

**Business Management
Teach Yourself Series**
Topic 9: Responding to change

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Responding to change

All organisations are in a constant state of change. They are always seeking new ways to increase their market share, looking to expand, looking to increase sales and profits, cut costs and improve customer relations. How an organisation meets these change situations is important to determining the success of the organisation in the future.

Initial terminology

As it appears in Unit 4

Change is defined as any situation, force or pressure that results in an alteration to the operation, structure or environments of an organisation.

Change can be:

- Transformational – a major change
- Incremental - minor change or a series of minor changes
- Structural - change to the formal arrangements for achieving organisational objectives and includes changes to processes and procedures, lines of communication and organisational charts

There are numerous targets for change, these include the following:

- 1) Plant and equipment.
- 2) Management structure.
- 3) Management styles.
- 4) Corporate culture.
- 5) Recruitment and training.
- 6) Tasks.
- 7) Planning changing roles.
- 8) Objectives.

It is important for management to be aware of change and be prepared to deal with the change. Management can adopt one of two stances when dealing with change:

- Proactive - see the change coming and be ready to implement.
- Reactive - wait until change has impacted before initiating implementation.

Pressures for change

As it appears in Unit 4

Pressures for change arise from two distinct sources:

- **Internal environment**
- **External environment**

Internal environment

These are the forces from within the organisation over which the organisation has some control. These pressures/forces include:

- Financial position of the organisation – if the organisation is not performing well this can cause the organisation to change. A poor financial position may result in cost cutting, downsizing or outsourcing. Organisations in a sound financial position may seek to capitalize on their position and expand or takeover another organisation to improve market share or profit.
- Policies – organisations will often develop policies that employees are required to follow in decision-making situations. The need for a new policy may result in a change in organisational structure, corporate culture or management style.
- Corporate Culture – corporate culture is the shared values and beliefs of all employees of an organisation. It informs employees what the organisation wants and expects from them. A positive culture in an organisation will allow the organisation to meet its objectives. A negative culture will force change.
- Crisis – an unplanned event with the potential to damage the organisation – its relations with customers, its reputation, its sales and profit figures. A crisis will force the organisation to change or if the organisation doesn't respond, it will allow the crisis to continue, further damaging the organisation.
- Employees – as a key stakeholder in an organisation, the motivation, behavior and productivity of employees may result in change. If productivity is low it may mean motivation is low, requiring a change in the way staff are motivated.
- Innovation – the need to be continually at the forefront in an industry will pressure an organisation to change. To be a market leader, benchmark or 'employer of choice' can all motivate an organisation to be innovative and change and improve processes and practices.
- Growth – if an organisation goes through a period of expansion, that expansion may not be matched by the structures, culture and policies in place at an organisation. Rapid growth may lead to further change.

External environment

These are the forces outside the organisation over which the organisation has a small degree or no control over. These pressures/forces arise from the operating environment and include:

- Customers – the decisions made by customers will influence the decisions of an organisation. If buying patterns change an organisation must change to meet that new pattern. Organisations must maintain a ‘customer focus’.
- Competitors – competitors compete for the same customers. Staying ahead of the competition is important as it allows an organisation to maintain its market share.
- Suppliers – relying on one supplier can be dangerous. If circumstances arise that affect supply, an organisation can be affected negatively. An organisation must be aware of conditions affecting suppliers and have alternatives in place.
- Lobby Groups – these groups can influence decisions of customers. An organisation must be prepared to change the way it operates to avoid negative publicity from lobby groups so as to maintain customers, sales and profits.

These pressures stem from the operating environment. Pressures also arise from the macro environment. These include:

- Technology – changes in technology can alter the way production is carried out. An organisation will need to change to adopt new technologies but must also choose the right time to adopt it. As technology constantly changes, new technology can become old quickly.
- Economic forces – the economic conditions in Australia and overseas will affect the decisions made by organisations and customers. If the economy slows, an organisation must slow production and will need to make decisions on staffing and output.
- Social pressures – trends in society’s values can impact upon an organisation. The move to more environmentally friendly packaging and production, honesty in advertising, etc, all affect the way an organisation operates.
- Legal/political forces – changes to laws or government policies can cause an organisation to change. Organisations must be aware of what changes are occurring or forecast so as to be prepared to implement the changes.

Review Questions

1. Define change.

2. Explain **three** pressures for change on an organisation such as Telstra.

Read the extract below and answer the questions that follow:

The Global Financial Crisis had an immediate impact on Large Scale Organisations in Australia. With the prediction of a worldwide economic decline, many businesses announced downsizing in order to survive the changing economic environment. Brenton Jones, CEO of Austral Airlines was one of the first senior managers in Australia to announce that 500 positions would be lost.

'With careful planning and consultation with key stakeholders, Austral Airlines hopes to continue as a major force in the travel industry. Whilst we expect resistance to the planned changes, we feel that the stability of the company will be at risk unless prompt action is taken.'

3. Identify and describe **one** management skill that would be crucial for Brenton Jones as he begins the process of change at Austral Airlines

4. With reference to the above extract, discuss **two** pressures for change **other than** economic pressures. Provide an example for each, to illustrate your answer.

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