

SECTION A – 50 MARKS

Question One

(a) (i) Discuss the relevance of the style of strategy currently in use at Aybe to the development of the Asian markets.

(5 marks)

Question One Part (a)(i)

As stated within the pre-seen information, Aybe applies a traditional rational model in carrying out its strategic planning process. The rational planning approach is a top-down (centralised) and formal approach to strategic planning, which originated from the USA during the 1960s. Rational planning is a top-down, centrally planned, rigid and formalised approach, bound by vertical communication of corporate aims and objectives to divisions, departments and staff.

The un-seen information stated that markets in Asia are 'fast-moving' and 'highly adaptive'. If this is the case rational planning is likely to be too rigid as a process when operating in rapidly changing and complex environments. Long-term plans are normally infrequently reviewed, which can be ineffective when the environment is in constant change or is very uncertain. Aybe could become complacent and fall behind with competition and innovation, due to inflexible and rigid long-term plans.

Rational planning also encourages conformity, stifling innovation and entrepreneurial spirit e.g. the 'corporate straightjacket' of being locked into 5 year plans, with new or emerging opportunities therefore being missed or ignored. The market structures within Asia are stated to be either 'entrepreneurial' or with heavy 'state planning'. Rational approach may therefore be unsuitable due to more flexible approaches being required for strategic planning.

Question One

(a) (ii) Advise the Board of two alternative approaches to strategy which you consider Aybe could use in the development of the Asian markets. Explain why you consider your choices may be appropriate.

(6 marks)

Tutor Note: Only two approaches were required here from candidates. Three alternative approaches that could have been discussed were freewheeling opportunism, incrementalism and emergent strategies. Discussion of positioning and resource based views of strategy also earned marks

Question One Part (a)(ii)

Incremental strategy

One approach Aybe could benefit from would be incrementalism, a top-down centralised approach like rational planning, but a better strategic methodology when an organisation faces a complex, uncertain or rapidly changing environment. Rather than following a rational planning process over a long time horizon say 2-10 years, instead a methodology of smaller, gradual and more incremental adjustments to strategic plans occur, say every 6 months up to 2 years maximum. Incrementalism is about short-term planning and small scale adjustments, taking a more flexible approach. I consider this choice to appropriate for the following reasons.

- Less complex and long winded than rational planning
- Better for uncertainty and rapidly changing environments
- More frequent gradual adjustment for the organisation rather than infrequent radical and transformational change, therefore a more easier change management process.

Emergent strategies

Henry Mintzberg, described emergent strategies as patterns or consistencies realised despite or in the absence of conscious intention by senior management. This informal and bottom-up (decentralised approach) allows strategic courses of action to developed from the tactical and operational levels of an organisation, without any formal or conscious intention by top management (strategic level). Emergent strategies are formed from choices made lower down the organisations hierarchy. Emergent strategies are developed from a pattern of behaviour, not consciously imposed by senior management and not expressly intended, so they must to some degree be controlled and shaped to be developed. I consider this choice to appropriate for the following reasons.

- Staff within tactical or operational level can be an excellent source of innovative ideas e.g. sales staff closer to the customer or research staff working with products, could identify new ideas to compete more effectively.
- Greater motivation to staff lower down in the organisations hierarchy.
- Supports a culture of flexibility and learning throughout the organisation.

Question One

(b) Evaluate the suitability of Aybe's current organisational structure in respect of the proposed expansion into Asian markets.

(9 marks)

Question One Part (b)

Tutor Note: Only two approaches were required here from candidates. Three alternative approaches that could have been discussed were freewheeling opportunism, incrementalism and emergent strategies. Discussion of positioning and resource based views of strategy also earned marks

Aybe has an organisational structure which is organised along a traditional functional lines. A functional structure is the sub-division of the business system into specialised departments e.g. operations, finance, sales and production etc.

The functional structure is likened to Roger Harrison's role culture. A formal and large organisation with a place for everything and everything in its place. Everything runs as routine with clear job descriptions and clear lines of authority. Such a structure is also likened to the characteristics of Burns and Stalker's mechanistic organisation

- Centralisation of decision making
- Authority through scalar chain and span of control
- Rules and procedures for work processes
- Communication vertical only
- Specialisation of workers and business activities

It has the following disadvantages which would make it unsuitable to when trying to break the Asian market.

