THE SCHOOL FOR EXCELLENCE

UNIT 4 BUSINESS MANAGEMENT
SUMMARY NOTES FOR THE VCAA EXAMS

WRITTEN BY A STUDENT WHO OBTAINED A PERFECT 50 STUDY SCORE

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Area of Study 1 – The Need for Change

1.1 – The Concept of Business Change

Change is a business' planned or unplanned response to both internal and external pressures – or macro factor.

Business Change - the adoption of a new idea or behaviour by a business.

- **Radical Changes** – result in a major alteration of the business. These changes are often initiated by critical events, such as a dramatic drop in financial performance, a merger or takeover – e.g. Uber's impact on Taxi industry.
- **Incremental Changes –** these changes include new systems, including new products are implementing a new policy. This is important for a business because it is continually improving, which can help it gain a competitive advantage and stay current in market.
- **Unplanned –** occurs randomly and may be disruptive – e.g. Legislative compliance
- **Planned** – where managers decide on a specific course of action to alter the business in some way that will assist in the development of the business in the future – e.g. merger/acquisition
- **Proactive –** initiates a change prior to the pressure being exerted
- **Reactive –** where it makes changes in response to the pressure

1.2 – Key Performance Indicators

MENTION BENCHMARKING IN EACH RESPONSE – PROVIDE A COMPARISON – BEFORE AND AFTER

Why do businesses use Key Performance Indicators?:

- Business' use KPIs to assess how the business has been performing against business objectives.
- If a business, regardless of size, does not review performance indicators regularly, it may not be aware of issues and thus may be too late to rectify – which thus may impact achievement of objectives as well as competitiveness.
- Determines performance relative to benchmark standards and because of this, strategic decisions are made to improve figures if required.

Performance Indicators – specific criteria used to measure effectiveness and efficiency of performance.

  - **Benchmarking** – setting a standard to measure against.

Percentage of Market Share – a proportion of sales of a product by a business in relation to total sales of that same product in the market, usually expressed as a percentage figure

Net Profit Figures – the amount of money that is left after expenses have been deducted from revenue earned.

Rate of Productivity Growth – the improved ability of a business to transform inputs into outputs.

- The growth in rate of productivity helps the business to measure how efficiently they are using their resources

- The more efficient a business is, it will result in a competitive advantage due to cost saves and thus lower prices

  Business can improve their productivity in a number of ways, including:

  - Using fewer resources to produce outputs

  - Producing more outputs from the same amount of inputs

  - By being more productive it can help reduce costs of productions leading to competitive advantage

  - It will help business get their products to market quicker than competitors, leading to increased sales.

Number of Sales – the total quantity of sales of a particular product or service.

- Alert business of potential issues in business resulting in declining sales figures

- Help measure success of marketing campaign, sales training and product innovation

- The number of sales can help decide which product lines to continue and what is not

- Relative to benchmarks

- This is done by comparing the new numbers with some old statistics or benchmarks. If numbers have increased it shows that the firm are using the right methods to increase competitiveness and market share. If there are not, it means firm needs to identify where they can continue to fix it.

Rates of Staff Absenteeism – a percentage indicating the number of workdays lost due to staff absence.

- This can be due to job dissatisfaction, ongoing personal issues and or employee health issues

- This negatively impacts upon productivity of the business and achievement of objectives due to lack of work produced and increased costs of the business

Level of Staff Turnover – the rate in which employees leave the business and need to be replaced in any given period

- Important to conduct an exit interview – where human resource manager finds reason for leaving
- Signifies error in the business and therefore requires change
- Can be costly since recruitment, training and selection processes are required for replacement workers
- Increases likelihood of productivity losses caused by disruptions of employees leaving.

Level of Wastage – measures the extent to which a company's processes are lean and effective

- Each material that goes to waste is money that is effectively money going to waste. It is therefore important for a business to reduce the amount of wastage produced from operations.
- Materials may be discarded due to poor quality, poorly trained employees and or poor process. It is important that wastage is monitored so that these issues can be quickly identified and rectified.

Number of Customer Complaints – the number of written or verbal dissatisfaction from customers regarding a business' product or service.

- This could stem from poor quality of output not meeting consumer satisfaction
- May not be happy with a controversial marketing campaign
- The complaint presents itself as an opportunity for the business to rectify situation and therefore improve as a whole
- By comparing previous numbers with the number after the implementation of quality management strategies, the organisation will be able to notice if quality of product has been effective, as customers are happier with product, resulting in fewer complaints.

Number of Workplace Accidents – the number of unplanned events interrupting the workflow, such as employee injury or damage to property or environment.

- A huge financial cost to the business, affecting ability to achieve business objectives such as profitability.

1.3 – Key Principles of the Force Field Analysis Theory (Lewin)

The force field analysis theory is a decision-making tool that is used during times of change for a business

- The tool is used to compare forces for and against so that an informed decision can be made – **a drive or resistant force**

- Restraining forces – working to keep the business in its current state.

- Driving forces – drive the business towards the new desired state

- The state in which the business currently stands is 'status quo' or 'equilibrium'

- When driving forces are dominant, the change is more likely to be successful.

