11 Management of change

This chapter covers Unit 1, Module 2, Section 9 of the CAPE syllabus. On completion of this chapter you should be able to:

- understand the nature of change in business: technical, economic, demographic, social and legal
- explain the difference between leading and managing change
- recognise and understand reasons for resistance to change: fear, disrupted habits, loss of control and confidence, poor training, redistribution of workload and lack of purpose
- understand the importance of communication in the process of managing change

Nature of change in business

There are very few businesses indeed that can accurately claim not to have been affected by recent changes in the world around us. No firm is ‘an island’ that can ignore some or all of the changes we are now going to consider.

Imagine that you are the owner of a shop selling toys and electrical equipment and that the business has been operating for 30 years. Now, try to think of all of the changes that have affected your business in recent years. This list should start you off:

<table>
<thead>
<tr>
<th>Nature of change</th>
<th>Examples of change</th>
<th>Possible impact of changes</th>
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</table>
| Technological: Advances in technology that have affected both products and business processes. | - Products: Computer games, MP3 players, iPods, flat screen TV's.  
- Processes: Use of computers in business for keeping financial records and stock control. | - Change in product mix sold in shop.  
- Retraining of staff in new products.  
- Purchasing computers for shop use.  
- Retraining of staff to operate them.  
- Depending on income, elasticity of demand, sales of many products, will change when incomes change.  
- Expansion plans for the shop will be affected by interest rate changes.  
- Product range may have to be adapted to meet changes in consumer tastes, e.g. an ageing population will demand fewer electronic toys but more electrical household goods. |
| Economic: Changes in the external economic environment. | - Increases or reductions in consumer disposable incomes; changes in interest rates, tax rates, exchange rates. |                                                                                                                                                                                                                                                                                                                                                           |
| Demographic: Changes in the population size or structure, e.g. age structure, racial mix or size of families. | - An ageing population or one which is becoming more youthful. Increased racial mix in the population. Smaller (or larger) families. |                                                                                                                                                                                                                                                                                                                                                           |
### Activity

**Activity**

(28 marks, 50 minutes)

1. As owner of the shop, suggest at least ONE other change under each of the headings above that could have affected your business. (4)

2. Many of these changes will have both negative and positive effects on your business. Select any TWO changes (from different categories) and analyse both the possible benefits and drawbacks of these changes to your shop. (8)

3. Use the internet or newspapers to find out any FOUR recent laws, which have been passed in your country, that could affect a retail business, such as the toy and electrical goods shop. (8)

4. Explain how each law you have discovered might affect the shop. (8)

### Differences between leading and managing change

The examples we gave above were for a relatively small business but change affects firms of all sizes. On an international scale, there are huge forces at work that are directing firms to change their strategies towards:

- energy use (concerns over global warming and energy prices);
- employment of staff (consumer concerns over exploitation of workers in some countries);

- production methods (pressure from governments to reduce pollution levels);
- research and development into new products (technological change).

The pace of change in the world today is accelerating and the only businesses that will survive and succeed will be those that adapt to change and LEAD and MANAGE change effectively.

All changes within a business need to be ‘managed’. This means that:

- New objectives need to be established that recognise the need for change;
- Resources – finance and staff – need to be made available for the changes to be put into effect;
- Appropriate action needs to be taken – and checked on – to ensure that the planned changes are introduced.

Without this competent management of change – objectives, resources and activities – it is unlikely that effective change will be kept on track. But MANAGING change is not the same as LEADING change.

Leading effective change involves more than just managing resources. Change leadership involves having a much greater vision than just making sure the correct resources are available to cope with change. Change leadership also means:
Dynamic leaders who will shake an organisation out of its complacency and out of 'corporate inertia' (resistance to change).

Motivation of staff at all levels of the organisation so that change is looked upon as a positive force that could improve people's lives. This motivation will lead to significant changes in the behaviour of workers.

Ensuring that change is anchored into the 'culture' of the organisation – not just tacked on as an afterthought.

More than one larger than life character trying to force change from the top – change must have the support of all senior managers who will help the change agenda within their own departments.

**Resistance to change**

In most major change situations there are winners and losers. This applies to business change that can have dramatic effects on peoples working lives. Internal resistance to essential organisational changes can delay or disrupt change. To reduce the chances of this happening, managers must be aware of the main reasons why workers may resist change.