- Poor communication and cooperation internally by departments.
- Bureaucracy, rigidity, tight supervision and conflict between departments
- Lack of flexibility for change
- Lack of product or customer focus e.g. poor customer satisfaction

According to the case study Aybe's organisational structure have become outdated, the environment within Asia has environmental conditions that question the suitability of Aybe's current functional structure. The markets are fast-moving and highly adaptive. Bureaucracy, rigidity or lack of flexibility will not respond well to this type of business environment, a functional structure is likely to hinder responsiveness of Aybe to any environmental change. Given the dynamic and uncertain environment of Asia, flexibility in management practices when dealing with different countries will play a crucial part when developing business more successfully. Aybe's existing structure suits a more stable and certain environment therefore will not be appropriate.

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Some countries in Asia are highly entrepreneurial. Aybe's existing structure is a role culture e.g. bureaucratic, efficient and highly specialised, a place for everything and everything in its place. This culture thrives on a routine, stable and unchanging environments, it does not work well when developing staff independence or initiative. Aybe needs to develop a staff culture of high autonomy, initiative and creativity, a structure more likely to support small businesses or highly entrepreneurial customers who are fast-moving and highly adaptive.

Question One

(c) (i) Explain two control problems Aybe might encounter if it chooses to conduct its business in Asia using agents.

(4 marks)

Question One Part (c)(i)

Tutor Note: Only two control problems are required here for 2% each. Problems could include self interest of the sales agents, clash of differences in culture when doing business, misrepresentation by agents and communication e.g. language and time zones.

Control problems due to delegation

An agent must promote the interests of the principle e.g. profit maximisation, customer satisfaction etc. The agents self interest may conflict with the aims and objectives of Aybe. The agent may have clients which could be rivals of Aybe, the agent could also be dishonest and falsely represent Aybe if selling their products; it could tarnish the reputation of Aybe. Agents with a sales pushy culture can harm Aybe's reputation, all due to the autonomy given by delegation. Another control issue of delegation will be the loss of contact with a customer directly.

Control problems of cross-cultural management

Cross-cultural management problems such as language and other cultural barriers e.g. ways of doing business, may cause misunderstanding and poor communication. Time zones can also cause delay in communication, also methods of working maybe unfamiliar to those agents participating globally.

Question One

(c) (ii) Advise Aybe of appropriate control measures it could use to deal with the problems you have explained in (c)(i).

(6 marks)

Question One Part (c)(ii)

Controls to reduce the problems of delegation

Monetary reward is an example of extrinsic reward and considered as the most important of all -hygiene factorsø according to Frederick Hertzberg. Payments and financial incentive schemes linked directly to performance can enforce greater goal congruence for agents to achieve Aybeø corporate aims and objectives. It is also important to recruit and maintain the right -calibreø of agent and the following controls could help achieve this.

- Recruitment and selection of -personalities that fit the corporate cultureø
- Verification of agents trading, credit history, premises and references.
- Agent handbooks e.g. conduct, dress code, notice period etc.
- Corporate inductions e.g. to develop and modify the right behaviour.
- Training and development e.g. to improve agent behaviour and performance.
- Contracts e.g. terms and conditions about sales territories, notice period, -not working with competitionø and sales or other targets that must be achieved

Controls to improve cross-cultural management

- If possible have regular face to face meetings with agents e.g. corporate and social events for all agents and internal sales staff to attend.
- Use webcams and video conferencing to help put a face to a name. Create a 'face book' for background and interests of all -team membersø to help get to know each other better.
- Use of public diaries and schedules to coordinate agents more effectively e.g. use of intranet.

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Question One

(d) (i) Construct an incremental profit forecast for the Asian expansion for the period 2010 to 2014 using the assumptions proposed by the Director of Operations and the actual results for year ended 31 December 2009.

(4 marks)

Question One Part (d)(i)

The Director of Operations stated the following assumptions:

- Actual results for year ended 31 December 2009 is the base year.
- Revenue will increase by 25% compound per year from the base year.
- Incremental operating costs will be 20% of revenue each year.

