

# PES

School Assessed Coursework (SAC) Tasks 2018

**BUSINESS MANAGEMENT**

**UNIT 4 OUTCOME 2**

**IMPLEMENTING CHANGE**

**MARKING GUIDE**

**General information for teachers:**

- The attached SACs are written in accordance with the VCAA Study Design with the weightings applied to each Outcome as per the VCAA Study Design.
- As a general guide writing space has been provided that matches the line allocation provided in the VCE November examination.

Greenways Wholesale Nursery (GWN) specialise in selling fresh potted herbs to supermarkets, restaurants and plant retailers. Jordan Collins, CEO addressed a strategic planning meeting with the senior managers following a year of poor business results.

*'This meeting will determine our futures. None of our jobs are secure and, in fact, the ability of the business to continue operations will depend on the decisions made by this group. We have not met either efficiency or effectiveness indicators over the last 12 months and our investments into new technology have failed to deliver the promised increase in productivity growth and net profit. We waste nearly a third of our total production with stock being rejected at the quality inspection stage. The rise in customer returns and number of customer complaints is also damaging our reputation. Most of our experienced sales staff have left and been hired by our competitors. Today I am relying on the expertise of my senior management team to use the data provided to fix these problems so we can move forward'*

Jordan Collins, CEO

Greenways Wholesale Nursery has just received the following data covering the last 12 months of operations:

<b>Key Performance Indicators:</b>	<b>2016 (12 months to June 30)</b>	<b>2017 (12 months to June 30)</b>
Number of sales (Units)	4.5 M	2.9 M
Number of customer complaints	1 200	8 000
Level of wastage (industry average 12.3%)	16%	29.2%
Net profit figures	\$2.8M	\$1.4M

Note: This is a fictional article

**Question 1 (26 marks)**

- a. Propose and justify **three** different management strategies that could be used by Greenways Wholesale Nursery (GWN) to respond to the data for **three** of the key performance indicators (KPI's) in the above case study.

9 marks

*The Study Design provides a range of options here including: staff training, staff motivation, change in management styles or management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques and redeployment of resources (natural, labour and capital). Students may select any three of these or another valid strategy.*

*The number of customer complaints could have risen due to increasingly poor performance by staff. If staff lack motivation and interest in their job then they not interact with customers in the most appropriate manner. Management could improve performance in this area by offering training to staff. On-the-job training could allow an experienced sales person or manager to work*

*with staff, individually or in small groups, to review the manner in which they present to customers, improve their product knowledge and set guidelines for dealing with customers. In relation to net profit figures, if the cause of the decline in profit has been a rise in costs then the business can look to cut costs. There are a number of options in terms of cost cutting. The business could cut costs in terms of wages by ensuring the business is not over-staffed at certain times. Better matching of staff to customer ratios during peak and slow times could reduce costs and lead to a rise in profit.*

*Initiating lean production techniques can reduce the level of wastage. Lean production involves putting in place processes and practices that reduce wastage at some or all stages of operations. This can involve a quality control system to reduce defective products and fix problems in production. It can also involve introducing a Just In Time materials management system to reduce wastage of materials in storage.*

*Award 3 marks for each strategy:*

*Award one mark for identifying a strategy*

*Award one mark for explanation of that strategy*

*Award one mark for link to a specific KPI*

Greenways Wholesale Nursery (GWN) is facing the need for major change.

- b. Explain the importance of leadership in change management by the CEO, Jordan Collins. 3 marks

*Leadership is important during change as a manager can act as a type of bridge between the business as it currently is and what it will look like once the change has occurred. It is important that effective leadership communicate the vision, analyse the environment, support all stakeholders and energise the organisation in order for the change to be successful*

*Award 1 mark for description of leadership*

*Award 2 marks for addressing the importance of leadership*

High risk strategies include the use of manipulation and threat.

- c. Discuss the use of high risk strategies by the CEO, Jordan Collins at Greenways Wholesale Nursery (GWN).

4 marks

*High-risk strategies are those that have a greater risk of failure and run the risk of generating ill feeling between employees and employers, which can permanently damage working relationships, if they are not implemented correctly or are discovered. The two strategies in this area are manipulation and threats. The tactics of manipulation and threat have little regard for the feelings or well-being of staff. These tactics involve withholding some unfavourable facts or statistics relating to the change (manipulation) or threatening anyone resisting the change with discipline, loss of access to promotion or dismissal if they don't support the change.*

Such strategies can be successful as employees generally fear for the security of their job, particularly during a period of change. If this fear can be heightened by a threat or manipulating information so the situation seems more dire than it really is, then the tactic will achieve the desired result.

