**Chapter 10 – Change Management**

**A Changed Society**

We live in a much changed society from the times of our parents and Grandparents. In the early and mid-1900’s Ireland was a conservative country led by authoritative figure in Politics, Education and the Church. This was also the case in Business. Irish people lived in fear and respect of the Government (Guards) the Church (Parish Priest) The School (Teachers) and Work (Employers). As we saw in chapter 6 people were motivated by threats and punishments.

This is not the case today. Irish people are better educated, have travelled more, are aware of other cultures and hence we have become a much more liberal society. Due to a backlash against political and church scandals Irish people are now less willing to be told what to do by Government, educators and the Church. Inevitably this change has also affected Irish Business. Because Irish employees are no longer willing to be ordered about, Irish managers and employers have had to change their styles of management. Hence Irish workplaces have had to become a more inclusive place to work.

**The Change from Controller to Facilitator**

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| **Controller** | **Facilitator** |
| * The Boss – gave orders and instructions and expected no arguments or objections | * The Coach – encourages and motivates employees, encourages to solve problems and share ideas |
| * Made all decisions – no input from employees | * Seeks employee input – idea sharing – encourages intrapreneurship |
| * Tried to catch out employees making mistakes | * Tries to encourage employees to develop and improve – learn from their mistakes |
| * Closely monitored employees – punished those who broke rules | * Rewards employees for achievements motivates them with incentives |

**How Change Occurs:**

**1. Employees Empowerment**

Employees expect to have a say in how they do their job. Therefore managers have had to adapt to this change by empowering employees. This means they have the power to make their own decisions without having to consult the manager every time. The manager must trust that the employee will do the right thing. The employee uses their skills, knowledge and experience to do what they think is best for the business. (See example pg. 178)

**Benefits of Empowerment**

1. **Customer service improves –** customers are impressed that the first point of contact can help them – it also saves time.
2. **Employee morale and motivation increases** – they feel empowered and more responsible thus productivity increases
3. **Increased Efficiency** – Employees like any resource need to be as efficient as possible if targets are to be reached
4. **Time Management** – managers can now dedicate more time to more important issues such as expansion

**2. Employee Participation**

This means involving employees more in the decision making of the business. It is a democratic way of management as everybody has a say in how the business should be run. Management takes employees opinions into account before decisions are made. In fact some businesses even allow employee representatives to sit on the Board of Directors giving them voting powers. Employee participation can be increased in the following ways:

* **Works Councils:** Employees elected by other employees who are allowed to have a say in management planning and strategy. It is very similar to a student council in School.
* **Worker Directors:** Employees are elected to the Board of Directors. They give input and vote at the highest level of the Business.
* **Share Options:** Employees are given the option to buy shares at a reduced price. This gives them share ownership and gives them an incentive to work harder.

**Advantages:**

* Increased esteem and morale in the workplace.
* Increased levels of Intrapreneurship
* Increased communication among employers and employees – improved industrial relations

**3. Total Quality Management (TQM)**

The standard of living and spending power of Irish consumers has risen dramatically since the 1980’s. Therefore they no longer accept inferior quality products and expect to get quality products and services. This along with competition from abroad has meant that Irish Businesses have had to change their approach to quality. This is referred to as **Total Quality Management.**

**TQM** is a strategy designed to ensure 100% quality in all aspects of the Business. Every employee is expected to play a part in ensuring its success. There are 4 main principles of TQM:

**1. Focus on the Consumer**: The customer is treated as the most important stakeholder in the business. As we saw in chapter 1 and 3, the relationship with the consumer needs to be as cooperative as possible. The business must conduct market research to see what the customer wants and then ensure that they provide this.

**2. Employee Empowerment**: Employees are given power and responsibility to make decisions that will add value to the customer’s experience. This could include solving a problem, answering enquiries or giving a small discount. These decisions are made quickly in the customer’s interests.

**3**. **Teamwork:** Employees in teams are motivated to work harder. This friendly rivalry increases productivity and minimises mistakes. The business and its suppliers also act as a team. This dependent relationship relies on perfect supplies for perfect products.

**4**. **Continuous improvement:** The aim of 100% perfection 100% of the time is unrealistic. However as the Business strives to reach this it can aim to do better than the last time. Continuous improvement will also be noticed by customers.

**Advantages**:

* Employees, managers and suppliers work together to improve quality. This leads to customer satisfaction, increased loyalty and increased sales and profits.
* Increased quality leads to lower costs as mistakes are minimised.
* Employees are motivated to work harder because they know their input counts in management decisions. This satisfies their esteem and social needs from Maslow’s theory.

**4. Technology and Change Management**

New technology and ICT has had a big impact on Irish Businesses and in particular their managers. Its operations have had to change to satisfy customers and to keep up with competition. This includes:

**I) Marketing**: Sales and marketing managers now use the internet to advertise and sell their products. This has given them a chance to sell to billions of people worldwide. They also use email and ICT for communicating with customers. This can dramatically reduce a business’s costs as they no longer have to employ as many sales people or buy/rent premises from which to sell. For example Ryanair used to have several shops from which they sold their services. Now all their bookings and some advertising are done online. Ryanair no longer have the costs associated with owning/renting premises or paying staff to work there.

**ii) Decision Making**: Managers can use ICT to make better and faster decisions. They can research many topics from the internet at huge speeds, including purchasing/supplier options. For example a purchasing manager who has been let down by a supplier can now compare other supplier’s prices and availability online and make a decision within minutes. Financial managers can compare insurance quotes and purchase the cheapest very quickly. This saves huge time and reduces the business’s costs.