<table>
<thead>
<tr>
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<th>Most obvious cause</th>
<th>Possible management response</th>
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| Fear of change              | • Lack of communication about the reasons for change and the effects of it  
• Fear of job losses         | • Give clear guidance and communication about the reasons for and the objectives of change.  
• Reassure about job losses; redeploy and retrain in other parts of the business. |
| Disrupted habits            | • New working practices needed  
• New working hours  
• New methods of working   | • Communicate the need for these changes – this is essential.  
• Explain the benefits of change, e.g. possible new career opportunities.  
• Offer retraining where necessary. |
| Loss of control or confidence | • Machinery replaces skilled labour  
• New management systems may reduce authority of some individuals  
• New processes may be difficult for older staff to understand | • Ensure the human resources department are aware of these concerns and will explain and reassure.  
• Retrain and redeploy within the organisation if possible. |
| Poor training               | • May be under-funded  
• May not provide staff with the skills needed to deal with new technology and new systems | • Ensure training is focused on explaining the reasons for change and preparing workers for the new challenges and techniques.  
• Ensure training is geared towards helping the business achieve its new objectives.  
• Consult with workers about the training needed to help make it more focused. |
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<td>Redistribution of workload</td>
<td>New tasks, new systems, new objectives – these can all result in some workers feeling that they have been overburdened with work – when colleagues seem to have less!</td>
<td>Consult with staff about division of new responsibilities. Establish job evaluation programmes to assess and compare workloads and distribution of responsibilities.</td>
</tr>
<tr>
<td>Lack of purpose</td>
<td>Change can leave some people behind – if they have not been involved in the change process and if their new role has not been defined, Staff may suffer a lack of a sense of purpose resulting from substantial change</td>
<td>Involve staff at all stages of change – this will motivate workers to accept changes and give an added sense of purpose. Communicate to staff how their new roles fit in with the organisation's objectives – and the importance of these roles.</td>
</tr>
</tbody>
</table>

Resistance to change can derail the whole process. Managers have responsibility for involving all staff in large-scale change – the more involvement and communication there is, the less likely it will be that resistance will occur. On the contrary, the greater the involvement, the more likely are the chances that workers will accept and fully contribute to the changes the organisation is planning to introduce.

The four main reasons for worker resistance and for failure to manage change are:

- lack of clear and consistent leadership;
- poorly motivated staff, kept in the dark about the changes;
- too few resources to allow change to happen;
- lack of willingness and initiative amongst staff and junior management to 'do something different'.

In his highly regarded book, *Leading Change* John Kotter proposes the following stages in the process of change, which should have the effect of minimising resistance to it:

- Increase urgency – inspire people to want to change.
- Build the guiding team – get the right people in place with the right emotional commitment to change and the right mix of skills.
- Establish the vision for the future that staff can identify with.
- Communicate – involve as many people as possible, communicate the essentials that appeal and respond to people’s needs.
- Empower action – remove obstacles to change, give feedback to staff and reward and recognise the progress towards change that is made.
- Create short-term aims – set aims for people that are ‘bite size’ and relatively easy to achieve.
- Don’t let up – try to achieve ongoing change, not change in ‘fits and starts’. Encourage determination and persistence.
- Make change permanent – reinforce change by recruiting and promoting leaders able to make and sustain change.

**The importance of communication in the process of managing change**

Good communication can play a key role in allowing changes to be introduced effectively within an organisation. Indeed, without clear, two-way communication the chances of change being delayed or resisted is much greater. Here are some useful guidelines for communicating change:

- Make the message clear – explain in simple terms why the organisation has to change. The language used must be appropriate for the workers who need to be told.
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- Share information with employees as soon as possible. There is a common problem in large public limited companies to focus on communicating with investors/shareholders, not workers. This can lead to real resistance and a backlash if, for example, workers hear rumours about a factory closure or a merger on the radio!
- Key issues must always be communicated – nothing significant about the change should be kept back.
- Use a variety of communication methods. Some organisations make a great mistake in only using one method, such as e-mails on the company intranet site. Two-way methods encourage feedback, which allow workers to express concerns and make suggestions.
- Give workers multiple opportunities to share concerns, ask questions and offer ideas. All queries should be answered and updates of new information should be issued as a priority.

**Over-to-you**

Revision questions
(60 marks, 60 minutes)

1. List THREE types of changes that businesses should prepare for. (3)
2. Outline FOUR problems for a business that did not prepare for change. (8)
3. Do you think that the rate of change is increasing for business organisations? Give some examples to support your answer. (8)
4. List THREE recent economic changes in your country that have had an impact on local business. (3)
5. What is meant by the term to manage change? (4)
6. Explain the main differences between managing and leading change. (8)
7. A sugar refining business has just purchased new, computer controlled equipment. This will have a significant impact on workers’ lives. Give TWO reasons why there could be resistance to this change. (6)
8. A large chain of supermarkets is planning to cut levels of management. The aim is to save costs, make decision making quicker and improve communication. Explain THREE ways in which resistance to internal changes in the structure of the business might be reduced and overcome. (9)
9. Why is communication important in managing change? (5)
10. Explain TWO ways in which communication could be improved during a period of business change. (4)

Discover and learn

1. Read the case study below and then tackle the exercises that follow.

**Case study – T and T Toys**

This is one of the largest toy manufacturers in the region. It is experiencing a rapid decline in sales and profits for two main reasons. First, the traditional toys made by the company are becoming less popular as children demand the latest technological toy – such as computer games. Second, imports from lower-cost countries are taking a higher share of the market. The company has tried to survive without any major changes for several years, but this is no longer an option, it seems.

Some of the senior managers are determined to ensure the survival and success of the business for the future. They have a plan that, they believe, will transform the prospects of T and T Toys. The plan’s major effects will be:

- remove two layers of management to save on costs,