Pearson BTEC Level 5 Higher Nationals in Business (RQF)

Unit 24

Managing and Leading Change

Information Pack

Contents

INTRODUCTION

‘Change is the only constant in life’ (Heraclitus, 500 BCE). Whatever industry and whatever position you are employed in, there is always change. As such,

businesses need to adapt and change with the changing business environment. Organisations are seeing change at a more rapid speed than ever before. Technology is playing a big part in this increased pace of change. Change leaders are evident in all business sectors and in a variety of roles in an organisation.

In business, change is all around, in all areas of an organisation, from minor process changes to large-scale structural change. The aim of this unit is for students to understand the different types and scope of change that may occur in an organisation. The unit will aim to illustrate the drivers and triggers for change and how they vary and affect organisations in different ways, including the degree of impact and management’s response to change. Students will gain an appreciation of how the depth of change can influence organisational behavior, both during and after the change.

On successful completion of this unit, students will be able to apply a range of change management concepts, including diagnosing driving and resisting forces, planning for change and dealing with change in organisational settings. This will put students in a strong position to contribute to change initiatives in the workplace.

GUIDANCE

This document is prepared to break the unit material down into bite size chunks. You will see the learning outcomes above treated in their own sections. Therein you will encounter the following structures.

Purpose

Explains *why* you need to study the current section of material. Quite often learners are put off by material which does not initially seem to be relevant to a topic or profession. Once you understand the importance of new learning or theory you will embrace the concepts more readily.

Theory

Conveys new material to you in a straightforward fashion. To support the treatments in this section you are strongly advised to follow the given hyperlinks, which may be useful documents or applications on the web.

Example

The examples/worked examples are presented in a knowledge-building order. Make sure you follow them all through. If you are feeling confident then you might like to treat an example as a question, in which case cover it up and have a go yourself. Many of the examples given resemble assignment questions which will come your way, so follow them through diligently.

Question

Questions should not be avoided if you are determined to learn. Please do take the time to tackle each of the given questions, in the order in which they are presented. The order is important, as further knowledge and confidence is built upon previous knowledge and confidence.

Challenge

You can really cement your new knowledge by undertaking the challenges. A challenge could be to download software and perform an exercise. An alternative challenge might involve a practical activity or other form of research.

Video

Videos on the web can be very useful supplements to your distance learning efforts. Wherever an online video(s) will help you then it will be hyperlinked at the appropriate point.

Information Pack

LO1 Produce a comparative analysis of the different types and drivers of change in business

Types of organisational change:

Organisational change refers to the process through which a company or institution undergoes a transformation to improve its operations, adapt to new market conditions, or achieve strategic goals. This change can be driven by various factors, including technological advancements, shifts in consumer preferences, regulatory changes, or internal restructuring. The goal of organisational change is to enhance the overall effectiveness and efficiency of the organisation, ensuring it remains competitive and relevant in a constantly evolving business environment.

There are several types of organisational change, each with its own characteristics and implications. **Transformational change** involves a fundamental shift in the way an organisation operates, often requiring a complete overhaul of its structure, culture, and processes. This type of change is typically driven by significant external pressures, such as market disruptions or technological innovations. On the other hand, **incremental change** is more gradual and involves continuous improvements to existing processes and practices. This approach allows organisations to adapt slowly over time, minimizing disruption and resistance from employees.

Strategic change focuses on aligning the organisation's goals and strategies with its external environment. This may involve entering new markets, developing new products, or altering the company's mission and vision. **Structural change**, meanwhile, involves modifying the organisation's hierarchy, roles, and responsibilities to improve efficiency and communication. This can include mergers and acquisitions, departmental reorganisation, or changes in leadership.

Cultural change is another critical aspect of organisational change, as it addresses the underlying values, beliefs, and behaviours that shape the organisation's identity. This type of change is often necessary when there is a need to shift the organisational mindset to support new strategies or ways of working. For example, a company may need to foster a more innovative culture to stay competitive in a rapidly changing industry.

Effective management and leadership are crucial for successful organisational change. Leaders must communicate the vision and purpose of the change clearly, engage employees in the process, and provide the necessary resources and support to facilitate the transition. Change management strategies, such as training programs, feedback mechanisms, and performance incentives, can help mitigate resistance and ensure a smooth implementation.

To illustrate, consider the case of **Netflix**, which transitioned from a DVD rental service to a leading streaming platform. This transformational change involved significant technological investments and a shift in business strategy. Another example is **Microsoft**, which underwent a cultural change under

CEO Satya Nadella, fostering a more collaborative and innovative environment that has driven the company's recent successes.

Change in a business context, including large-scale (e.g. radical, discontinuous, revolutionary) and small-scale e.g. incremental, evolutionary.

Change in a business context refers to the various ways organisations adapt to internal and external pressures to maintain or improve their performance. This can involve changes in strategy, structure, processes, or culture. Understanding the different scales and types of change is crucial for effectively managing and leading these transformations.