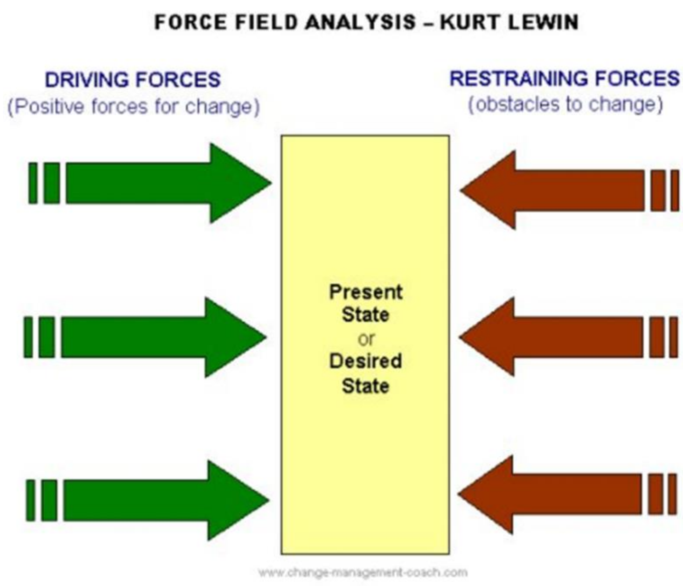
- However, if driving forces are met by restraining forces at a similar level, it is likely that change will not be successful

- Knowing the restraining forces allows manager to attempt to reduce them and make the change more viable

- E.g. A change may have the restraining force of employees in terms of being unhappy – the manager may be able to express the benefits of the proposed change and the positive impact it will have on them and thus limit the restraining force.

Benefits:

- It provides the business with an objective view of the change before it is even implemented.



1.4 – Driving Forces for Change in Business

Driving Forces – are those that initiate, encourage and support a change towards a new state

- Pushing away from equilibrium and closer towards new desired state.

Managers:

- Managers can provide the strategic direction, be involved directly with the change
- They need to be clear about the change and communicate it to all stakeholders
- Senior management implements radical change that will have dramatic affect on business change
- If management has good leadership skills and is experienced in change process, they can be a driving force by supporting the business
- **They can push for change through aspects of the business that they believe can be improved**
- Managers that believe in the benefits of change will work hard to promote these benefits to other employees – motivate and inspire employees.
- Management that believe in the change and have the leadership qualities to drive the change
- They have power and authority over the members of the workplace

Employees:

- If employees support the change and can see the benefits of the change, they can influence other employees who may be resistant.
- If employees believe in the need for change, they are likely to be a driving force by supporting the change and persuading others to get on board.
- **They can push for change if they do not like an aspect of their job or the company**
- If the business is performing poorly in terms of finance, this may mean bankruptcy of the firm and potential loss of jobs – and hence employees will be motivated to support any suggestions/changes offered as it will reduce the likelihood of job loss due to hopefully improved financial performance

Competitors:

- A business needs to be aware of their competitors, they need to respond quickly so as not to lose market share and they need to stay ahead of their competitors – even world-wide.
- E.g. if a competitor introduces a new product into the market, it will cause rival firms to respond by initiating change within their own organisations.
- Lack of competition in a market may help support a change.
- Forced to change in same way in order to maintain competitive advantage.
- Will copy good ideas from competitors as the success of the change has been proven.
- **Changes in terms of price, technology and quality of outputs may result in a form of copying.**

Legislation:

- All three levels of government can force changes upon businesses.
- Changes in legislation will initiate change within firms, as they need to update their practices and be in line with the new legislation enforced.
- E.g. plain packaging, parking restrictions and OHS, EEO have initiated change.
- Restaurants are faced with laws relating to serving food and thus have had to change to a new and desired state in terms of the law.
- The Carbon Tax forced businesses to implement change in terms of a solution that produced less emissions and thus tax. Yet this was repealed in 2014 and therefore businesses had to undergo another change in terms of operations.
- **This can necessitate change, through increased legislation or new laws around an aspect of the business.**
- **E.g. Changes to penalty rates in hospitality industries>**

Pursuit of Profits

- Profit being a main business objective drives businesses to change **– to fund new operations as well as satisfy shareholder expectations**
- When the KPI of net profit is below benchmark levels, it can initiate change in pursuit of higher profits.
- Whether the KPI of profit is positive or negative, businesses will still initiate changes to pursue higher profits.
- **If sales or profit is not as high as necessary, this can incite the need for change**

Reduction of Costs:

- In reducing costs it enables a business to improve its profit. Therefore costs and the pressure to reduce these brings about change.
- A reduction of costs can be a supporting change – e.g. Coles and Woolworths needed to reduce costs of sales in order to remain competitive and gain market share from Aldi.
- E.g. introducing technology to reduce costs.
- **If a certain aspect of the firm is costing too much money, this can create the need for change.**

Globalisation:

The process were economic boundaries are removed and businesses begin operating on an international scale.

