LO 3:
Evaluate the impact of change in a small and medium business.

Part 1

Lecture overview

- Changing things: new products and technologies
- Changing people and culture
- Model of planned organisational change
- Implementing change

How important is organisational change?

- To be competitive and successful by meeting consumers demands of the latest technology
  - e.g. today's university students grew up with email, digital cameras, laptop computers, iPods, Facebook and Twitter, laser checkout systems, and online shopping.
- Need for innovation
  - e.g. Johnson & Johnson Pharmaceuticals uses biosimulation software that compiles all known information about a disease, such as diabetes or asthma, and runs extensive virtual tests of new drug candidates.

https://www.youtube.com/watch?v=D6hBQtajewk

The need for organisational change

External factors:

- threats from rivals

- new technologies and innovations

- weakness in the economy

- new regulations

- major changes in consumer attitudes and buying behaviours

- emerging opportunities

The need for organisational change

Internal factors:

- Leadership change, leads to many other internal change initiatives such as strategy and culture.
- Internal weaknesses or competencies need to be addressed

The need for organisational change

- It is the leader's responsibility to communicate the need for change
- People need to know that change is needed, when and why.
- The leader has to create a sense of urgency
  - *Survival anxiety: without change the business will go down*
  - *Learning anxiety: resistance to change*

Changing things: new products and technologies

- Product change
- Technology change
- Exploration
- Cooperation
- Entrepreneurship

Changing things: new products and technologies

- New-product changes

  - A change in the organisation's product or service output.

- Technology changes

  - Change which relates to an organisation's production process.

Three Innovative Strategies for New Products and Technologies

- Exploration
  - The stage where ideas for new products and technologies are born. It encourages creativity and allow new ideas to spring forth.

- Cooperation
  - Providing mechanisms for both internal and external coordination.

- Entrepreneurship
  - Creating mechanisms to make sure new ideas are carried forward, accepted, and implemented.

Changing things: new products and technologies

EXHIBIT 11.1 Three innovative strategies for new products and technologies

Exploration
- Creativity
- Experimentation
- Idea incubators

Cooperation
- Horizontal coordination mechanisms
- Customers, partners
- Open innovation

Entrepreneurship
- Idea champions
- New venture teams
- Skunkworks
- New venture fund

Changing things: new products and technologies

- Exploration
  - The stage where ideas for new products and technologies are born.
  - Creativity
    - Refers to the generation of novel ideas that might meet perceived needs or respond to opportunities for the organisation.
  - Idea incubator
    - Provides a safe harbour where ideas from employees can be developed without interference.

Changing things: new products and technologies

- Cooperation
  - Internal coordination
    - Failed innovation is often the result of failed cooperation.
    - Companies that successfully innovate have:
      1. **People in marketing that have a good understanding of customer needs.**
      2. **Technical specialists that are aware of recent developments.**
      3. **Members from key departments cooperating in the development of new products.**

Changing things: new products and technologies

- Cooperation
  - External coordination:
    - Organisations that look outside their boundaries to find and develop new ideas.
  - Open innovation:
    - Extending the search for and commercialisation of new ideas beyond the boundaries of the organisation.

Changing things: new products and technologies

- Entrepreneurship
  - New-venture team:
    - A unit separate from the main stream of the organisation that is responsible for the developing and initiating of innovations.
    - Teams are typically small, loosely structured and flexible.

Changing things: new products and technologies

- Entrepreneurship
  - Skunkworks:
    - A separate small, informal, highly autonomous and often secretive group that focuses on breakthrough ideas for the business.
    - Highly talented people are given the time and freedom to be creative.

The role of top leaders in managing change

- Continuing to articulate a compelling reason for the change.
- Eliminate policies, procedures, and behaviours that undermine change efforts.
- Maintaining adequate human, financial and material resources.
- Forming a coalition of supporters and experts to counter any opposition.
- Celebrating milestones along the way.
- Staying the course in spite of perceived difficulties.
- Incentivising workers with recognition and rewards.
- Keeping the process transparent.