**iii) Production:** Production managers can now use CAD (computer aided design) when designing new products. This is good for designing and producing a prototype which previously may have taken months to do and at a high cost. This means products are designed with fewer flaws which reduces mistakes in production – thus reducing costs and increasing customer satisfaction.

Production managers can also use CAM (computer aided manufacturing) to produce high quality products. While bad for employment it reduces labour costs for production. It also produces products without human error, again reducing the business’s costs. For example Volkswagen reduced their staffing levels by over 70% when they introduced CAM to their production line.

**iv) Employee Turnover:** Managers use modern technology to increase employee enjoyment and motivation. ICT also allows for flexible working arrangements such as working from home. This flexibility increases morale and reduces staff turnover. HR managers can retain good staff and spend less time and money on recruitment and selection.

**Impact of Technology on Employees**

**i) Changing nature of the Job**: new technologies can make employees duties easier so long as they receive adequate training. New technology takes the danger out of some jobs which improves working conditions. For example miners have a much safer working environment than previous generations as thermal imaging can point out safe places to mine, reducing the risk of accidents. Sales people who used to rely on telephones and order books now have the option of using email, downloads, tablets and other devices to display and take orders for products.

**ii) New types of jobs:** New technologies have introduced new roles in the workplace that did not exist before. These include personnel in the I.T. department or Website managers.

**iii) Redundancies**: New technologies have reduced the need for certain types of employees. As we saw before Ryanair and other airlines have dramatically reduced their sales staff as most reservations are done online.

**iv) Flexibility**: ICT enables many staff to work from home or on the road. Once an employee can link their computer to the office network they have access to information required. They can then use phone, email and teleconferencing to communicate with management, co-workers, customers and suppliers. This flexibility means employees can work more efficiently and do not have to spend hours commuting to and from work or travelling from customer to customer.

**Impact of Technology on Costs – Increased and Decreased**

* New technology increases costs as it costs a lot of money to purchase new equipment, hardware and software. The maintenance and repair of this technology and equipment also adds to the running costs of the business.
* New technology increases costs as employees need to be trained and up skilled to use the new technology efficiently.
* New technology decreases costs as using CAD and CAM helps to produce higher quality products. This reduces the cost of refunding and repairing products for consumers. It also increases consumer loyalty.
* New technology reduces labour costs as fewer employees are needed to work in the business. Traditionally labour costs are by far the biggest cost a business has, so reducing this is very important!

**Impact of technology on Business Opportunities**

* **Product Design:** modern technology can be used to design and test new products more quickly and cheaply than before. Decisions can be made without having to invest huge sums of money.
* **Increased Sales:** The internet allows businesses to sell products and services anywhere in the world. It has opened up markets not before available. In the car industry garages can advertise their cars, display images and information about their cars to consumers on their own website and on popular websites such as carzone.ie or Done Deal. Previously they had to rely on local papers at a bigger cost. A well designed, easy to use and attractive website will help increase sales.
* **Direct marketing**: Businesses use information obtained to build up consumer databases. This information can be used for marketing such as emailing special offers directly to the consumer. This ensures the customer sees the offer as opposed to TV advertising which is not as accurate. For example SUPERVALU email special offers to customers based on their purchasing record. They know consumers spending pattern as the Loyalty Card records every purchase.
* **New Products**: New technology has allowed businesses to develop new businesses and products. Businesses such as computer game companies and App developers are totally reliant on technology.

**5. Resistance to Change**

All Businesses must change or risk being left behind by its competitors. However not all change runs smoothly. Some stakeholders offer resistance to change as they feel it is threatening to them.

* **Employees:**
  + **Fear of losing jobs** – as we have seen change can lead to jobs being lost. Employees will resist change if their jobs are threatened.
  + **Fear of failure** – employees may become accustomed to doing a job in a certain way. They may fear that change will be difficult and they may not succeed. They may resist this change.
  + **Laziness -** Employees may become set in their ways and might not want to change as it may require increasing their efforts.
* **Suppliers –** Change may result in suppliers having to change how they supply materials and stock. Change such as TQM is reliant on suppliers playing their role. They may feel it is not worthwhile and make change difficult to proceed with.
* **Customers** – Change does not always make customers happy. A Restaurant may change its menu which might not satisfy some customers. Pubs had to introduce smoking bans by law however this did not please all customers.
* **Investors** – Investors are those who provide finance for change. They may feel that the change is unnecessary and may not agree to finance it.

**6. Strategies for Managing Change**

1. **Managers must lead by example:** If a manager wants employees to accept change then they must lead by example. They must be willing to put in extra effort to promote the benefits of change. The manager’s commitment is essential for change to occur. If the manger resists or is not positive about change then the employees will resist also.
2. **Managers must communicate with employees**: Managers must be honest and open to employees about the change and involve them in discussions and decision making. If employees feel involved in the change process they are more likely to accept it and work hard to ensure the change is successful.
3. **Managers must train employees**: if change requires employees to do new types of jobs then they must be up skilled. It is important that employees feel confident they can achieve the change. If they are not confident then morale will be low and resistance will occur.
4. **Managers must allow employees to participate in the change**: Employee involvement in the change process will encourage employees to do their best and accept the change. Involvement encourages intrapreneurship and teamwork.