- It has resulted in business competing in a global market due to the improvement of communication, unrestricted trade and lower transport costs.
- **It is a driving force – it drives business' to change (operate on an international scale) and take advantage of global competition, as well as global markets/consumers in order to sustain competitiveness and market share.**
- It has also facilitated direct foreign investment by means such as opening up factories, offices or stores across the globe. This has put pressure on businesses to take advantage of the increased ability to sell to a worldwide audience.
- **Having to compete on a global scale can push for change so that a company can remain competitive – and allows to take advantage of global markets**

Technology:

- The development of technology has brought about changes to businesses such as POS, website development, apps, social media and E/Business
- Newspaper companies have been drastically impacted by the implementation of tablets and smartphones. This is has resulted in change in production facilities where printing presses have been closed and all articles are now digitalised – and so pressured into initiating change.
- **If new technology is introduced that can help to improve a section of the business, this will push for change**

Innovation:

The creation of a new idea in the form of a new process, product or method.

- Innovation has changed the way health firms diagnose and treat diseases.
- New inventions or practices force business to change their activities or face extinction.
- **If an employee or an outside person has had a new idea for a way that something can be done, this will create change in a company**

Societal Attitudes:

- Attitudes change over time and therefore requires change within a business
- The inhumane practices of tuna fishing was responded by public scorn and thus such societal attitudes forced change in the way the tuna was caught.
- It highlights the need to remain up to date with society otherwise business will be open to negativity which may impact brand image and goodwill.
- **Members of society can push for change through wanting certain things or wanting companies to stop doing certain things e.g. environmental concerns.**

Societal factors that initiate change:

- Employees seeking work life balance
- People demanding products that are environmentally produced
- Produced by employees that are paid fairly and not been tested on animals have caused business to change.

1.4 – Restraining forces in Business

Restraining Forces – are those that work against a change and aim to keep the business in its current state.

Managers:

- Managers may block or stop change from occurring.
- Managers may feel that change will impact their authority and threaten their current position
- Managers may also feel that they do not possess the required skills and thus oppose any change
- Managers with poor communication skills are also likely to be a restraining force given that change requires strong communication.
- Autocratic and persuasive styles can work against a change, as the lack of employee consultation from these styles can cause fear and anxiety amongst employees, resulting in increased resistance
- Managers that do not have the desired skills for leading a change can also act as a restraining force as it is likely that they lack direction results in change not being well received by key stakeholders

Employees:

- Employees may feel threatened by the change which can cause fear and anxiety and thus restrain change
- Employees may lose their job or may have to perform undesirable new tasks
- May have to move location, work with different people, and or learn on new equipment
- Since the employees who enact change, it can be very difficult to successfully implement change if they are a restraining force.

Time:

- Change can often take a long time to implement effectively
- It could be the wrong time to implement change
- The less time a business has to implement change, the less likely the change will occur

Organisational Inertia:

An unenthusiastic response to change from the people within the business.

- There is a reluctance to invest in new ventures and employees are in a routine and thus do not want to disrupt it
- When a business has a culture that does not adapt and is not dynamic, it can be difficult to implement a successful change.
- The fear of change, and or laziness poses as a restraining force for change

Legislation:

- In order to comply to legislation businesses may be faced with increased costs thus the new laws act as a restraining force
- E.g. a business that moves site may find that there are zoning or building laws that will prevent it from developing in the new location – if unexpected, this can increase time and becomes more costly for the business and thus more hesitant to change.
- May be time consuming and expensive to gain improvement of legislation and therefore can resist change
- E.g. the ACCC may block a proposed merger if it feels it will reduce competition in the market

Financial Considerations:

- Business may not have access to funds, interest rates may be too high and thus borrowing money is not an option and the costs associated with change may be too high for it to be a benefit overall.
- Important to conduct a cost benefit analysis
- The increase in costs can put the firm under financial stress and impact cash flows and thus resisting change
- If costs are too high or burdensome then it can act as a significant restraining force for the change

1.5 – The Two Key Approaches to Porter's Generic Strategies

Porter's Generic Strategies:

He found that businesses are able to gain a sustainable competitive advantage by focusing on generic strategies such as lower cost and differentiation

- He suggests that a firm should focus on using the lower cost OR the differentiation strategy. Otherwise it risks being 'stuck in the middle' with no clear market advantage and being mediocre at both.

Lowering Costs (also known as Cost Advantage):

A strategy that aims to appeal to consumers that are price-sensitive and gain a competitive advantage by becoming the low cost producer in its industry

- The business aims to offer lower prices than its competitors for an equivalent benefit without sacrificing customer value

Porter found that there are two main strategies to gain a cost advantage:

1. **Reconfigure the Value Chain**

Value Chain – refers to the set of activities a business performs to add value to a good or service

Primary Activities: The main functions of the business involved in the creation of the good or service and the distribution to the consumer and support provided after the purchase

- Inbound Logistics: activities associated with receiving and storing inputs
- Operations: activities involved with transforming inputs into outputs
- Outbound logistics: activities involved in collecting, storing and distributing products to consumer
- Marketing Sales: activities associated with attracting consumers to purchase the good or service
- Service: Activities involved in providing services to enhance value of the product – such as product repairs

Support Activities: are those that help primary activities function effectively

- Procurement: the function of obtaining inputs
- Technological Development: all primary activities require technology
- Human resources: activities involved in the establishment, maintaining and termination phases of the employment cycle

- Firm infrastructure: activities involved in planning, finance, accounting

- Reconfiguring the value chain can be done by adopting a more efficient way to design, produce, distribute or market the product.

- For example, a manufacturing firm may look to reconfigure its primary activity of operations by deciding to produce a standard product in mass quantities.

