

MANAGING CHANGE

Multiple choice

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|------|-------|-------|
| 1. D | 6. D | 11. D |
| 2. C | 7. B | 12. A |
| 3. D | 8. B | 13. C |
| 4. C | 9. A | 14. A |
| 5. B | 10. D | 15. C |

Short answer questions

Question 1 (

- (a) **A – Economic – A fall in the economy’s GDP or rate of growth.**
B – Economic – A fall in the general level of domestic interest rates.
C – Legal – A new corporate conduct law is being proposed in Australia.
D – Social – Australia’s population is ageing and the workforce is seeing more females and becoming more flexible.

Please note: Question 1 (a) should be worth 4 marks, not 2 as indicated in the workbook.

- (b) **A – The fall in GDP would lower the general level of income and demand in the economy, as well as adversely influencing business and consumer expectations. This will most likely reduce the demand and profits of Moh’s as its sales figures deteriorate. Lower profits could adversely influence workers as the company is forced to make redundancies to avoid a loss.**
B – Lower interest rate levels allow a business to borrow money at a cheaper rate. Cheaper access to funds will have two impacts on a business: it will be able to pursue projects which were previously not viable because of the higher cost of borrowing funds; and the amount a business must pay to meet its existing debt obligations will be reduced, freeing up additional funds for the business.
C – A new corporate conduct law would likely influence all aspects of the business’s operations. Although many industries have codes of conduct that influence their ethical and social responsibilities, they are most often only

voluntary. If Moh's does not already adhere to a strict set of guidelines then this new bill may force it to completely restructure aspects of its operations and its attitude towards other issues such as the environment.

Question 2

- (a) The new management structure and the retrenching of 40 staff.
- (b) (i) **Creating an interactive website** The new website would increase the ease with which some customers can purchase goods and hopefully then increase business. It might also increase the customer base by bringing in new customers who were previously unable to buy from DeSilva's because of geographical isolation. DeSilva's would have to be careful that the website did not make customers feel they were unable to get face to face service however as it may isolate some existing customers.
- (ii) **Downsizing the plant** Downsizing the plant could have two key effects. Firstly, the downsizing will reduce many of the business's overhead costs. This will hopefully lower the prices paid by customers. Secondly, if the downsizing meant the business no longer produced the same range of products some customers may no longer be catered for and they will have to source supplies elsewhere.
- (c) **Any three of the following:**
- (i) **Align Dim's corporate culture with that of DeSilva's, ensuring that after the takeover customers saw the two businesses as one new, cohesive unit.**
- (ii) **Restructure the business's management structure to be more in line with DeSilva's existing structure and ensure that no overlapping of management exists.**
- (iii) **Could change the target market for Dim's products. Rather than just making one large company out of two previous competitors, Dim's could focus on producing solely for new markets such as exports markets. This would require DeSilva's to have enough capacity to cope with current domestic demand however.**
- (iv) **Retrench all existing management to ensure that the business is run only in the style that DeSilva's management is comfortable.**
- (v) **Increase the diversity of products that the company is producing so that the business can enter new markets, not just concentrate on existing clients.**

Question 3

- (a) (i) **FD Driving forces**
(ii) **FR Restraining forces**
- (b) **There are two main ways Sandy's could create a culture of change in this situation. Firstly the business could hire change managers whose sole purpose is to encourage a culture of change and identify and implement new opportunities for the business. The second is to increase communication with workers in order to actively convince them that the business can only survive if it embraces change. This would be helped by ensuring that they are comfortable with the changes i.e. comfortable with their level of job security.**

- (c) **Force-field analysis (as in the diagram) would require the business to enter a state of imbalance by either increasing the driving forces (i.e. emphasising the cost savings from technology) or reducing the restraining forces (increase worker training) and thus allowing for change.**

The unfreeze/change/refreeze model also suggests that the forces influencing the business must be changed (unfrozen) to allow for change. This process must not be rushed or the change process will fail. After management knows change is possible, and after it has been carried out, the model suggests that new procedures must be put in place to ensure refreeze is permanent after the change.

Question 4

- (a) **Ecological sustainability refers to the production of goods and services at a level which is compatible with the long term preservation of the environment.**
- (b) **(i) The business could ensure that where possible, customers are given the choice between products that are made by traditional methods or by ecologically sustainable methods. For Pulpy's in the cartoon for example, they could ensure that their customers are offered a range of recycled papers as well as non-recycled, thus allowing customers the possibility to also consider the environment.**
- (ii) The business could implement a system whereby anytime it uses non-renewable resources, it actively promotes the replacement or regrowth of the resources. For example, Pulpy's could implement a procedure so that whenever they log forests for trees they replant new trees in the same area.**
- (c) **(i) The business could provide child-care facilities for parents to ensure that workers are not disadvantaged by having children.**
- (ii) The company could locate their production plant in an area that, while still easily accessible for all workers, is not in too close proximity to houses where it fumes could be harmful to children.**