

Unit Summary

- Change is a significant feature of a business’s operating environment. If business fails to recognise change and adapt to it, the business will be sure fail.
- Nature + sources of change come from within (internal) and outside (External) environments.

Internal Change	External Change
<ul style="list-style-type: none"> • Effects of accelerating technology <ul style="list-style-type: none"> - E-Commerce (using the internet to sell products) - New Systems and Procedures (in order to remain competitive, a business needs to adopt world best practice). - New Business Cultures. (Shared values, attitudes and belief of people in the business are hard to change.) 	<ul style="list-style-type: none"> • Changing nature of markets <ul style="list-style-type: none"> - Markets are always changing. • Economics Influences <ul style="list-style-type: none"> - The Business cycle – consumption expenditure, business investment, government policies, flexibility and efficiency, productivity. • Financial Influences <ul style="list-style-type: none"> - What topic 2 is about. • Geographical Influences <ul style="list-style-type: none"> - Limitation of geographical scope - Targeting customer within clearly defined area. • Social influences <ul style="list-style-type: none"> - The environment, ageing population, changing role of women in society, increasing trend towards a healthy lifestyle, younger people living at home longer. • Legal Influences <ul style="list-style-type: none"> - Businesses operate within a framework of laws. - Targeting competition, fraud and public health and safety. • Political Influences <ul style="list-style-type: none"> - Views of political parties on taxation, capital gains, GST, payroll etc. • Technological Developments. <ul style="list-style-type: none"> - Concerned with transforming inputs in outputs - Technology plays an important role in this process.

Often, business respond to change by changing their business structure. Some of the key structural responses are:

- **Outsourcing**
 - A business purchases a particular service, from another business specialising in that function.
 - Recent trends of financial and labour outsourcing.
- **Flat Structures**
 - Flattening creates a more flexible structure and allows top management to react more quickly to changes in the environment.
 - Flattening involves removing some of the middle layers of management – A flatter organisational structure.
- **Strategic Alliances and Networks**
 - Often a business advantage to work with a competitor if it results in benefit for both of the business.
 - A **Strategic Alliance** is where two or more businesses join forces to achieve a particular goal.
 - A **Network** structure consists of groups of people, working in a team and based around a particular business function, interacting with other teams in the business.

Reasons for the Resistance to Change... (Page 54)

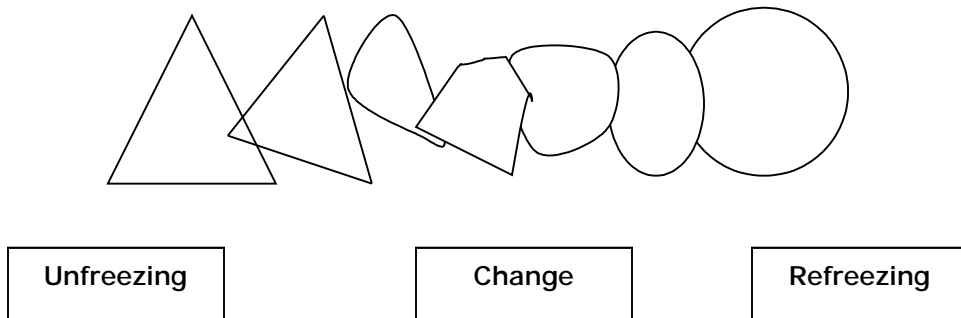
There are a number of reasons why managers resist change and do nothing about the new circumstances a business may find itself in following significant change. These reasons include:

- **The Cost**
 - Of purchasing new equipment
 - Redundancy payments
 - Retraining new staff w/new skills
- **Inertia of managers/owners – lack of energy to do anything about the problem**
- **Staffing**
 - De-skilling
 - Acquiring new skills
 - Loss of career prospects
 - Loss of promotional opportunities.

Managing Change Effectively (Page 59)

Change needs to be managed effectively. This involves:

- Identifying the need to change
 - Businesses need to change for a number of reasons.
 - Most important – Non-Compatibility with the environment.
 - Redefining the business environment, and the need to make the changes compatible with the new environment will become increasingly important.
- Setting achievable goals
 - Only making as much change as is necessary.
 - Change without purpose is a waste of time.
 - Number of things needed to be done when setting the objectives.
 - § Preparing people for change
 - § Including objectives that changes will have
 - § The resources that will be needed to support the new system.
- Change Models
 - Give helpful insights into how the change process works.
 - Two models
 - § Lewin's 'unfreeze change and refreeze' model (used to show a relative stable business's environment where occasionally something happens that causes business to make significant change.)
 - § Force Field analysis. ((used where there is continuous and unexpected change)



Lewin's 'unfreeze change and refreeze' model