- In order to do so, business can implement automated production lines to enable economies of scale and thereby producing more outputs in the same time with potentially less inputs, thus reduces the overall per unit cost of production, and thereby gain a competitive advantage in terms of cost.

Cost Drivers:

Are the activities of the business that generates costs while the business is producing and selling the good or service via the value chain.

Key Cost Drivers for Business' include:

- Economies of Scale: Being able to operate more efficiently by producing in larger quantities which reduces overall unit cost of production

- Linkages: E.g. use high quality parts may cost more in the short run, however in the long run the higher quality means fewer flaws and hence errors leading to less repair services required and remaking of product and hence saves costs and gains a competitive advantage

- Integration: this is where a business is able to perform tasks themselves rather than outsource to the market. E.g. a business can reduce the costs of logistics via having its own fleet of trucks rather than outsourcing to a third party. De-integration is the opposite and can also reduce costs of business.

- Location: some locations may be cheaper in terms of wages, compliances and taxation – usually in developing nations

2. Differentiation – where a business makes its products different and more attractive than their competitors

- Porter found that many firms aim to differentiate themselves by focusing on the product and or marketing to sell the product

- This allows the business to charge a premium price for the product, and result in repeat customers.

- Any activity in the value chain provides the opportunity for the firm to be unique in someway

- This would give it a point of difference, help attract new clients and enable the firm to be rewarded with a premium price

Common methods of differentiation include:

- Procurement – purchasing premium inputs that enhance quality of end output

- Patents – intellectual property that secures the uniqueness of a product

- Marketing – highly effective sales and campaigns can help to highlight or showcase the unique qualities of the product

- Relationships – forming relationships with high profiled clients that are associated with the product

- Innovation – introducing a new or revised processes, such as Coles implementing new distribution and storage processes which has helped increase overall freshness of output delivered

- Training – new training programs enhance skills and talents of employees

- Distribution – improved delivery systems that allows firm to offer quick returns and access to goods

- Location – e.g securing contract to establish bank ATM's at popular sporting events

3. Choosing the Correct Strategy

Conduct a SWOT Analysis

- To evaluate the internal strengths and weaknesses of its environment, as well as its external threats and opportunities of current market.
- After gathering information relating to the implementation, determine the benefits and costs of the strategy

Use the Five Forces Analysis

- This is used to understand the nature of the industry in which they operate
- A way to understand where the power lies in a business

Supplier Power – a business assess how easy it is for suppliers to drive up prices

- Evaluate how many suppliers there are in the market, and the varying unique service they provide and at what exact cost.
- If there are relatively minimal suppliers, thereby there is high concentration and thus have dominant market power and also over the business

Buyer Power – it examines how easy it is for buyers to drive supplier prices down

- If there are only a few powerful buyers of a business' products, the power lies with the buyer rather than the business.

Competitive Rivalry – this examines the number and capability of competitors

- If there are high competitors in the market, there will be low concentration and therefore become price takers.
- If there are low competitors in the market, the business holds power in terms of uniqueness and become a price maker and can charge premium prices – without fear of losing market share – e.g. Australia Post

Threat of Substitution – refers to the ability of customers to find a product or service that is similar to the one offered by a business

- If substituting the business' good or service is relatively easy, the influence and power of the business is once more diminished and thus may turn to lowering prices in order to gain competitive advantage

Threat of New Entry – power can be affected by the ease with which competitors can enter the same market

- If entry costs are relatively low and barriers are minimal then it can be easy for another business to enter the market and take market share and profits

- This once more reduces the power of a business, as any attempt to raise prices is likely to be met with the entry of new business and therefore forces prices back down to lower levels.

Compare the SWOT analysis with the five forces analysis

- Once both the SWOT and five forces analysis has been completed, the results should be compared to determine the best strategy for the business to gain a competitive advantage.

- For example, if one of the strengths of a business is that it offers a unique product to the market, it should look at ways to protect any intellectual property that is built into the uniqueness of its product – this reduces **the threat of substitution, threat of new entry and competitive rivalry.**

- Due to this uniqueness, the business therefore may decide to adopt the differentiation strategy as a means of sustaining competitive advantage in market.

Unit 4 – Area of Study 2 – Implementing Change

2.1 – Importance of Leadership in Change

Leadership

Positively influencing and encouraging individuals to set and achieve objectives.

Change can be a difficult time for employees and many may resist the change as they struggle to cope. Leadership is imperative during these times to help provide direction, motivation and support to the employee so they are able to embrace the change. This shows the employee that the leader is looking out for their welfare which can help the employees get on board with the change and working towards the new direction of the business. Without good leadership it can be difficult to get all stakeholders on the same page and resistance will arise and make it difficult to implement successful change. By leading change, it helps it be enacted more successfully, resulting in the improved obtainment of business objectives.