On the other hand, some employees may not be threatened or fearful of losing their job because they are close to retirement or they have confidence in their ability to find employment elsewhere.

- d. Explain how the use of **two** low-risk strategies could help to overcome employee resistance to change.

4 marks

A low-risk strategy that could be used is communication. As fear is a common outcome of an announced change, providing accurate information about the change will ease the fears of employees. If employees know what is occurring they may be more willing to accept the change and could even become driving forces.

A second low-risk strategy that can be used is support. As it has been stated that no one's jobs are safe, those that are likely to lose their job may require support. Support can range from comments of support or counselling and transition services during a period of redundancy at a business. Employees may feel more comfortable during the change if they know the business will support them

*Award 2 marks for each strategy explained:*

*Award 1 mark for each definition of the strategy*

*Award 1 mark for linking strategy to reducing resistance*

Options being considered by senior management at Greenways Wholesale Nursery (GWN) include downsizing or changing suppliers.

- e. Discuss **two** corporate social responsibility considerations when implementing change at Greenways Wholesale Nursery (GWN).

6 marks

There are a range of social responsibility considerations that could be implemented including:

- Providing transition services for departing staff
- Providing outplacement services for departing staff
- Sourcing supplies locally
- If sourcing supplies overseas, use fair trade practices
- Source supplies from businesses that support CSR principles similar to the business

Downsizing involves removing an unproductive part of the business operations in an effort to reduce costs and increase profits. This results in making some staff redundant. This process can be difficult for all parties but management can be socially responsible through this process by

providing services to employees. Offering assistance to staff in preparing resumes and practising for interviews can be useful or staff who have not had to participate in these activities for some time. Providing a reference for those staff who are leaving can also assist staff find further employment.

However, these services come at a cost of time and money for the business and so businesses may be reluctant to participate. Additionally, if employees are being made redundant they may feel animosity towards the business and may be unwilling to participate in these programs.

In an effort to reduce costs a business could seek a different supplier who may provide the materials at a cheaper price. A social responsibility consideration here is the location of the supplier. Ideally the supplier should be Australian so the money spent by the business stays in Australia and creates jobs here.

However, the cost of local supply may be higher than what is available from overseas and the business may decide to source from overseas to take advantage of the lower price.

*Award 3 marks for each consideration:*

*Award 1 mark for each consideration defined*

*Award 1 mark for benefit of the consideration*

*Award 1 mark for the negative aspect of the consideration*

### **Question 2 (8 marks)**

Using a contemporary business case study, from the past four years, outline how it employed Lewin's three-step change model. Describe the effect of change on employees as stakeholders of the business you have studied.

*Students will select a contemporary business they have studied – the possible choices here are extensive.*

*Students must refer to the selected business for each stage of the theory and describe the effect on the employees of the business.*

*Below is a general explanation of Lewin's theory.*

When implementing change the use of a model for change is often beneficial as it provides a framework for the change. One change model is Lewin's Three Step Change model. Lewin identified that businesses become accustomed to the way they operate. They are comfortable with the status quo and develop a form of inertia or unwillingness to change. They often see the current situation as acceptable – this can be seen in their policies and practices. Lewin suggests that at this point the business needs to 'unfreeze' - this means to identify what has to change and the desire for change needs to be created. Employees are kept informed through the process and, to overcome resistance, they are informed that support is available from management to assist in the change process and the status quo — the conditions in which the business is currently operating - is no longer applicable. Once the business is unfrozen, the business has the opportunity to make the changes necessary. Policies, practices and processes can be changed and if management has put the appropriate support in place (be it training, communication, team-building, redundancy packages and transition services if jobs are lost), the business is moved into the new position that was identified when the need for change arose.

Finally, Lewin identified that the business now needs to 'refreeze'. Once the change has occurred it needs to become part of the culture of the business or else there is a temptation to revert back to the 'old way' of doing things. Lewin suggests refreezing which can involve developing strategies to sustain the change and to celebrate the change – create some ritual which can be referred back to as a means of reminding staff of the change. It can also involve re-writing the mission and vision statements so the change is formally recognized.

*Mark globally*

### **Question 3 (6 marks)**

Businesses are dynamic entities and under constant pressure to change.

Outline the key principles of Senge's 'Learning Organisation'. Explain how the principles encourage the successful introduction of change.

