Managing Change 3

1. Identify why successful change management is important for a business.

The business world is not a stagnant one, for example the process of globalisation and advancements in technology are only two dimensions which continuously force businesses to change. Businesses must be aware of the dynamic internal and external environment in which they operate. Whether the change is as simple as a slight modification to the work schedule, span of control, machinery or organisational design; managers must note that any change in an organisation may have effects extending beyond the area in which change is implemented. If changed is not managed effectively, it can cause resistance and hostility in one or more of the stakeholders of the business.

2. Identify THREE possible external influences on business this year and briefly discuss what impact they would have on business.

Legal influences such as the amendment to the Workplace Relations Act – commonly referred to as WorkChoices. – where legislative changes have influenced the role of employment relations in many businesses. The nature of the employment contracts, the role of industrial trade unions and the Australian Industrial Relations Commission in dispute resolution have all been impacted upon.

Oil prices are an example of an economic influence impinging on costs of a business. Fuel constitutes 30 per cent of QANTAS's operating costs and fluctuations in oil prices have had significant effects on profitability. Oil prices have also influenced consumer attitudes towards fuel consumption of cars.

Terrorism is a political influence which has affected consumer attitudes to public transport, tourism and consumption of luxury goods.

3. Using examples, discuss how internal influence could create the need for change in a business.

In order for businesses to be lucrative, management must assess the effects of accelerating technology, new systems and procedures and new business cultures. For example, when new technology is implemented within an organisation, the technological efficiency serves no purpose unless adequate provision is made to train the employees of the new procedures. As a result managers would need to implement new systems and procedures to ensure that the new technology leads to an increase in efficiency. For instance, employees can be reorganised into work teams to gain productivity and creativity benefits.

4. Discuss what is meant by 'outsourcing' and explain why a business might consider outsourcing.

In recent years, more and more businesses identify the benefits of outsourcing. Businesses outsource by entering into a commercial arrangement with another business or person(s) to provide services that could be, or usually have been, provided in-house.

By outsourcing to a specialist company, the business is able to increase productivity by concentrating on their core business function. Furthermore, outsourcing provides cost saving advantages not only on labour but also office/floor space. It enables the business to fulfil a temporary or fluctuating demand for a particular service. For example, it may not be worth hiring new IT staff to install a new computer network if it is only expected to take three months. The IT department is typically outsourced as it can be easily separated from other business functions.

5. Consider a business implementing a new computer network system. Outline THREE financial reasons why this change might be resisted.

A new computer network system has great potential for savings and efficiencies throughout the organisation. However a substantial outlay in capital (possibly exposing the business to long term debt commitments) is required for this to be true. The high cost of replacing or buying new equipment, can act as a restrictive cost on businesses and can often delay the change process. If the new system fails, the business may be forced to sell the equipment at a reduced price.

With the introduction of the new computer network system, various jobs within the organisation may become redundant. Although in the long term, the system will decrease costs, in the short term employers would need to pay employees their redundancy entitlements.

Relevant training and facilitation is absolutely necessary when the business implements its new computer network system. All staff members must be aware of the new procedures and practices. Although providing benefits in the long term, retraining is associated with substantial costs in the form of professional development courses, and temporary loss of productivity during the retraining timeframe. If retraining costs are prohibitive, managers may resist implementing the new computer network system.

6. Examine TWO reasons staff may resist change and possible methods to manage these resistances to change.

Managers are responsible for identifying reasons for resistance to change. One reason why employees may resist change is that it can endanger their income, security and future job opportunities. On the one hand, the level of skill by a worker may be reduced (de-skilling). For example fifty years ago, bank tellers required sufficient mathematical and accounting skills, today however computers perform these tasks and bank tellers no longer require such skills.

On the other hand, employees may resist change if they need to acquire new skills. For example, the implementation of a new computerised system requires all employees to be taught the new procedures. Few (perhaps those from an older generation) may be unwilling to learn and apply these skills as quickly as required. In the face of impeding change, employees may be come uncertain, anxious and fear a loss of career prospects and promotional opportunities. For example, employees may feel job security is at threat if a company is involved in a merger or takeover. Often the new business requires fewer staff as many duplicated management positions are removed.

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Businesses must formulate methods to reduce disturbances such change may cause. Managers should anticipate new business conditions and must be prepared to implement change at a moment's notice. Obviously, if managers do not really believe that change is necessary then there is little chance that their businesses will introduce change successfully. Through change agents and work teams managers can create a workplace culture that accepts change as a regular part of business. Change agents may be employed to overcome resistance. They take responsibility for the management of the change process. They convince other employees of the need and desirability of change. Work teams allow better communication between managers and employees.

7. Discuss how a business's culture could create difficulties when implementing change.

A business culture refers to the values, attitudes and beliefs held by management and employees. A business culture may have inherent attitudes which do not support change, and the business may not be motivated to improve its situation. An incompatible business culture may lead to more resistances to change and a longer duration of implementing change. The success of change management is significantly influenced by the acceptance of change by management and employees. After all, the quality of the product or service, level of industrial disputation and the external image of the business are all a reflection of the culture of the business and the harmony between employees and management.

8. Discuss the rationale behind Lewin's unfreeze/change/refreeze model.

Kurt Lewin, a prominent theorist proposed the unfreeze/change/refreeze model. Firstly, staff must be convinced that change is actually necessary. Managers need to highlight the areas of concern, or perhaps point out where things are better in rival businesses. Next, the change itself requires a range of solutions to be acted upon as soon as possible (before resistance builds up). Finally, refreezing involves reinforcing and formalising the change (written down, repeated, disseminated).

9. Explain what is meant by the term ecological sustainability and its role in change implementation.

In recent years, there has been an increasing awareness of the need for businesses to behave in an ecologically sustainable manner. This refers to the production of goods and services at a level which is compatible with the long term preservation of the environment. So ideally, the goal of maximising output and profits should be balanced with the long term impacts of production on the environment. In reality, many businesses have not adopted ecological sustainability practices in management and production. Businesses may be resistant as ecological sustainability principles cause changes in the marketing of products, production methods (to reduce wastage and dispose of waste in an environmentally friendly manner) and accounting for environment costs when conducting financial analysis. These days, with the emphasis on ecological sustainability (and the size of the ecological footprint left by businesses), all change management should include environmentally friendly practices.

