

3 Managing Change

Matching terms

Definitions	Terms
When a business pays a third party to operate some of its business functions	Outsourcing
Payments made to workers as compensation for terminating their employment	Redundancy payouts
When two or more businesses make a formal or informal agreement to share customers, knowledge or workplaces.	Strategic alliance
The tendency of managers to prefer inactivity to change	Management inertia
Creative, lateral-thinking individuals who can prompt change within a business	Change agents
A source of change that may result from changing consumer tastes or a shift in the demographic composition in a business's workforce	Social influences
A situation in which an employee's skills are no longer relevant to their job	Deskilling
A change model used to analyse the forces driving and restraining change within a business.	Force-field analysis
A set of shared beliefs, attitudes and expectations held by members of a business.	Business culture
A source of change that may result from rising unemployment and falling demand for a business's products	Economic influences

True or False

- | | | |
|----------|----------|----------|
| 1. True | 5. True | 9. True |
| 2. True | 6. True | 10. True |
| 3. False | 7. False | |
| 4. False | 8. False | |

Multiple Choice

- 1 A Social influences
- 2 B Effects of accelerating technology
- 3 A Structural responses to change
- 4 D Reasons for resistance to change
- 5 A Structural responses to change
- 6 A Sources of change
- 7 D Structural response to change
- 8 C Reasons for resistance to change
- 9 D Force-field analysis
- 10 B Change management
- 11 D Unfreeze/change/refreeze model
- 12 B Political influences
- 13 D Social responsibility
- 14 C Force-field analysis
- 15 C Change models

Short Answer Questions

Question 1

- (a) A major force driving this change is that of financial rewards for hard work. The management feels that they can increase worker productivity by offering a financial incentive to be one of the top twenty employees each week.

Another force driving this change is that of motivation. Not only would employees be enticed to work harder because of the increased financial reward but there would also be prestige attached to being one of the top twenty employees.

- (b) One advantage of using the force field model is that after the business has conducted a SWOT analysis, it can use the force field model to locate where the business is and identifies the stakeholders affected.

After this has been done, the business can then use the model to plan the steps that will be necessary to implement changes. One step would be to lower resistance to change form within the business and following that, to implement the change.

- (c) Owners may be quite happy for things to stay as they are and like many other stakeholders in a business just let things go along the way they have rather than introduce a new scheme. Opposition from owners may be stronger if they feel that the payment of bonuses conflict with their financial goals or reduce profits or dividends. Some owners may take the view that with the introduction of workplace agreements all matters relating to rewards should have been dealt with in the negotiating process and so the bonuses are unnecessary.

- (d) Presumably, the managers have identified that this change is necessary to reward hard work or to boost productivity. Once the need for change has been established, the managers need to define and refine their goals so that what they want to achieve from the change is clear and achievable. The next step is to create a culture of change within the business. Unless this happens there will be resistance to change and the move will not be successful. One way to create the culture of change is through a teamwork approach which will encourage even unwilling members of the business to actively participate in the change. Once the new bonus system has been put in place there should be some evaluation or feedback from the workers should be sought to evaluate how successful the change has been.

Question 2

- (a) A strategic alliance is almost like vertical integration in this instance of a car manufacturer forming an alliance with a petrol retailer or horizontal integration where firms in the same production stage form an alliance (e.g. airlines). The difference is that there is no takeover of ownership. It is more of an agreement or coalition.

- (b) One political source of change is the government's decision to reduce income tax. By reducing income tax, consumers have more discretionary income to spend. This will boost the sales of OzCar because cars and petrol are more affordable.

An economic source of change is the fact that oil and metal prices are rising. Usually this would cause demand for cars and fuel to fall, but with reduced income tax, this will cushion the impact of rising prices for wage and salary earners.

- (c) Initially, rises in both oil and metal prices could have an adverse effect on OzCar, because with rising fuel prices people may not want to buy a car. The rising metal prices may increase the cost of a car, metal being an important input. But with income tax reductions, these might offset the other price rises leaving the situation as a neutral one.
- (d) Fuelway has a significant network of petrol stations in WA and Queensland where economic growth is strongest. This might mean that workers, particularly in resources industries in both states are receiving substantial pay packets and would want to buy new cars. The strategic alliance with Fuelway may be enough incentive for car buyers to switch from other makes to OzCar, particularly if that alliance gives car buyers discount petrol or other discounts on services provided by Fuelway. The alliance should be evaluated regularly as any implemented change should, but it seems like a good business decision.

Question 3

- (a) The major financial cost associated with this change is the acquisition of BankCare itself. This would have involved the purchase of BankCare's properties and other fixed assets as well as goodwill.

Another financial cost associated with this change is the cost of establishing the on-line banking facility in terms of setting up the framework for this to operate securely, and an advertising campaign to educate customers.

- (b) Customers of the former BankCare, a community bank might be opposed to the cost cutting measures, especially the online banking, because in the past they may have enjoyed the personal contact with bank staff. Also, if they are elderly, they may not be able to embrace computer technology to do their banking.

Workers at Unibank could be opposed to both the branch reductions and the introduction of online banking because these changes could mean the reduction of the number of staff required. There are already 2000 full-time employees

- (c) One way the managers of Unibank could try to combat resistance to change from employees is to try the teamwork approach in creating a culture of change. The employment relations function must be well-managed and perhaps guaranteeing all employees jobs and reducing staff numbers by voluntary redundancies and retirements or resignations would soften the blow. Perhaps several staff teams could be trained to assist elderly customers to adjust to online banking while other staff teams could assist businesses in locations where branches have closed by training other businesses to act as agents for Unibank. These approaches to managing change would need to be evaluated and modified to ensure that the culture of change was maintained by these stakeholders.

Question 4

- (a) One skill the managers of Peachy Juice might need is people skills because the main area of resistance to change is going to come from their employees when relocation is announced. People skills would involve greater cooperation and consultation between management and employees

Another skill the managers would need is flexibility and adaptability to change. This would involve setting a direction for the business and its stakeholders for the future and motivating the stakeholders, especially the employees to work together to make the change successful.

- (b) (b) One source of change affecting Peachy Juice is the external change of changing nature of markets. Generally the sales of orange juice have fallen over the five year period and the sales of avocado juice have risen. The only regional market to have increased in sales of both juices is Sydney.

This leads to the other source of change which is geographic influences. Because of the shift in demand in the geographic market, the managers are going to relocate production to Sydney

- (c) One responsibility of managers in this situation is to manage the change of relocating production to Sydney effectively for the benefit of all stakeholders. The stakeholders who will be most affected are the employees, who could face the choice of either moving to Sydney or face redundancy or termination. If the managers have put in place a mechanism to manage change effectively, there will have been consultations with employees when the need for change was identified. Perhaps employees would have been involved when the managers set the goals they wished to achieve by the relocation. Certainly the employees would have been involved in creating a culture of change. Despite consulting employees and trying to manage the process smoothly there will be some who will not be satisfied.
- (d) One reason why both managers and employees might resist this relocation is because of the possibility of workers in Melbourne being made redundant. To the managers and the business, redundancy represents a substantial cost. In this situation of a relocation managers will be able to offer many employees jobs in Sydney but there are many employees who will not want to move. They would rather keep their jobs in Melbourne, but this is not possible. Redundancy payouts will depend on the conditions written into the award or workplace agreement.