Senge developed the notion that all businesses could, if they chose, become 'Learning Organisations'. He theorised that a Learning Organisation is a business where management and employees continually expand their capacity to create the results they truly desire, they achieve the objectives they set themselves, where new and expansive patterns of thinking are nurtured and where the business and its people are continually learning and ready to embrace change. In order to do this Senge believed there were five principles that need to be established

The first principle is building mental models. This involves creating an environment that encourages staff to learn – removal old behaviours and deeply ingrained assumptions and generalisations that influence how employees understand the world and how they take action. Businesses need to be able to scrutinise what they do, their systems and processes and then act upon what they learn.

The second principle is building a shared vision. A shared vision is what the members of the business (managers and employees) want to create or accomplish as part of the business. A shared vision is not imposed by one or a few people as a business directive but is derived from the members of the business, creating common interests and a sense of shared purpose for all business activities. Managers must foster the development of this shared vision as a shared vision gives employees energy and focus and it is this energy and focus that will see the business achieve their objectives.

Next is to encourage team learning. To be a learning organisation, people need to be able to act together. When teams learn together, then the business will achieve improved results, but importantly, members will grow more rapidly than could have occurred otherwise

Personal mastery is the fourth principle and involves the people within a business developing proficiency; that is, the ability to undertake continual learning or development to continually show improvement and movement towards achieving the goal or vision the person has set for themselves. This can be achieved through training and development, performance management and appraisal, as well as career progression.

Once all these are achieved there should be systems thinking – the concept that suggests this theory provides a framework that allows people to study as a whole. It allows the business to assess themselves and have information systems that measure the performance of the business as a whole and of its various components.

Businesses that are learning organisations are ready to meet change head on as they are prepared and have a culture of innovation and are forward looking.

*Mark globally*

*Response should include:*

- *Definition of Learning Organisation*
- *Reference to all 5 principles*
- *Reference to establishing a proactive stance towards change*

#### **Question 4 (10 marks)**

Lee's Lighting is a family owned small business located in South Melbourne. The business sells a range of locally designed, exclusive interior and exterior light fittings. The business is very popular with corporate designers who appreciate Lee's range of unique light fittings and outstanding customer service, however similar lighting designs have appeared in competitor businesses at less than half the price and the owner, Alex Lee is concerned at the decline in sales and market share recorded over the last two years.

Note: This is a fictional article

Analyse **two** domestic and **two** global opportunities that could be explored by Alex Lee to expand his business's market share. Explain the importance of using key performance indicators to evaluate the effectiveness of the business transformation of Lee's Lighting.

*Students have a number of opportunities under both headings to draw upon. Some examples include:*

**Domestic opportunities:**

1. Multiple branding is a strategy where one business sells multiple brands in the same market. While customers feel as though they have a wide variety and choice of product, these brands are owned by one or two businesses and their money is going only to those few companies. This strategy has some advantages as it a means of one business holding more shelf space, leaving less space for competitors' products, filling all price and quality gaps by providing cheaper options, saturating a market and catering to brand-switchers who like to experiment with different brands.
2. Product differentiation is where a business will use brand names and advertising to establish some key differences between their product and substitutable products. Product differentiation allows a product to stand out as the product is designed or marketed as a brand name that makes it appear different to the existing products on the market.
3. Franchising is a strategy that allows one business to operate under the trading name of another business' established brand and sell its products and/or services for a specified period. Establishing a franchise allows a business to expand its operations and market share

without the need to borrow large amounts of capital, manage new stores, hire new staff or be involved in the day-to-day operations of the business.

#### Global opportunities

1. Online shopping is a strategy that can allow a business to expand globally through the creation of an online shop. Many businesses offer customers the ability to browse their goods and services via the internet and then purchase and ship goods, order items and services and then pay online. This allows the whole world to be a potential market for a business, expanding their customer base, sales and potentially their market share.
2. Opening branches overseas – having a physical location overseas can allow a business to better promote their product, alter it to suit the culture of the country in which the store is opened
3. Export opportunities

Once these opportunities have been taken it is important to review the success or otherwise of the strategies implemented. If a review is not undertaken then poor practices and negative outcomes won't be identified and so will continue and may end up hurting the domestic side of the business activities as well.

*Mark globally.*

*Assess response in terms of:*

- *Understanding of two domestic opportunities*
- *Understanding of two global opportunities*
- *Linking the strategies to increasing market share*
- *Importance of reviewing KPIs after the change has been made*