

The rationales and strategies for change management essay



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In this highly competitive global market organizations are prone to any change in global economic environment. The rise of highly efficient global and domestic competitors, the rapid technological development and global economic downturn like that of 2007, are some of external and internal pressures that have forced organizations to change the way they manage their business processes. In order to increase their efficiency, minimize their operation cost and increase their competitiveness, organizations are going through changes such as Downsizing, implementing new technology or merger. Considering the current economic downturn many organizations took drastic measure to insure their survival in the global market by downsizing their operation to the level where they can stay competitive. The purpose of this paper is to provide an overview on the rationale behind organizations going through change and the strategy implemented by organization. Accordingly, the paper examined the rationale and strategies used by changing organizations: GM Holden, Ford and Fletcher building supply, due the current economic crisis.

Organizational change-Downsizing

For decades because of instability in the global business environment organizations often finds themselves facing the need to change their way of operations. The current economic crisis which started in 2007 was a good scenario where many organizations had to take Transformative change to counter slowing global economy (Brown and Harvey 2001). The demand for product and services worldwide slammed to the lowest level which forced organizations to downsize their operations and employee number in order to minimize their operational costs. In 2009 car manufacturing company GM-

Holden downsized its vehicle production to 310 a day. Holden closed its afternoon shift and operate only one shift per day. Even though Holden downsized its vehicle production it managed to keep its 3000 workforce at Elizabeth plant. The production line operates in two teams, each working one week on and one week off (The Age 2009). Similarly Ford car manufacturing company cut a round 350 employees in 2008 and closed it Geelong engine manufacturing plant in 2010 (The Age 2008). The other organization to downsize in 2009 was Fletcher Building Supply Company where a bout 2500 staff members was slashed across all operations inline with falling demand for building material around the world (The Australian 2009). From the above example we can clearly see that downsizing was the strategy implemented in countering the challenges these organizations were facing in the global market. Downsizing is a set of activities designed to improve organizations performance and by scaling down business processes, workforce and operational costs (Farrell and Mavondo 2005). In case of Holden the company prefer to keep its employee while it reduces the output while Ford and Fletcher prefer to downsize their employee and close down some of their operations.

The rational for the change including external and internal pressures?

According Chief executive Jonathan Ling of Fletcher (2009), due to slowing down in construction of residential houses around the world the company have taken a range of initiative to scale down manufacturing capacity of the company by retrenching workers and closing down braches to keep the profit margin. This was echoed by Ford spokeswoman Sinead McAlary (2008) who

claims that the demand in six-cylinder vehicle and further deterioration in global economy forced Ford to shade some employee and closed down its engine manufacturing plant in Geelong. According to Holden's Spokesman Scott Whiffing (2009), Holden downsized its volume of production due to the falling demand of its V6 vehicles and the scraping of its G8 US lucrative export deal by its Parent company General Motors (GM). In addition, the increasing demand for smaller and fuel efficient cars in global market forced Holden to shift from manufacturing bigger fuel consuming cars to small cars that are economical for consumers.

From the above reasons given by these organizations, global financial crisis was the external factor causing companies to take drastic transformative changes in order to survive in this highly competitive global market. The internal reason is the need to satisfy their shareholders by cutting costs to keep the profit margin. In addition, these organizations fail to have vision in to the demand of the market place. Car manufacturing companies like Holden and Ford failed to notice the shift in demand before the financial crisis hit the global market. This allows companies like to Toyota to easily out pace Holden and Ford and become dominant in the market place.

Change Strategy used by Organization

There are different strategies to implement planned organizational changes. It could be either incremental or transformative change strategy. In the case of Holden the company has implemented Participative change which is incremental transformation. During downsizing employees were participating in the planning of the change and they show willingness to work one week on and off to help the company challenge the current economic slowdown.