Changing people and culture

- People change
  - Changing the attitudes and behaviours of a few employees.

- Culture change
  - A major shift in the norm, values, attitudes and mindset of the organisation.

- Training and development
  - Most frequently used approach to change.

Changing people and culture

- Organisation development (OD)
  - Improves organisational health and effectiveness through:
    - Ability to cope with environmental changes
    - Improvement of internal relationships
    - Increased problem-solving capabilities
  - Useful for mergers and acquisitions, organisational decline and revitalisation and conflict management.

Changing people and culture

- Organisation development (OD)

OD Activities:

1. Team-building activities: enhances cohesiveness and success of organisational groups and teams.

2. Survey-feedback activities: engages employees in problem solving based on survey data.

3. Large-group interventions: enable people to create a collective future through sustained, guided dialogue.

Changing people and culture

1   Unfreezing
  - Participants become aware of problems and become willing to change.
  - Followers need to be convinced of the need for change
  - Use a change agent.

2   Changing (intervention)
  - Individuals experiment with new behaviour/skills.

3   Refreezing
  - Individuals acquire a desired new skill or attitude and are rewarded for it by the organisation.

Implementing change

- Need for change:
  - External or internal forces translate into a perceived need for change.
  - Managers sense a need for change when there is a performance gap.
    - A disparity between existing and desired performance levels.
  - Managers need to be alert.

Why people resist change?

- Threat to one's self-interest
  - *Power, position, pay and other benefits*
- Uncertainty
  - *Lack of information about the change*
- Lack of confidence that change will succeed
  - *Past failures create doubt for future change initiatives*
- Lack of conviction that change is necessary
  - *Fail to unfreeze, "if it's not broken, don't fixt it"*
- Distrust of leadership
  - *People suspect hidden consequences or motives of the change*
- Threat to existing cultural values
  - *Threatened values will ignite organisational-wide resistance*
- Fear of being manipulated
  - *Having a voice in change implementation lessens resistance*

Which reason is it?

- I'm not too sure about this new program. Is it really going to make a difference or just another fad?
- Why should we adopt the culture of the company we are merging with? Their values and principles rub me the wrong way.
- If we get these new machines, we will need fewer operators and there goes my job.
- Why do we have to put in a new system when the current one is only a year old and is working fine?
- How can management ask us to take a pay cut when they are the ones who are making all the money? We shouldn't let them take advantage of us.

Implementing change

- Implementation tactics:
  - Communication and education
    - Change is technical.
  - Participation
    - Users need to feel involved, users have power to resist, design requires information.
  - Negotiation
    - Group may lose out in the change.
  - Coercion
    - Use of formal power to force employees to change.
  - Top management support
    - Users doubt legitimacy of change.

Minimizing resistance to change

- Show relentless support and unquestionable commitment to the change process.
- Communicate the need and the urgency for change to everyone.
- Maintain ongoing communication about the progress of change.
- Avoid micromanaging and empower people to implement the change.
- Ensure that change efforts are adequately staffed and funded.
- Anticipate and prepare people for the necessary adjustments that change will trigger.
- Provide career counselling and retraining.
- Create an organisational climate that supports change.

Small and Medium Enterprises in NZ

Definition of SME

- Defined as those with less than 20 employees.
- Account for 40 percent of the economy's total output on a value-added basis.
- 31 percent of all employees.

Characteristics of SME

- Management is independent, usually managers are also the owners.

- Capital is supplied and ownership is held by an individual or small group.

- Area of operation is mainly local. Workers and owners are in one home community, but markets need not be located in the same community.

Advantages of SME

- Flexibility
- Team Spirit
- Community Involvement
- Customer Interaction
- Reporting Requirements
- Loan Program Qualification

Disadvantages of SME

- Sale fluctuations
- Competition
- Increased responsibilities
- Financial losses
- Employee relations
- Laws and regulations
- Risk of failure