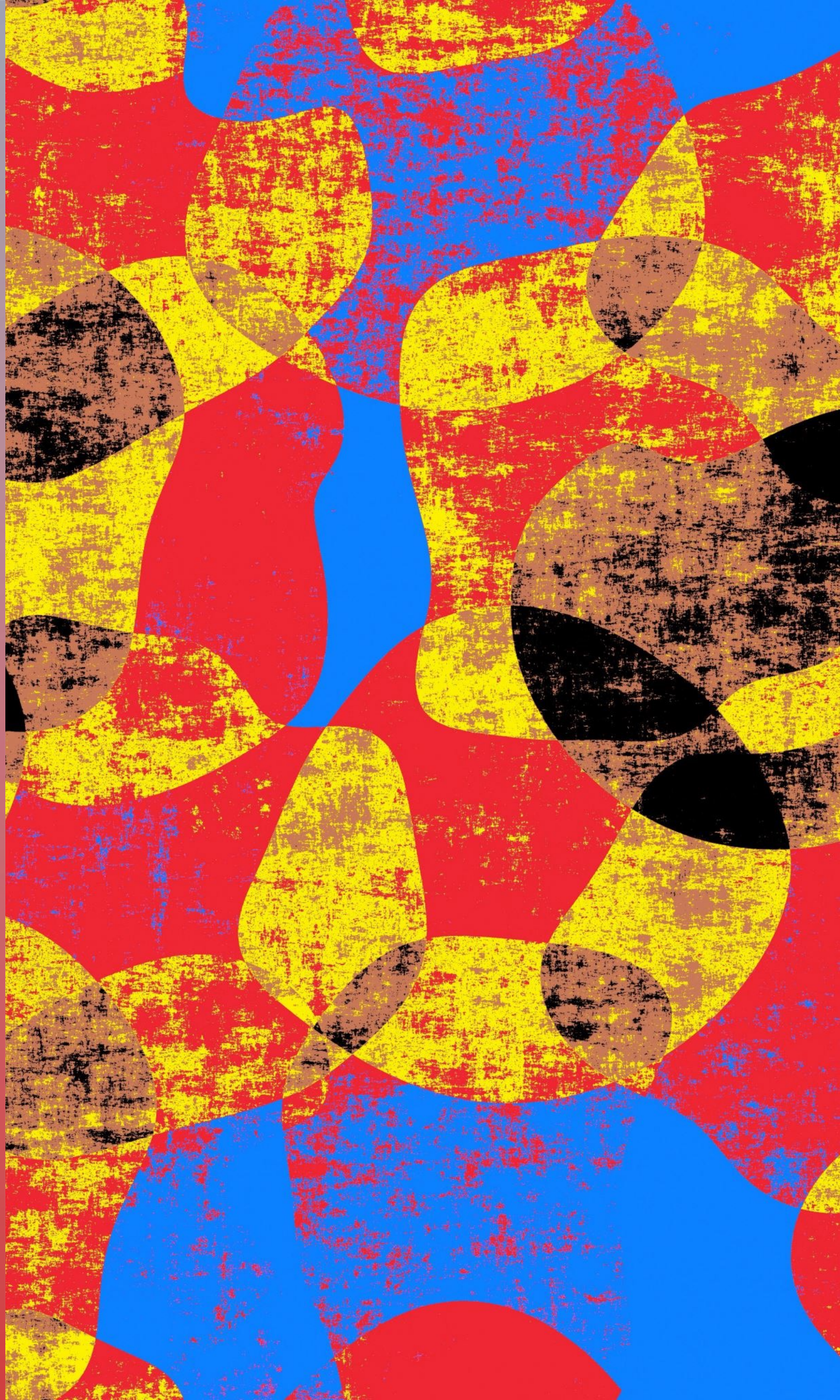
JEREK JOSEPH

THE FACTORS AND RESISTANCE AGAINST CHANGE IN BUSINESS



WHAT WE NEED TO KNOW

HERE ARE ALL THE TOPICS THIS POWERPOINT AIMS TO COVER FROM THE BME Y12 SYLLABUS.