Incremental profit forecast for the Asian expansion

	Actual 2009 C\$m	Forecast 2010 C\$m	Forecast 2011 C\$m	Forecast 2012 C\$m	Forecast 2013 C\$m	Forecast 2014 C\$m
Incremental revenue (W1)	5.00	6.25	7.81	9.77	12.21	15.26
Incremental cost 0.2 x W1	1.00	1.25	1.56	1.95	2.44	3.05
Incremental profit	4.00	5.00	6.25	7.82	9.77	12.21

(W1) Incremental revenue

$5.00 \times (1.25)^1 = 6.25$ (year 2), $5.00 \times (1.25)^2 = 7.81$ (year 3), etc.

Question One

(d) (ii) Discuss the consequences for the shareholders of the revised incremental profit forecast constructed in d(i).

(6 marks)

Question One Part (d)(ii)

- There are currently 180 million ordinary shares in issue with a nominal value of C\$0.10 each.
- There is a dividend payout ratio of 50% of profit for the year.

	Actual 2009 C\$m	Forecast 2010 C\$m	Forecast 2011 C\$m	Forecast 2012 C\$m	Forecast 2013 C\$m	Forecast 2014 C\$m
Earnings per share	0.022	0.028	0.035	0.043	0.054	0.068
Dividends per share	0.011	0.014	0.018	0.022	0.027	0.034

The Director of Operations assumptions are far more optimistic than the management accountant. The management accountant's forecast EPS and dividends payable remain almost static compared with the base year. The Director of Operations forecast in comparison reveal that EPS or dividends by the fifth year are almost 3 times the level predicted by the management accountant. The consequences of this for shareholders of this revised incremental profit forecast would be 2-3 times more wealth created.

The management accountant maybe using out of date practices, but it is not clear from the information given, what the source of the Director of Operations information is either, and whether these assumptions have any reliability or validity at all. It could be the risk appetite of either manager is very different, one could be risk seeking and the other risk averse, but given the high degree of uncertainty both could be unreliable.

I feel the consequences of a revised forecast could mislead shareholders; they maybe more likely to accept this strategy of market development due to the higher financial returns that are forecast. It is important however at the presentation to ensure all information sources, reliability and other information is presented to shareholders to make a more rational decision.

Question One

(d) (iii) Evaluate how the views of the Director of Operations about the Management Accountant's profit forecast and the role of management accountants represent an ethical dilemma for the Management Accountant of Aybe.

(10 marks)

Question One Part (d)(iii)

The Director of Operations instructed the Management Accountant to prepare a new five year forecast and to destroy her original forecast. For the Management Accountant to say it is 'unrealistically optimistic' represents a conflict, but is not an ethical issue itself.

However what is 'controversial' here would be the statement made by the Director of Operations; in particular 'it was not the role of a management accountant to question a director's professional expertise but rather a good management accountant should help him by carrying out his requests'. The Director of Operations was also not willing to discuss the matter further and insisted the management accountant present the revised forecast at the forthcoming meeting and destroy the original forecast. Although the Director of Operations may have 'expert power' over this matter e.g. superior knowledge, expertise or skills, 'the extensive experience of the electronics markets in Asia' so perhaps the management accountant should accept this.

However, the Management Accountant has used well established procedures which included detailed consultation with Board members and operational managers. Discussion, consultation and consensus have always been considered important aspects of strategic decision-making.

The Chartered Institute of Management Accountants (CIMA) has adopted a Code of Ethics to give guidance to its members with regard to behaviour.

Integrity

'A professional accountant should be straightforward and honest in all professional and business relationships'. This code of ethics further states that 'a professional accountant should not be associated with reports etc. where they believe that the information: omits or obscures information required to be included where such omission or obscurity would be misleading'. By carrying out the Director of Operations requests, this could be viewed as not being straightforward or honest.

Objectivity

'A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgements'. The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgement because of bias, conflict of interest or the undue influence of others.

The management accountant I feel should question the director's professional opinion and not just accept it. In fact to comply with the code regarding

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objectivity, the management accountant should present both forecasts and assumptions at the Board meeting and should not be destroying the original forecast. The Management Accountant therefore has an ethical dilemma and therefore should seek further guidance from such ethical codes or their professional body with regard to this matter.