During times of change, a strong leader will…

- **Gathering information** about the change that is occurring – to understand the positive and negative impacts
- Be able to **communicate** a clear vision with stakeholders
- **Interpersonal skills:** communicating the change via formal meetings
- Motivate stakeholders on the benefits of the change
- **Listen:** to concerns from employees
- **Decision making:** being able to make the decisions on what change will eventuate
- **Empathise:** Provide support for those finding it difficult to adapt via empathy and good listening skills
- Get all employees on the same page and working towards the same goals

REQUIRED TO APPLY LEADERSHIP IN CHANGE TO A CONTEMPORARY CASE STUDY

2.2 – Management Strategies to Respond to Key Performance Indicators

Staff Training

- Concerned with changing employee behaviour and job performance

- It emphasises immediate improvements in job performance by enhancing specific knowledge and skills of the employee

- ***Impact on KPIs including…***
  - Improved productivity
  - Improved sales
  - Less workplace accidents
  - Decreased staff absenteeism and staff turnover due to increased satisfaction

Staff Motivation

- The level of energy, commitment and creativity that employees bring to their jobs

- ***Impact on KPIs including…***
  - Improved productivity growth
  - Lowered staff absenteeism, turnover and customer complaints

If successful, a motivated workforce can achieve outstanding results as they are more inclined to work hard to achieve stated objectives – managers may motivate via intrinsic motivators like interesting work or more responsibility and or extrinsic factors such as money or better working conditions.

Change in Management Styles or Management Skills

Large impact on the way in which a business performs

- If productivity is low, the business might discover that employees have no say in how tasks should be completed, which slows down production. A consultative style allows employees to express ideas via two way decision making and results in a new way in which things can be done more efficiently, hence improving productivity

- Changing from one-way to two way communication is appropriate when staff turnover and absenteeism is higher and thus this change respects the values and the ideas of employees, making them feel more apart of workforce and hence morale is improved.

Investment in Technology

A strategy that can be used to improve the performance of a business

- Technologies can be implemented to improve workplace safety, boost productivity or enhance quality within a business

- ***Impact on KPIs including…***

  - Improving rate of productivity growth
  - Reduce level of wastage
  - Increase net profit figure by reducing operating cost through precision and accuracy

Improve Quality in Production

Improving the quality of a product is one way to gain a competitive advantage

- if a business has experienced a drop in sales or a rise in customer complaints, it can decide to improve the quality of its product by introducing quality systems into its operations

- Positive results from a KPI can also lead a manager to use this strategy. If a business has exceeded its overall profit target and management might decide to improve the quality of its production to further gain a competitive advantage.

- ***Impact on KPIs including…***

  - Increased percentage of market share
  - Increased number of sales
  - Reduced number of customer complaints
  - Reduced level of wastage

Cost Cutting

Business will look to reduce costs without having a significant impact on the overall value to customers

- Impact on KPIs including…

  - Increased net profit
  - Reduced wastage
  - Improved productivity growth
  - Increased sales (if cost savings are passed onto consumers)

Initiating Lean Production Techniques

A management philosophy, which reduces wastage at all levels of operations system without compromising on quality.

- Reducing wastage while producing a high quality good for consumer.

- Business looks for what 'adds value' to the product and aims to eliminate those aspects which create no value, hence operating on a lean basis

- Techniques include; JIT, automation production lines and Kaizen

- A poor result in KPIs such as net profit, productivity, complaints, sales, wastage can lead to the strategy of lean production.

- As wastage is reduced, quality is enhanced, speed of production increases and costs are reduced.

- ***Impact on KPIs including…***

  - Reduced level of wastage
  - Increased net profit
  - Improved productivity growth
  - Increased sales and market share

Redeployment of Resources

The transfer of resources from one place to another.

- A business will redeploy its resources to make better use of them, meaning extract more value, or output from such resources available – move to places where they are needed/demanded more and hence improve efficiency

  Natural (land) – natural resources, or raw materials in the form of arable land – not overstocking natural resources

  Labour – the physical and mental human effort in creation of products and services

  Capital – goods and assets used to create another product or service such as equipment and factories

- ***Impact on KPIs including…***

  - *Improved productivity growth*
  - *Reduced staff turnover*
  - *Improved level of wastage*

2.3 – Management Strategies to Seek New Business Opportunities

Domestic Strategies – where the business is looking to gain more business within their current country of operating

Global Strategies – where the business is looking to gain more business outside their current country of operations

1. **Exporting** – where an Australian based business sells its product or service to a foreign country

- It allows Australian business to sell their products into new global markets which increases the amount of business they receive
- Can tap into a much larger market
- Exporting can allow the business to enter new market, especially if it is unique to the country
- With the relatively low value of the Australian dollar and the advances in technology has enabled business to export their respective goods or services.
- This allows the business to gain more customers, and if it is the first to sell into this market, it will gain a competitive advantage

Advantages:

- This can open up new business opportunities through larger market leading to improved sales and profits
- Increased global presence and perhaps improved global market share
- We can produce on economies of scale, making each unit cost of production cheaper and so improves achievement of stated objectives

Disadvantages:

- Exported goods need to go through customs, which results in added costs (taxes) that ultimately increases the price paid by end consumer
- Market research is required which is often time consuming to see how they are going to organise distribution channels and the type of buyers they are targeting
- The business may lose sight of its local markets and existing customer base and language barriers can be difficult to overcome

Considerations include:

1. Legal Structure
2. Taxation
3. Staffing – may have to relocate staff which is costly

2. Innovation

The creation of a new idea in the form of a new process, product or method

- Innovation opens up new markets and improves product/service
- We can innovate in terms of production process, improve quality and or self service desks which improves customer experience resulting in more business

Advantages:

- Opens up new markets and allows for the improvement of the good or service

Disadvantages:

- It can be both costly and time consuming to undertake innovative measures in a business

3. Developing a Market Niche

- A Market Niche seeks new business opportunities as it opens up new markets, and creates a competitive advantage within the industry
- Business need to narrowly define the target market and create a unique product or service
- It needs to be carefully researched and developed
- By providing a good or service that is unmatched by rivals, it will ultimately improve performance and received sales, hence developing a market niche creates new business opportunities

Advantages:

- By tapping into a new market and delivering a different, unique output, this can result in increased customer satisfaction and hence sales – also competitive advantage in terms of quality.