Large-scale changes are often referred to as radical, discontinuous, or revolutionary changes. These changes are significant and can fundamentally alter the way an organisation operates. They are typically driven by major shifts in the market, technological breakthroughs, or significant internal challenges. For example, a company might undergo a radical change by completely overhauling its business model to stay competitive in a rapidly evolving industry.

Radical change involves a complete transformation of the organisation. This type of change is often necessary when the current way of doing business is no longer viable. For instance, Kodak's shift from film to digital photography was a radical change driven by technological advancements and changing consumer preferences. Although Kodak struggled with this transition, it highlights the necessity of radical change in response to disruptive innovations. Kodak had to develop new digital products, retrain its workforce, and shift its marketing strategies to align with the new digital era.

Discontinuous change occurs in response to sudden and unexpected events that disrupt the status quo. These changes are not gradual but happen in leaps and bounds. An example of discontinuous change is the impact of the COVID-19 pandemic on businesses worldwide. Companies had to rapidly adapt to remote work, digital transformation, and new health protocols, fundamentally altering their operations almost overnight. For instance, many companies invested in new technologies to support remote work, such as video conferencing tools and cloud-based collaboration platforms, to ensure business continuity.

Revolutionary change is similar to radical change but often involves a broader scope, affecting the entire industry or market. This type of change can be seen in the automotive industry with the shift towards electric vehicles (EVs). Companies like Tesla have revolutionized the market, prompting traditional automakers to invest heavily in EV technology and infrastructure to stay competitive. Tesla's success has led to significant investments in battery technology, charging infrastructure, and new manufacturing processes, driving a fundamental shift in the automotive industry.

On the other hand, **small-scale changes** are more incremental and evolutionary. These changes involve continuous improvements and adjustments to existing processes, products, or services. They are less disruptive and can be easier to manage, as they do not require a complete overhaul of the organisation.

Incremental change involves making small, continuous improvements to enhance efficiency and effectiveness. This type of change is often seen in manufacturing, where companies implement lean practices to reduce waste and improve productivity. Toyota's adoption of the Toyota Production System (TPS) is a prime example of incremental change, where continuous improvements have led to significant gains in efficiency and quality over time. TPS focuses on eliminating waste, improving workflows, and empowering employees to contribute to ongoing improvements.

Evolutionary change is a gradual process that unfolds over a longer period. It involves adapting to changing conditions in a way that is sustainable and manageable. An example of evolutionary change is the gradual adoption of digital technologies in the banking sector. Banks have slowly integrated online banking, mobile apps, and digital payment systems to meet the evolving needs of their customers. This gradual approach allows banks to update their systems and train their staff without causing major disruptions to their operations.

Strategic change can be both large-scale and small-scale, depending on the scope and impact. For instance, a company might implement a new marketing strategy to target a different demographic, which could be a small-scale change. Conversely, entering a new international market would be a large-scale strategic change, requiring significant resources and adjustments. For example, Starbucks' expansion into China involved understanding local consumer preferences, adapting its product offerings, and establishing a supply chain network to support its operations.

Structural change often involves reorganizing the company's hierarchy, roles, and responsibilities. This can be a large-scale change, such as a merger or acquisition, where two companies combine their operations. Alternatively, it can be a small-scale change, like restructuring a department to improve communication and efficiency. For instance, when Google restructured to form Alphabet Inc., it allowed the company to separate its core internet services from its other ventures, providing greater focus and accountability for each business unit.

Cultural change is essential for aligning the organisation's values and behaviours with its strategic goals. This type of change can be challenging, as it involves shifting the mindset and attitudes of employees. A large-scale cultural change might be necessary when a company adopts a new business model, while a small-scale cultural change could involve promoting a more collaborative work environment. For example, Microsoft's cultural transformation under CEO Satya Nadella emphasized a growth mindset, collaboration, and innovation, which has been instrumental in the company's recent successes.

Technological change is increasingly common in today's digital age. Large-scale technological changes might include adopting new enterprise software or transitioning to cloud computing. Small-scale technological changes could involve upgrading existing systems or implementing new tools to improve productivity. For instance, General Electric (GE) invested heavily in digital transformation, developing its Predix platform to harness the power of the Industrial Internet of Things (IIoT) and improve operational efficiency across its various business units.

Process change focuses on improving the way tasks are performed within the organisation. This can range from large-scale changes, such as reengineering business processes to achieve significant efficiency gains, to small-scale changes, like refining a specific workflow to reduce bottlenecks. For example, a hospital might implement a new electronic health record (EHR) system to streamline patient information management, reducing paperwork and improving patient care.

To illustrate these concepts, consider the example of **Amazon**. The company's shift from an online bookstore to a global e-commerce giant involved radical and revolutionary changes, including the development of its own logistics network and the introduction of Amazon Web Services (AWS). On a smaller scale, Amazon continuously makes incremental improvements to its website and customer service processes to enhance user experience. These changes have allowed Amazon to maintain its competitive edge and continue growing in a highly dynamic market.

Different types of change, including planned or emergent, initiated or imposed.