SECTION B – 50 MARKS

Question Two

Required

(a) Analyse the strengths and weaknesses of JGS using the value chain model.

Note: You are not required to draw a value chain diagram in any part of your answer to this question.

(8 marks)

(b) The owners propose to convert their website to facilitate e-commerce in order to increase turnover and profit.

Advise the owners of JGS what they will have to do immediately, and also on a continuing basis, to carry out this e-commerce solution.

(8 marks)

(c) Evaluate how the introduction of e-commerce could affect JGS's value chain.

(9 marks)

(Total for Question Two = 25 marks)

Question Two – Part (a)

Primary activities

No information is given about inbound logistics e.g. warehousing, stock control or inbound transportation of antiques. Could be a weakness, the transporting of antiques or the storage of antiques could be problematic due to the increased popularity of the area.

Operations e.g. sale of the final products or providing advice about antiques. Even though JGS is a long-established retailer and a national reputation in the antiques trade, the shop has become very inconvenient for many antique traders and collectors to visit, it also prevents the owners from attending antiques fairs which operationally seems a good business opportunity being wasted. This is therefore a weakness.

Outbound logistics e.g. outbound storage and transportation of antiques to customers. Nothing is mentioned whether JGS offer home delivery of antiques to customers. It could be a significant strength if offered.

Marketing & Sales e.g. product features, price, promotion and place. Place within the marketing mix (the antiques shop) has become less of a key selling point for the business, even the use of the website does not seem to have increased sales. I believe this is a weakness for JGS.

Service e.g. customer service and support, repairs and insurance of antiques, after sales servicing of antiques. JGS has a national reputation and a lot of repeat business from customers, this could signify that after sales service is a key strength of JGS.

Secondary or support activities

Firm infrastructure e.g. a large modern shop with an apartment above. Fixed costs of this property has been rising considerably and the location becoming increasingly problematic. This is a weakness. However if the premises were if sold a substantial capital gain would be a strength for JGS.

Human Resource Management. JGS have no employees. However the owners are still the human assets of the business, they have developed expertise and a national reputation in the antiques trade, a key strength of this business.

Technology development. Apart from the website, there does not seem to be much technology used in this business, this could signify a weakness.

Procurement. No information given but owner's expertise, national reputation and period of trading would suggest the owners may have very good connections when sourcing or buying antique inventory. Therefore I believe this is a strength.

Question Two – Part (b)

Immediate advice

The first thing that needs to be established is whether e-commerce would support the business as a viable strategy? The owners recently set up a website which has basic information about their business, the website has received a large number of hits but it does not seem to have increased sales.

I would also advise benchmarking of competitor websites or other websites that could be of use. Customer feedback could also be used to establish appropriate customer features, which will help plan effectively for the technical design of the system. JGS also needs to consider customer segments for effective marketing on the website if they do exist e.g. general public, antique dealers etc.

Security and risks relating to the use of e-commerce can be a major problem so immediate advice needs to be sought e.g. competitors exploiting information, viruses, hacking and other security risks

Implementation and management of a new web system will require effective project management and good controls over its development and implementation in order to achieve high quality of the end product, within time and on budget. The overall cost of all of this needs to be established.

Advice on a continuing basis

1. Systems in place for operational logistics of meeting customer requirements on-line e.g. staff support, equipment required, processing and payment.
2. Information provided on the website maintained to give good user friendliness of the system itself, this could help reduce customer support overhead for JGS.
3. Effective marketing and awareness of the website, perhaps through antique national bodies, Google campaigns or national magazines.

A website is not just an electronic window display, it is a means of selling and communicating with the customer. It must be innovative and change as your customers needs change. Once implemented a process of periodic review and benchmarking of the site, as well as customer and staff feedback should be obtained to continually increase the websites value to customers.

Question Two – Part (c)

Operations

The introduction of e-retailing can increase value to a customer. The convenience of 24/7 automation to purchase goods on-line and the provision of more effective information to customers means they could shop on-line for goods even when premises are closed. It may also add value by the creation of more effective outbound logistics for JGS customers e.g. home delivery.