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Holden managed to keep its work force which will enable the company to cope with production of new small cars in 2010 (The Age 2009). In the case of Ford it uses Dictorial transformation strategy to implement its transformative change from being only a large car maker to add small car to its line-up by 2011. Similarly Fletcher is undergoing Dictorial transformation by downsizing its employee and closing down its manufacturing to insure its balance sheet is up float. According to Fletcher, it would also impose a freeze on remaining staff salaries and directors fees for 2010.

2.0 Comparing the Rationales and Strategies

Are there commonalities that emerge?

Despite of different strategies companies could implement during in need of change to secure their survival, there is a trend emerging where downsizing seem the only solution exercised by many CEO during time of crisis. Most organizations cut back their work processes or their worker during economic down turn, however researches shows down sizing is becoming a common practice regardless of the status of the economic environment(Jeffrey and Pfeffer 2010). Only one in six organizations interviewed in 1995 responded not to have downsized between 1993 and 1995(Bordia, Hobman, Paulsen, and Tourish, 2004). For example Fletcher decision to downsize their production and manpower, seems that the company was following what other organization was doing in the global market. The organization was reacting to the temporary problem arisen during the financial crisis. The shrinking market for large vehicles around the world forced car manufacturing company like Ford to lay off their worker and close down their worker. The downsizing was in response to drop in demand and due to shift

of product market. Similarly Holden reacted to the crisis by cutting down product size.

In all cases above, downsizing was the solution use by these organizations to cut their operational cost. It seems that they all have the same reason why they implement downsizing as strategy to face the financial but they have different way implementing it.

Are some rationales and strategies presented as more legitimate than the others? In your option why might be the case?

Some of the rationale and strategy presented are more legitimate than the others. If we take in the case of Holden the organization seem to understand the rationale well when they implemented downsizing as their strategy. It is important they cut down their production volume however since the problem is temporary the solution is also temporary. Holden use the situation as their advantage to structure their business processes and prepare for the future competition in the global market. The reason behind not to let go of their worker was firstly the organization valued the skilled workers who would necessary when the company introduce new small car model in 2010. For that reason the company avoided not only the cost involving laying of workers but also rehiring (Jeffrey, and Pfeffer, 2010). Secondly Holden understood the extent to which downsizing could impact the moral of the workers that are staying behind. According annual investigative industry report subsequent reductions in manpower have negative impact on performance (Farrell, and Mavondo, 2005). In addition Holden took involuntary downsizing with the participation and consultations of its

employee. This helped Holden to minimize employee distrust on the organization.

In contrary Fletcher Pty seems to care about fixing their balance sheet. The company seems to miss that the current slump in residential housing was not as result of over supply instead was due to financial crisis. The demand for residential construction is still high but it slowed down due to affordability. When the demand is high again Fletcher will be in bad position compare to its competitors. Where as Ford didn't have choice it needed to cut down staff and downsize its production at Geelong plant was due to aging model of its four-wheel model and its small car was imported as the result it was necessary in long-term to downsize it business processes. Therefore Ford took downsizing associated with long-term business processes restructuring (Farrell, and Mavondo, 2005).

Therefore its legitimate to implement downsizing in the time of crisis however it should not only focused on the current issue but the long-term strategy to gain competitive advantage in the global market.

To what extent are single or multiple rationale and strategy utilised? What conclusion can you draw from these?

There are circumstances in which layoffs are necessary for a firm to survive. Some time changes due to technological implementation makes downsizing feel like only solution. In the current economic crisis downsizing was a major strategy to be implemented by many organization. The external and internal pressure that generated from this crisis was the reason behind these changes. In many cases organization are mainly interested in finding an

immediate solution to the crisis rather than long-term solution. This is because organizations are mainly concerned with the shareholder interest rather than the local economy or interest of employee (Burdos, 2002). In case of Holden, Ford and Fletcher downsizing was the only strategy implemented to cut cost of operation and restructuring purpose. This shows that in time crisis cost cutting is the prime target of an organization to stay competitive in the global market.