Disadvantages:

- Time consuming and costly to conduct market research to find and implement market niche

4. Research and Development

Refers to the investigative activities a firm conducts to improve existing outputs or lead to development of new outputs or procedures

- One way to increase and expand a market is to carry out research and development and come up with new ways to provide services and products

- This seeks new business opportunities as it improves current product or service, creates a competitive advantage and hence lowers number of customer complaints and number of workplace accidents

Advantages:

- Improves quality of output which leads to improved customer satisfaction and therefore sales, receiving more business opportunities

- Researching cheaper ways to produce good and so reduce cost price for consumer, receiving more business and a competitive advantage

Disadvantages:

- Costly and time consuming to undertake

5. Open New Locations

- This can help a business to gain more revenue as they attract new customers in a different geographical area (new market) not previously serviced by the business

- By having more stores in various locations, it increases breadth of potential customers, leading to more sales and hence business opportunities

- This will help the business expand into new markets

Advantages:

- This can help a business to gain more revenue as they attract new customers in a geographical area (market)

Disadvantages:

- Very expensive to purchase store and time consuming to find where to buy and hire employees and get it started

6. Mergers

Where a business decides to legally join forces with another business such that they become one united entity

- This strategy helps firm to instantly gain more market share and thus limits the variety of brands in which customers can choose from. By reducing customer choice, it ultimately means more sales towards business and hence receiving more business opportunities

Advantages:

- Instantly improves achievement of stated objective such as market share and hence reduces customer choice, resulting more customer sales and thus receiving more business opportunities

- Have the abilitiy to increase prices should they have a monopoly over the industry, resulting in more revenue earned

Disadvantages:

- Time consuming process to undertake
- Less customer choice, resulting in reduced non material living standards
- Can lead to culture clashes and thus resulting in potential business conflicts

7. Foreign Direct Investment

Where business is based in one country and makes an investment in another country, such as establishing operations in the specific country.

Advantages:

- This strategy allows an Australian business to enter a new market and gain more customers

- Also allows business to conduct operations in a cheaper location due to reduced laws and minimum wages

Disadvantages:

- Time consuming and costly to set up and involves numerous hidden costs (taxes, communication barriers, different regulations must be met)

2.4 – An Overview of the Principles of Learning Organisation (Senge)

- The Learning Organisation states that during times of rapid change, only those that are flexible, adaptive and productive will excel
- For this to occur, businesses need to tap into people's capacity to learn and commitment
- A learning organisation monitors and interprets its environment, seeking to improve its understanding of the interrelationship between its actions and its environment

The five disciplines are as follows…

1) Personal Mastery **–** where individuals within the business undertake continual learning

- A business that is able to have a workforce that learns faster than its competitors is able to gain a competitive advantage
- Personal Mastery is about continually clarifying and deepening an individual's vision
- If individuals learn, business will learn – creating a culture based on learning
- It can be acquired through employee training and development, however it is more than simply learning new skills
- People with a high level of personal mastery are very much aware of their strengths and weaknesses, as well as the areas that they need to improve, and will continually work towards improving those areas

2) ***Shared Vision*** **–** being able to develop a vision that the people within the business believe in

- It is imperative that the vision empowers employees and fosters a genuine commitment rather than simple compliance.
- This helps to create a workforce of individuals that are all 'pulling in the same direction'.
- This can result in an environment where people learn and excel because they want to, not because they are told to – if we are all on same page, it makes it easier to undergo change as value same thing
- Helps create a workforce of individuals working together and collaborate

3) **Team Learning –** the process of building and developing a team's capacity to create results that its members truly desire

- Individuals that learn together, will grow more rapidly
- It creates an environment where problem solving is improved as knowledge and experience is shared amongst the team.
- It requires talented individuals to have open dialogue and discussion which requires open communication
- Constantly training each other in a group
- Individual to Business Learning

4) **Mental Models –** deeply ingrained assumptions, generalisations and images of how people view and understand the business world

- For a business, this is reflected in its corporate culture
- Rather than seeing threats, see opportunity – to not be pessimistic
- Staff need to be given opportunity to learn new skills
- Creating a culture of openness, inquiry, and trust can empower employees to create something new and better than before

5) **Systems Thinking** **–** where the business has information systems that evaluate the business as a whole, rather than separate parts

- Sees the whole rather than the part – link back to our vision, objectives in the long term
- For a business to be deemed a learning organisation, they need to implement all of the other 4 principles as one does not work without the others
- Look what has occurred and gain feedback
- Operations management – needs to be considered as a whole, not just in elements, for it to be successful
- If any of the characteristics are not present, then the organisation is likely to fall short of its goal
- E.g. reduce costs in operations via cheaper materials – yes, in short term this will improve KPI of profit, but in long run will decrease KPI is it may mean reduced customers, increased complaints and more wastage

2.5 – Overcoming Employee Resistance (Low Risk)

Change can be a difficult time for employees as the change will affect their work and even their job security. This can cause anxiety among employees, which can cause resistance to the change.