Marketing and sales

A creative and well designed website with loyalty schemes, discounts and e-mails informing customers of interesting offers based upon the analysis of their past transactions, can increase value to customers. It also offers the opportunity of selling products globally and therefore not restricted to the location JGS currently operates within. It will therefore increase value by the creation of another distribution channel for customers.

Human resource management (HRM)

JGS owners add value by the face to face support, advice and assistance they give to customers. More emphasis by customers on using on-line ordering could decrease the value of this activity.

Infrastructure

The introduction of e-retailing could decrease value of the premises currently used, antiques are a tangible good and can be very expensive, a customer may want to view or inspect goods before they make a purchase. However premises currently used is a significant weakness e.g. high cost and inconvenient area, its sale could realise a capital gain on disposal, much needed cash, which would help the owners pursue other areas such as e-commerce or trade fairs to improve sales and profit.

Procurement

If the e-retailing system is integrated or networked with other antique dealers, this could increase value by reducing the lead time for customers to receive the product purchased. Significant value would be added especially for sourcing specialist products or new sources of supplier for antiques being retailed.

After sales service

This activity could decrease in value if using e-retailing, due to no face to face contact with staff by a disgruntled customer.

Technology

This will now become a more important activity to JGS, a well designed website and ordering system could add significant value to improve sales and profit.

Question Three

Required:

(a) Explain why strategic implementation is included in the Johnson, Scholes and Whittington model.

Note: You are not required to draw the model.

(5 marks)

Required

(b) (i) Identify four Critical Success Factors which would be appropriate to use for TDM.

(4 marks)

(b) (ii) Recommend, with reasons, two Key Performance Indicators to support each of the four Critical Success Factors you have identified.

(16 marks)

(Total for Question Three = 25 marks)

Question Three – Part (a)

In the Johnson, Scholes and Whittington model, each of the three elements of strategic development are interdependent and given equal weighting.

Any strategic option chosen will need to be implemented effectively e.g. a vision of change communicated, resource, logistical and financial plans produced. Implementation requires management of change e.g. consultation, participation and targets set. A good information and IT strategy will be needed to monitor and control any strategic courses of action chosen. Performance measures will be monitored for any control action required by the board on a periodic basis.

Strategic implementation helps integrate and coordinate divisions, departments and staff, it ensures resources are allocated efficiently and effectively to meet corporate aims and objectives and achieve strategic choices made. Without effective implementation e.g. a clear road map for successful delivery, it does not matter how well the strategic position has been analysed or what strategic choices are made, without a clear implementation strategy it will be no benefit from it.

Question Three – Part (b)(i)

Tutor Note: Critical success factors (CSFs) are key organisational goals that if achieved will make the organisation more successful. The limited number of areas in which results, if satisfactory, will enable successful competitive performance (Rockart and Hoffman). The requirement was to identify (recognise, or select after consideration), however it is important to briefly indicate why your 4 different CSFs have been chosen. Other CSFs and KPIs could have been discussed here, not just the four that were selected below.

The four Critical Success Factors which I have identified as appropriate for TDM to use would be.

- 1. To produce the highest quality courses and learning materials.**
An essential CSF to maintain and build market share and customer loyalty.
- 2. For students to consistently achieve high pass rates**
An essential CSF to measure the effectiveness of tutors, courses and study materials.
- 3. To maintain the largest market share**
An essential CSF to measure the competitiveness and strength of brand reputation for TDM.
- 4. To maintain high levels of employee morale and motivation.**
A college's reputation and quality depends highly on the staff required to deliver excellent lecture programmes and study material. This requires that TDM retains and motivates its staff to achieve this.

Question Three – Part (b)(ii)

To produce the highest quality courses and learning materials.

- Number of student or customer complaints regarding course and learning materials (or course refunds and material returns), analysed by reason. A clear measure or expression of customer dissatisfaction and therefore a better understanding of quality and 'value' to a customer.
- Customer feedback and comment ratings from students attending courses or customers having purchased home study products e.g. scale of 1-5 (1 being 'poor' to 5 being 'excellent'). This will give a strong indication of whether customers are satisfied with the quality of what TDM sells to its market.

