



E-LEARNING

Level 5



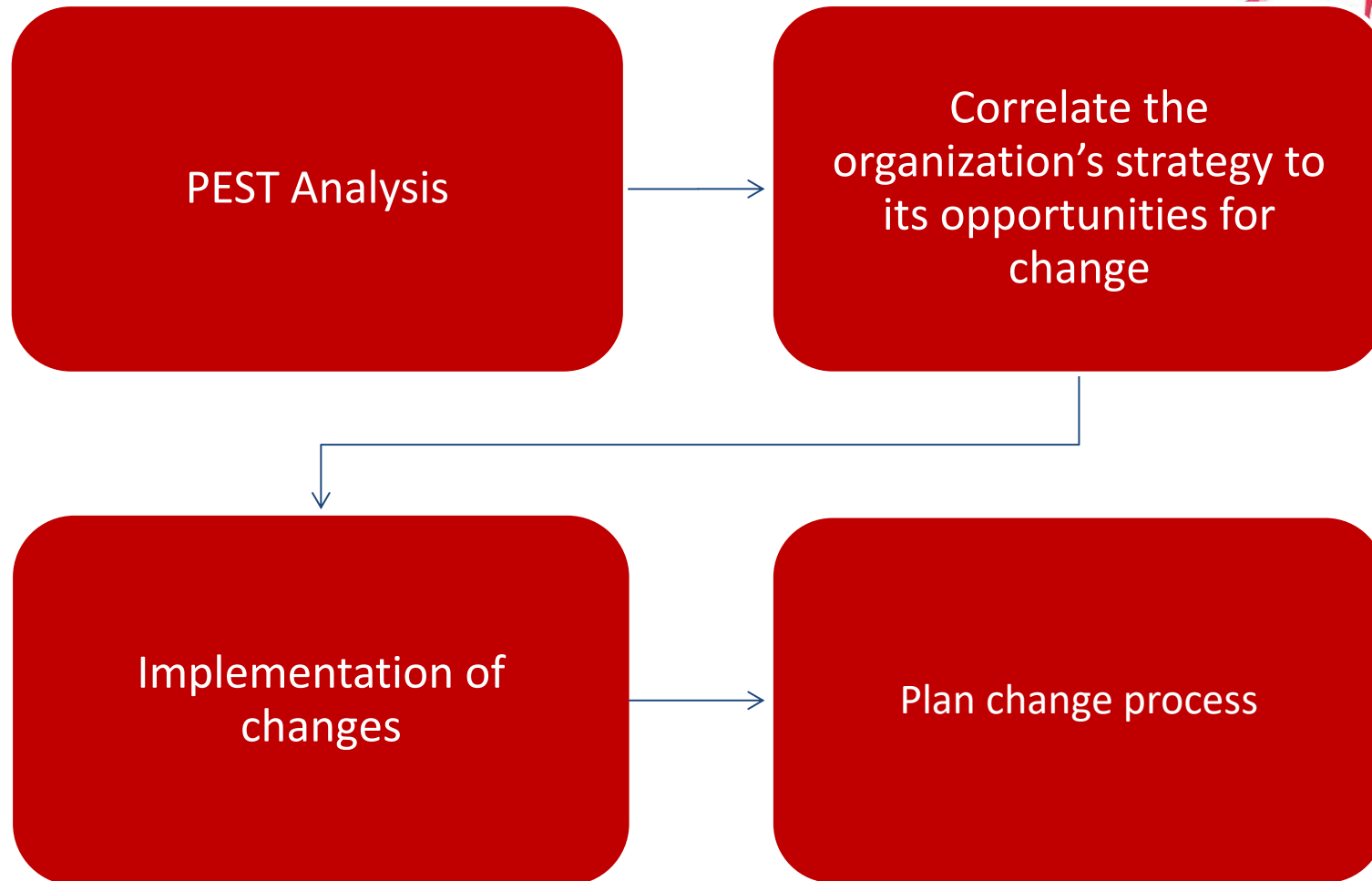
WA12: Openmindedness and willingness to change

5.3 Demonstrate openness to change

- LO5.22 Demonstrate a positive and flexible attitude towards change
Demonstrate the ability to try out new ideas and initiatives with care and enthusiasm
- LO5.23 Demonstrate the ability to identify and develop opportunities for change
- LO5.24 Demonstrate the ability to implement change



Route Map



PEST Analysis

PEST Analysis

Political, economic, social and technological describes a framework of macro-environmental factors used in the environmental scanning component of strategic management. It is part of an external analysis when conducting a strategic analysis or doing market research, and gives an overview of the different macro-environmental factors to be taken into consideration. It is a strategic tool for understanding market growth or decline, business position, potential and direction for operations.