- internal and external factors that drive change in a global environment
- reasons for resistance to change, including:
  - financial costs
  - managerial inertia
  - cultural incompatibility in mergers/takeovers
  - staff attitude

Internal (Strengths and Weaknesses)	External (PEST)
1. Corporate culture - The beliefs, attitudes, views, opinions held in a workforce determine how receptive a business is to change - E.g. Entrepreneurial mindset in employees (encouraged by Google) **2. Management styles** - Autocratic leaders are inward-looking and obtain ideas from management only, this decreases motivation for change - A driver for change would be a situational leader that seeks all views and is much more dynamic/adaptable **3. Business Policies** - Policies need to remain up-to-date, relevant and applicable in the current business environment to inspire change - E.g. Corporate Social Responsibility policies are a vital example of this and set out the ethical responsibilities for a firm	**1. Legislative pressures** - Example would be amendments to Fair Work Act 2009 that increased minimum wage. This forced firms to change by changing their wage policy **2. Economic climate** - During a recession, firm may reduce staff numbers - During economic booms, firms may expand operations, reduce cost of production due to high interest rates making imported inputs cheaper, and exporters may move production offshore where costs are lower **3. Social demographic measures** - Changes in consumer tastes, preferences, attitudes and values affect the pressure to change experienced by firms - Pressure groups can force firms to operate ethically - E.g. Consumers have forced retailers to change and have a digital presence, e-commerce or otherwise, in order to remain competitive

INTERNAL AND EXTERNAL FACTORS THAT DRIVE CHANGE

RESISTANCE TO CHANGE – FINANCIAL COSTS

- **Organisational change is costly** which can deter management and employees alike from implementing necessary steps such as induction of a new CEO, moving jobs offshore or perusing strategic alliances to save costs
- **Innovative change is expensive** and yields only a long term benefit with high risk, with no tangible short term outcome employees may not be motivated and management may not see how it is financially viable
- **Shareholder demands to see short term profits** which generally come at the expense of long term opportunities for the firm
- **Firm culture to focus on short term costs** rather than long term profitability, this is more so applicable to businesses that need to cut expenses due to unfavourable conditions

RESISTANCE TO CHANGE – MANAGERIAL INERTIA

Managerial inertia (known as organisational inertia) is defined as the inability for organisations to change its resource investment patterns while also maintaining an inflexible routine that prioritises preserving the firm's current trajectory.

- **Belief that the firm has saturated to its peak** is held. As a result all processes, procedure and culture is frozen as there is a belief there is nothing more to achieve
- **Lack of initiative** in making change, with only change being reactive not proactive
- **Develops and perpetrates poor workplace culture**
- **Lack of entrepreneurial thinking** which inspires more radical change

RESISTANCE TO CHANGE – CULTURAL INCOMPATIBILITY IN MERGERS/TAKEOVERS

Firms have individual cultures, histories and values that clash due to different approaches to policies and procedure that come out of them. This may result in internal division and procedure being forcibly overwritten

Fear and uncertainty as most mergers or takeovers result in a reduction of staff

Language barriers can limit communication between the firms and increase the difficulty in making decisions which can also be made more challenging with varying customs, opinions, views and attitudes

RESISTANCE TO CHANGE – STAFF ATTITUDE

Parochial and conservative attitude – when staff fear the unknown and as such are unwilling to embrace change

Practical attitude – when staff are focused on the security of their jobs and the possibility of change affecting their tenure with the firm

Self interest attitude – employees may maintain status quo to advance their own personal agenda unless there is a benefit to them individually

Unconfident attitude – a lack of skills held by employees may result in an inability to cope with change

Hierarchal, class-based attitude – employees feel alienated and/or undermined by management which leads to them unlikely to embrace change