For students to consistently achieve high pass rates

- % pass rates analysed by sector, such as by different courses and home study products sold. This will help gauge the success of different courses or materials sold and can be compared to internal standards set for tutors or writers.
- % of pass rates better than 'national average' analysed by sector, this will give a stronger indication of how better than 'national average' TDM has been, a good measure of relative effectiveness when compared to other colleges or past trends.

To maintain the largest market share

- % Market share (and sales value) of course and learning materials, analysed by sector. This will give TDM a clear measure in terms of whether customers are satisfied and therefore continue to book courses or buy study material. It will also indicate the competitive success of TDM and any other issues e.g. pricing, service features, which may need to be addressed.
- % repeat business (from course or study material orders) would be a strong indication of customer 'churn' e.g. whether customers are coming back to TDM and therefore market share at least being maintained and not eroded.

To maintain high levels of employee morale and motivation.

- To reduce the rate of employee turnover. High levels of turnover indicate high levels of staff discontentment.
- To measure levels of staff absenteeism e.g. days or hours of productivity. High levels of staff absenteeism, as with turnover, indicates poor staff morale and motivation, given staff are not even bothered to come to work!

Question Four

Required:

(a) Evaluate, using Ansoff's product market scope matrix, the alternative strategies XZY could follow to maintain its growth rate in profits and share price.

Note: Ansoff's model is also described as the growth vector matrix. You are not required to draw this model.

(12 marks)

(b) Advise the CEO of the difficulties which may be encountered in changing the organisational structure of XZY and reducing employee numbers.

(5 marks)

(c) Recommend how the CEO could manage the process of changing the organisational structure.

(8 marks)

(Total for Question Four = 25 marks)

Question Four – Part (a)

The Ansoff product/market growth strategies model is a framework for the creation of strategic options an organisation could pursue. It is primarily aimed at generating strategic options to provide growth for an organisation.

XZY, has grown based on a broad range of well-regarded products manufactured and sold exclusively within Asia, this core strategy was described by its CEO as 'selling what we know to who we know'. Applying this to Ansoff's matrix, would be an example of market penetration, a strategy which seeks to increase sales of existing products or services to the same market. For example this could include:

- Price reduction strategies, aggressive sales promotion and advertising
- Brand building and customer loyalty schemes
- Sales fleet management to gain more share
- Horizontal integration e.g. buy out the competition

Product development is another strategy of Ansoff, a strategy which seeks to increase sales by the development of new products or services to the same market e.g. entirely new or improved existing products. This may be a useful strategy for XYZ, growth rates within Asia are becoming difficult to sustain, suggesting the maturity stage of the products life cycle, continual product development during this stage could extend further growth and compete more fiercely with rivals to steal market share as the industry growth rate slows down. For example this could include:

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- R&D and reverse engineering to build upon existing knowledge about customers and improve manufactured products.
- Modifications to existing products to reflect changing needs, wants or values.

Market development is another strategy of Ansoff, a strategy which seeks to sell existing products in new geographical markets or to new market segments, or a strategy to find new uses for existing products. This would be a very useful strategy if the market in Asia is considered in terminal decline e.g. decline or senility stage of the product life cycle, if current growth rates cannot be maintained, then the only option could be to sell in other continents, XYZ already has a broad range of well-regarded products, which could support overseas development. For example this could include:

- Entering new geographical markets e.g. USA, Europe, and Africa.
- Entering new customer segments

Diversification is another strategy of Ansoff, a strategy which seeks to move into new products and new markets in which the organisation is unfamiliar with e.g. integration of other organisations involved in different industries to XYZ. The advantages for a company of unrelated diversification is that it helps spread risk due to trading in many industries rather than one. The disadvantages include unfamiliarity with the organisations industry and greater complexity of control. For example this could include:

- Related e.g. vertical forward or backward integration.
- Unrelated e.g. conglomerate growth or lateral integration.

Diversification is considered the highest risk out of all four strategic options. It could be worth pursuing this strategy, if the market globally is considered structurally in decline, since no amount of product or market development will return sufficient growth if no market exists.

Question Four – Part (b)

Tutor Note: About 5 brief difficulties are required here for about 1% each. Five possible difficulties are included as examples below.