PEST Analysis

The basic PEST analysis includes four factors:

- **Political factors** are basically how the government intervenes in the economy. Specifically, political factors has areas including tax policy, labour law, environmental law, trade restrictions, tariffs, and political stability. Political factors may also include goods and services which the government aims to provide or be provided (merit goods) and those that the government does not want to be provided. Furthermore, governments have a high impact on the health, education, and infrastructure of a nation.
- **Economic factors** include economic growth, interest rates, exchange rates, the inflation rate. These factors greatly affect how businesses operate and make decisions. For example, interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. Exchange rates can affect the costs of exporting goods and the supply and price of imported goods in an economy.

PEST Analysis

The basic PEST analysis includes four factors:

- **Social factors** include the cultural aspects and health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. High trends in social factors affect the demand for a company's products and how that company operates. For example, the ageing population may imply a smaller and less-willing workforce (thus increasing the cost of labour). Furthermore, companies may change various management strategies to adapt to social trends caused from this (such as recruiting older workers).
- **Technological factors** include technological aspects like R&D activity, automation, technology incentives and the rate of technological change. These can determine barriers to entry, minimum efficient production level and influence the outsourcing decisions. Furthermore, technological shifts would affect costs, quality, and lead to innovation.

Expanding the analysis to PESTEL adds:

- **Legal factors** include discrimination law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products.
- **Environmental factors** include ecological and environmental aspects such as weather, climate, and climate change, which may especially affect industries such as tourism, farming, and insurance. Furthermore, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.



Correlate the organization's strategy to its opportunities for change

Organization development (OD):

Is a comprehensive approach to planned organizational change that involves the application of behavioral science in a systematic and long-range effort to improve organizational effectiveness.

The organization development process:

- Establish a working relationship
- Diagnosis
- Intervention
- Evaluation
- Achieve a terminal relationship

Correlate the organization's strategy to its opportunities for change

Identifying external environmental factors:

- Customers
- Government
- Economy
- Finance
- Infrastructure
- Laws
- Competition
- Trends
- Public Opinion
- Customer Base
- Weather



Sources of information for environmental scanning

- **Tangible resources** are the easiest to identify and evaluate: financial resources and physical assets are identified and valued in the firm's financial statements.
- **Intangible resources** are largely invisible, but over time become more important to the firm than tangible assets because they can be a main source for a competitive advantage. Such intangible resources include reputational assets (brands, image, etc.) and technological assets (proprietary technology and know-how).
- **Human resources** or human capital are the productive services human beings offer the firm in terms of their skills, knowledge, reasoning, and decision-making abilities.



PESTEL Analysis

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Implementation of changes

Implementation

- Once a change is planned, it is important to have good communication about the rollout and implementation of the change. A timeline should be made for the implementation and should make changes in the order that affect the process and the employees who manage the process.
- An effective timeline will allow for all new equipment, supplies or training to take place before fully implemented. Implementing without a logical order can create frustration for those responsible for the work process.



Plan change process

- Recognize the need for change.
- Develop the goals of the change.
- Select a change agent.
- Diagnose the current climate.
- Select an implementation method.
- Develop a plan.
- Implement the plan.
- Follow the plan.
- Evaluate the plan.

Plan change process

Diagnosis

In this step, the change agent sets about gathering data about the climate of the organization in order to help employees prepare for change. Preparing people for change requires direct and forceful feedback about the negatives of the present situation, as compared to the desired future state, and sensitizing people to the forces of change that exist in their environment.



Plan change process

Designing the Intervention Strategy

- Establish a working relationship.
- Diagnose the environment – readiness of target group for change.
- Develop an action plan – specific targets and techniques.
- Evaluation of the results of the intervention.

Human Processual Interventions

Survey feedback

- Organizational variables to measure
- Design and implementation of survey
- Presentation of results

Team building

- Preliminary diagnosis for need
- Change agent with wide range of knowledge
- Change manager and agent should develop general approach to sessions

Techno Structural Interventions

- Job enlargement
- Job enrichment, Job Characteristics Model
- Greater effect on productivity
- Alternative work schedules
- Moderate effect on work output
- Withdrawal
- Effects on attitudes



Plan change process – Intervention

Evaluate the plan

During this step, managers must compare the actual results to the goals established in Step of Diagnosis. It is important to determine whether the goals were met; a complete follow-up and evaluation of the results aids this determination. Change should produce positive results and not be undertaken for its own sake.

