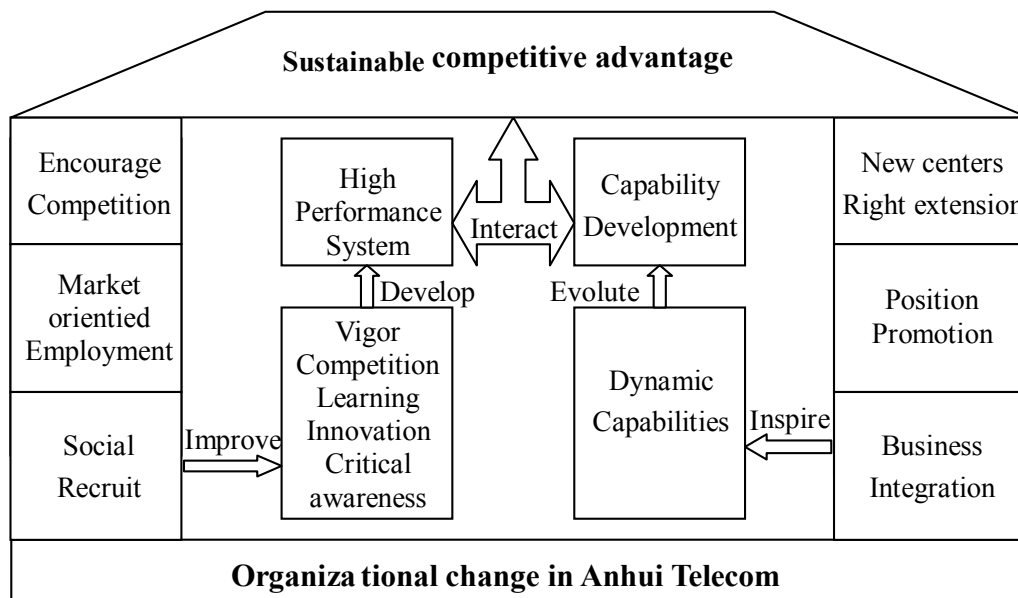


Fig. 2. A conceptual model of the organizational change in Anhui Telecom