Resistance – an attitude or behaviour that reflects a person's unwillingness to support a desired change.

Low Risk – refers to the practices adopted by management that are less likely to cause anxiety and fear to change.

1) **Communication** – the transmission of information from sender to receiver with provision of feedback

- Being open and honest with employees can help to reduce the anxiety of employees and help them see the reasons for the change and the impact it will have on them
- By communicating clearly and addressing fears or concerns, the employees are more likely to embrace the new change
- Two way communication is important so that employees are able to ask questions and have them answered

2) **Empowerment** – involving employees in the change process to help them get on board with the change

- This means employees can help to design and implement the changes – Participative style
- This can greatly reduce any resistance as the employees are less likely to go against decisions they have been involved in making
- Empowering employees allows a greater 'buy in' and they can become a powerful driving force for the change.
- This practice could enable HRM to discuss and ask employees their ideas for the process of implementing new change – this reduces anxiety as the situation is clearly explained so there are no misunderstandings

3) **Support** – providing emotional and functional support for employees that are facing hardships due to the change.

- Appropriate support should be provided for these employees, either through training or redeployment services to assist them in finding new employment.

- For those who will remain with the business, they need to be given the correct support and time to adjust

- Should be given training which helps to overcome any performance pressures

- The manager understands that some employees may find it difficult to cope with the changes and provides extra support to help them through the change.

- Training and time allowance

4) **Incentives** – negotiating with resistors and offering them rewards in exchange for acceptance of change

- This could involve offering trade-offs that provide special benefits in exchange for the reassurance that the change will not be blocked.

- Incentives could include the promise of improved working conditions or financial incentives

Strategy	**Advantage**	**Disadvantage**
Communication	Employees become informed and have their questions answered and thus understand why change is needed, and thus more likely to accept change and reduce resistance force, increasing effectiveness of change It builds trust and cohesion between employees and management	It can be time consuming when there are lots of employees to communicate with
Empowerment	New and fresh ideas on the change can help implement the change in a more effective manner Employees are also less likely to resist decisions they have been involved in making and shows business has high level of trust in staff skills, improving relationships	Conflict may arise due to differencing ideas or views which may not be used Time consuming as ideas are often discussed and debated
Support	Support motivates staff and thus results in improved relationships It shows that the business is looking out for the employees welfare which can improve morale and corporate culture	It can be time consuming to identify what support they need Expensive to provide this support services in order to overcome resistance
Incentives	Employees feel as though they are valued, can improve motivation and can improve their material prosperity and working conditions by just accepting the change	Employees are only supporting the change because they have been given something in return and is not meaningful and may act as a restraining force later in the enacting of change It can also be expensive to implement and thus impacts profitability

2.6 – Overcoming Employee Resistance (High Risk)

High Risk – refers to the practices adopted by management that are more likely to cause anxiety or fear to change

1) **Manipulation** – the skilful or devious exertion of influence over someone to get them to do what you want

- Secretly leak information to employees, or provide only some of the facts, so that the change is able to gain support.
- For example, a business that is going to implement a new technology, may inform employees of how technology will make their jobs easier and safer. However, they might omit any reference to information that relates to redundancy
- It is a high risk strategy because if employees discover that they have been manipulated, it can not only cause resistance to change, but damage their relationships with management in the long term detriment of culture and performance of business

2) **Threat** – where the manager demands employees to embrace the change or face negative consequences

- A number of undesirable consequences, such as loss of promotion, transfer or loss of benefits
- While this can allow change to happen quickly, it can erode positive relationships
- Employees might accept the change 'on the surface' but be unhappy and resentful
- This can negatively impact morale, work ethic and performance of business over time.

Strategy	**Advantage**	**Disadvantage**
Manipulation	This can reduce resistance because employees are likely to be told the benefits of the change without knowing the negatives	This can cause increased resentment from employees if they find out they have been manipulated and results in reduced morale and motivation and even conflicts, interrupting the workflow This harms relationship between management and employee and can result in negative corporate culture where staff do not feel valued and treated respectfully
Threats	This can help to get compliance from employees relatively quickly as they fear receiving of threat – and is a cost effective strategy	It fosters a negative corporate culture which breeds mistrust and bad employee-employer relationships This can cause resentment and harm motivation and can actually increase resistance.

2.7 – Lewin's Three Step Change Model

1) **Unfreezing** – where management prepare the people and the business for change

- The aim of this stage is to create energy around the change – identify what needs to be changed and challenge current beliefs that may resist change
- This can be done by communicating the benefits of the change to subordinates
- It is important that employees are prepared for change

2) **Changing** – where the change actually takes place and is implemented

- Successful change requires clear goals to be set and it is crucial that all stakeholders are clear on what the goals will be
- Communication and support are important here to help keep employees working towards a common goal
- Empowering employees to take action and embrace the change can help the change to be implemented successfully.