Human factors

- Fear of the unknown not understanding what is happening or what comes next
- Disrupted habits feeling upset to see the end of the old ways of doing things
- Loss of confidence feeling incapable of performing well under the new ways of doing things
- Loss of control feeling that things are being done “to” you rather than “by” or “with” you
- Poor timing feeling overwhelmed by the situation or that things are moving too fast
- Work overload not having the physical or psychic energy to commit to the change
- Loss of face feeling inadequate or humiliated because it appears that the old ways weren’t good ways
- Lack of purpose not seeing a reason for the change and/or not understanding its benefits

Financial factors

- Competition
- The Industry
- Desire for Growth
- Speculation and Expectation
- Consumer Needs and Demands
- Government Regulations
- Legislation
- Globalization
- International Transactions
- Workforce Diversity
- Financial Innovation
- Market Implications



Implementation of changes

The Role of Change Leaders

It is leadership's job to define and articulate a vision for the organization and the need for change.

Five key roles in change management

- Change management resource/team
- Executives and senior managers
- Managers and supervisors
- Project team
- Project support functions

Implementation of changes

Procedures for a smooth transition

- Communicate the rationale behind the need for change.
- Make it easy to introduce and implement.
- Implement the Change in Phases.
- Convey your vision.
- Remove any uncertainty.
- Time it right.
- Evaluate, Review and Report on Change.
- Reward employee performance.



Implementation of changes

Resistance to change

An emotional/behavioral response to real or imagined threats to an established work routine

Change resist can be due to the following

- Vested interests
- Fear
- Misunderstandings
- Different Assessments of Situation
- Inter-organizational Agreements



Fear of Change

Take some time to ponder over the following questions:

- Why do people often fear change?
- What do they fear?

How to avoid resistance to change

- **Communication & Education-Training**
Change is technical, users need accurate information & analysis.
- **Participation**
Users need to feel involved. Design requires information from others, have power to resist.
- **Negotiation**
Group has power over implementation, will lose out in the change.
- **Coercion**
Crisis exists, initiators clearly have power, other techniques have failed.
- **Top management support**
Heading Involves multiple departments or reallocation of resources, users doubt legitimacy of change.



Overcoming Resistance

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Implementation of changes

Evaluation of innovation

– After the execution of an idea, its implementation needs to be carefully monitored and assessed, then changes will need to be made or the idea will need to be shut down.

Reflective questions

- Do you have a clearly defined innovation management process?
 - If yes, is it effective?
 - If no, how do you see that clearly defined innovation management process could help your organization to achieve goals better?
- Are all the people in your organization working together towards great innovations or do they do things on their own?
- Do you always properly evaluate and test your innovations before taking them to market?
- Do you measure execution of providing services or products from customer's perspective?

Evaluate changes strategies

- **Follow-up.** Whenever a change is made it is always good to follow-up after implementation and assess how the change is working and if the change delivered the results that were intended.
- Sometimes changes exceed target expectations but there are occasions that changes just don't work as planned. When this is the case, management should acknowledge that it didn't work and make adjustments until the desired result is achieved.

Key evaluation questions

- What will be evaluated?
- What is the object of evaluation?
- Who are the stakeholders of evaluation?
- What evaluation design and data will be used?

Implementation of changes

Conservation of change

Change takes place for a number of reasons. Often this is because of changes in the internal and external environment. Organizations implement changes to increase the effectiveness of the business. Change can be a complex process and there may be barriers to overcome. This is why implementing change programmes within an organisation requires effective managers.

Revision Questions

Revision Question

Explain the social, economic and political environment of the organization in order to develop opportunities for change.

Key Point 1

PEST Analysis is often linked with SWOT Analysis, however, the two tools have different areas of focus. PEST Analysis looks at "big picture" factors that might influence a decision, a market, or a potential new business. SWOT Analysis explores these factors at a business, product-line or product level.

Key Point 2

PEST analysis can be useful before SWOT analysis because PEST helps to identify SWOT factors. PEST and SWOT are two different perspectives but can contain common factors. SWOT stands for strengths, weaknesses, opportunities, threats. These tools complement one another and are often used together.

Module Key points

Key Point 3

Keep in mind that a comprehensive model of planned change includes a set of activities that managers must engage in to manage the change process effectively. They must recognize the need for change, motivate change, create a vision, develop political support, manage the transition, and sustain momentum during the change.

Key Point 4

Individuals resist change because of basic human characteristics such as perceptions, personalities, and needs. Organizations resist change because they are conservative and because change is difficult.

Key Point 5

Resistance to change will never disappear completely, but it can be managed.

WELL DONE



You have completed Unit 5.3, Part C!



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