Planned change is a deliberate and structured approach to change, where the organisation sets specific goals and develops a detailed plan to achieve them. This type of change is often proactive, allowing the organisation to anticipate future challenges and opportunities. For example, a company might plan to implement a new enterprise resource planning (ERP) system to improve its operational efficiency. The planning process would involve setting clear objectives, allocating resources, and establishing a timeline for implementation.

Emergent change, on the other hand, arises spontaneously in response to unforeseen circumstances. This type of change is often reactive, requiring the organisation to adapt quickly to new conditions. Emergent change can be driven by external factors, such as market shifts or technological advancements, or internal factors, such as employee feedback or operational challenges. For instance, a company might need to pivot its business strategy due to a sudden change in consumer behaviour, such as the increased demand for online services during the COVID-19 pandemic.

Initiated change is driven by the organisation itself, often as part of a strategic initiative to improve performance or achieve specific goals. This type of change can be planned or emergent, depending on the circumstances. For example, a company might initiate a change to expand into new markets, develop new products, or improve customer service. The key characteristic of initiated change is that it is internally motivated and directed by the organisation's leadership.

Imposed change is forced upon the organisation by external factors, such as regulatory requirements, economic conditions, or competitive pressures. This type of change is often beyond the organisation's control and requires a rapid response to comply with new rules or adapt to new realities. For example, a company might need to comply with new data protection regulations, such as the General Data Protection Regulation (GDPR), which would require significant changes to its data management practices.

Planned change typically follows a structured process, such as Lewin's Change Management Model, which involves unfreezing the current state, moving to a new state, and refreezing to stabilize the change. This approach allows organisations to manage change systematically, ensuring that all aspects of the change are considered and addressed. For instance, a company implementing a new performance management system would follow a detailed plan to train employees, update policies, and monitor progress to ensure a smooth transition.

Emergent change often requires a more flexible and adaptive approach, as it involves responding to dynamic and unpredictable conditions. Organisations must be agile and responsive, leveraging real-time data and feedback to make informed decisions. For example, a retail company might need to adjust its inventory management practices in response to sudden changes in consumer demand, using data analytics to optimize stock levels and reduce waste.

Initiated change can be driven by various motivations, such as improving efficiency, enhancing customer satisfaction, or gaining a competitive advantage. The success of initiated change often depends on effective leadership and communication, as well as the organisation's ability to engage employees and stakeholders in the change process. For instance, a company might initiate a change to adopt sustainable business practices, requiring a comprehensive strategy to reduce its environmental impact and promote corporate social responsibility.

Imposed change often presents significant challenges, as organisations must quickly adapt to new conditions without the benefit of extensive planning. This type of change can create uncertainty and resistance among employees, making effective communication and support crucial. For example, a manufacturing company might need to comply with new safety regulations, requiring immediate changes to its production processes and employee training programs.

Planned change allows organisations to take a proactive approach to change, anticipating future trends and positioning themselves for long-term success. This type of change can be particularly effective in stable environments, where the organisation has the time and resources to develop and implement a comprehensive change strategy. For instance, a healthcare organisation might plan to adopt new medical technologies to improve patient care, involving a detailed process of research, procurement, and training.

Emergent change highlights the importance of organisational agility and resilience, as it requires the ability to adapt quickly to changing conditions. Organisations that can effectively manage emergent change are often better positioned to navigate uncertainty and capitalize on new opportunities. For example, a tech startup might need to pivot its business model in response to market feedback, leveraging its agility to develop innovative solutions and stay ahead of competitors.

Examples of different types of change in practice

Planned Change: **Procter & Gamble (P&G)**

Procter & Gamble undertook a planned change with its "Organisation 2005" initiative. This strategic plan aimed to streamline operations, reduce costs, and improve efficiency by restructuring the company. P&G implemented a detailed plan to reorganize its business units, reduce the workforce, and focus on core brands. This planned change allowed P&G to enhance its competitive position and achieve significant cost savings.

Emergent Change: **Netflix**

Netflix's shift from a DVD rental service to a streaming platform is a prime example of emergent change. Initially, Netflix planned to improve its DVD rental service, but as streaming technology evolved and consumer preferences shifted towards on-demand content, Netflix adapted quickly. The company leveraged real-time data and market trends to pivot its business model, ultimately becoming a leader in the streaming industry.

Initiated Change: **Apple**

Apple's transition under Steve Jobs in the late 1990s is a classic example of initiated change. Facing financial difficulties, Jobs initiated a series of changes to revitalize the company. This included streamlining the product line, focusing on innovation, and launching iconic products like the iMac, iPod, and eventually the iPhone. These changes were driven internally by Apple's leadership to reposition the company as a leader in technology and design.

Imposed Change: **Volkswagen**

Volkswagen faced imposed change following the emissions scandal in 2015. Regulatory bodies imposed strict penalties and new compliance requirements on the company. Volkswagen had to quickly adapt by implementing new compliance measures, investing in electric vehicle technology, and restructuring its operations to meet regulatory standards. This imposed change was driven by external factors and required immediate action to restore the company's reputation.

Planned Change: **IBM**

IBM's transition from a hardware-centric company to a services and software provider is another example of planned change. In the early 1990s, IBM developed a strategic plan to shift its focus