3) **Refreezing** – the final stage of the planned change process and is designed to maintain momentum for the change and ensure it is implemented for the long term

- It is important that the change is evaluated during this stage to ensure that it is meeting expectations and modifications can be made where needed
- The aim of this phase is to institutionalise the changes so that they become part of the culture
- This way, the change becomes a way of life in the business and new employees will be trained in the new way of doing things
- Without the refreezing stage, there is an increased risk that some employees will revert back to the old way of doing things
- This ensures that the changes are implemented into the culture of the business so that it remains in the long term
- Continue ongoing support and training so that employees do not return back to habits and previous current state.

Stage 1: Unfreezing

- Creating and communicating need for the change - unfreeze status quo
- Working to reduce resistance to the change after conducting a Force Field Analysis and identifying the restraining forces

Stage 2: Changing

- Implementing the change
- Ensuring people are trained, resources are in place and obstacles are removed - all stakeholders
- Open Communication and Provide Support where needed - so staff can implement change

Stage 3: Refreezing

- Embed into the culture - provide ongoing training
- To instituationalise the change, making it a way of business life and so that employees do not return to the old state
- Reinforce the changes
- Evaluate the results of the change - acknowledgement and reward
- Adjust if necessary

2.8 – Effects of Change on Stakeholders

Managers

- Increased stress and anxiety as they must deal with resistance and lead by example
- Change in processes – change may involve new technology therefore alter recruitment and selection process
- Change in management style – change may involve redundancies
- Change in structure – change may be due to a merger, and thus may lose job, or must manage new employees and will have to start again and form new relationships which is a tedious and time-consuming process

Employees

- New technologies may be brought in and some employees may not be tech savvy and worry that they won't be effective in their role
- Some employees may be forced to change roles which can result in difficult adjustment
- New uniform and work colleagues/environment – if change is due to a merger or restructure
- Employees will need to receive training and support to reduce anxiety and fear – if change involves new technology, or processes
- Some may lose their job – become redundant
- Some employees may become more productive and or more effective in their role as they value the benefits of change – like sustained job security and income going into short term.

Employees

- Improves efficiency – if change is new technology which makes access easier and convenient to do online banking
- Disapproval – if change may negatively impact product e.g. CUB in 2009 with altering VB recipe
- Receive better quality outputs and or at lower prices
- Improved customer experience

Suppliers

- New technology may improve relationship and communication with suppliers (suppliers immediately aware of low stock due to messaging)
- New technology can result in suppler gaining new contracts or losing current contracts – if change is overseas manufacturing
- Can be squeezed on price due to power of client (Coles and Woolworths impact on dairy farmers)
- If change is new technology, this will speed up production rates and therefore enhanced efficiency. Meaning, business will require supplies from suppliers at a faster rate and so suppliers will need to keep up with demand
- If change is new marketing campaign, promotion, pricing strategies, this will put supplier under pressure to make adjustments in order to cater for changes in demand – supplier may need to work longer hours, or invest in change their selves.

Community

- If change is to overseas manufacturing, results in unemployment and decline in economic growth in local community – e.g. Ford – resulting in less disposable income for community to spend on local business'
- Increased congestion (pollution and traffic) in local area which impacts ability to access clean air
- Environmental impacts, both positive and negative
- Impacts amount of income earned and thus reduces material prosperity

2.9 – Corporate Social Responsibility Considerations When Implementing Change

Corporate Social Responsibility – the continuing commitment of an organisation to behave in an economically environmentally and sustainable manner whilst balancing the needs of diverse stakeholders of the business.

Honesty

- Be honest about any negative impacts of the change to all stakeholders – and so will reduce potential backlash and public scorn
- Issues need to be raised and discussed in an open manner via two way communication
- Need to be honest if redundancies occur, employees face different roles and environmental impacts

Support

- Support should be given to help those during the stressful period
- Managers should demonstrate emotional intelligence by being sympathetic to the needs of relevant stakeholders during times of change
- Employee Assistance Programs (EAP) – where employees are mentally struggling to cope with change – counselling
- Transition employees made redundant (career counselling and outplacement services – resume, training)
- Train employees facing new roles or skills required

Sustainability

- Managers must consider the triple bottom line (people, planet, profit) rather than just bottom line
- Use renewable resources which reduces carbon emissions and hence minimises climate change, global warming
- Minimise carbon emissions
- Minimise pollution which promotes environmental sustainability

Other CSR Considerations

- Supporting local community (donating old gear to local sporting clubs or societies).
- When introducing new technology appropriately dispose of old technology (donate to charity along with tech support)
- Use local supplier if possible to reduce carbon emissions.
- Provision of prayer room, childcare facilities.
- Encourage recycling in workplace which respects sustainability aspect of CSR management

2.10 – The Importance of Reviewing Key Performance Indicators to Evaluate the Effectiveness of Business Change

- Without evaluating change, the business will be unaware of the effectiveness of change – do so after change
- By evaluating the change, it identifies performance and modifications can be made where necessary to push business into a positive direction in relation to change performance
- Business could measure effectiveness of transformation by reviewing the KPI of … before and after change. If this figure increases/decreases, then it can be said the specific change has been effective in improving performance