- Resistance to change. Individuals want to preserve the status quo because of uncertainty and fear of the unknown, their job security could be threatened. Groups may combine resistance by formalised or informal activities e.g. go slow arrangements or trade union action. Past agreements or contracts with the workforce could be difficult to rescind.
- Possible risk of project failure or poor project management e.g. the implementation of redundancy does not deliver the financial results expected.
- The unfreezing stage according to Kurt Lewin would involve communication and education to staff about the reasons why change needs to occur in order to sell and give motive for change. This stage spells out the reasons why change needs to occur. The most difficult of the three stages of change management and a process that is often overlooked by management or ignored altogether.
- Reorganisation could lead to less staff and loss of control within XYZ, as job roles change and staffs customise and train to use new processes or systems. This could lead to a poorer not better quality of work within XYZ. Customers could also experience a reduction in the quality of service or product quality they receive.
- Reorganisation may not support the business strategy. For example if XYZ wants to achieve product or market development strategies it may require more staff and better trained staff, investing not divesting its human resources if this were the case.

Question Four – Part (c)

Tutor Note: Change management theorists such as Lewin are ideal for answering questions relating to any process of change, so would be some practical advice for XYZ.

There is no one successful recipe for managing change within an organisation. For change to be successfully implemented there needs to be a shared vision and plan, which is effectively communicated, also a senior management team that is committed and build high levels of trust and participation from those affected by it. Kurt Lewin suggests a three stage approach to managing change.

Unfreeze existing behaviour e.g. spell out the reasons why change needs to occur

This stage spells out the reasons why change needs to occur. The most difficult of the three stages of change management and a process that is often overlooked by management or ignored altogether. Unfreezing would involve communication and education to staff about the reasons why change needs to occur in order to sell and give motive for change. Those affected need to be convinced of the undesirability of the existing situation and develop an understanding of the need to change with clear vision communicated and shared.

Behaviour change e.g. modify existing attitudes, norms, values and beliefs

Participation should be encouraged by those affected to aid change, as well as objectives and timescales set to achieve its desired effect. This stage identifies and crafts new norms, attitudes and beliefs e.g. behavioural change, it is concerned with education, communication, participation, manipulation or even coercion to achieve the desired effect.

Refreeze e.g. reinforce new ways by encouragement, reward and praise

Once new behaviour or culture is crafted, the organisation will need to consolidate. This last stage ensures workers are satisfied with the new ways and reinforces the new ways through reward, praise and encouragement. Refreezing is about ensuring the lasting effects of any behavioural change do not revert back to old or undesirable ways.

A process to manage reorganisation

1. Identify exactly what changes will be necessary e.g. a quantification of size and composite of staff identified for redundancy.
2. Clear vision of change communicated to staff.
3. Educate and communicate the reasons why change needs to occur.
4. Participation encouraged by staff to aid change e.g. consultation and evaluation of different solutions, keep an open mind and listen to those affected such as staff, trade unions or staff representatives.
 - Review existing composite of internal staff for natural wastage levels
 - Reduction in staff hours to avoid redundancy e.g. part-time, job sharing arrangements, reduction in shift patterns, paid time off or compulsory enforcement of staff holiday and temporary closure.
5. Plan and determine how change needs to occur, demonstrate commitment to change and support for this by management, set objectives and timescales for job reduction.
6. Implement change.
7. Review and feedback obtained to ensure the change process has been successful.

Ethical advice offered

- Compulsory redundancy should be last resort e.g. consider all alternative solutions
- A sensitive matter so plan for how it will be dealt with effectively
- Management must act as honestly and fairly as possible
- Selection methods used for who loses their job on a fair basis e.g. last in first out
- Plans should not be leaked until management meet with staff or trade unions

Outplacement consultants

The decision concerning redundant employees is always a sensitive issue. In order to remain a serious and attentive employer, the company can offer their redundant employees extra support when dealing with their job loss situation. Outplacement consultants help to manage the transition period in a more positive way, with the focus on successful employment in the near future for those individuals effected. Outplacement consultants should make contact with staff as quickly as possible, once it is apparent that they will be leaving the organisation.