DECEMBER 2016

MANAGEMENT OF CHANGE – PRE-ISSUED CASE STUDY & GUIDELINES

Important notes for candidates regarding the pre-issued case study

The case study is designed to assess knowledge and understanding of the Management of Change syllabus in the context of the relevant case study. The examiners will be marking candidates' scripts only on the basis of the questions that have been set. Candidates are advised to pay particular attention to the mark allocation on the examination paper and to plan their time accordingly.

Candidates should acquaint themselves thoroughly with the case study and be prepared to follow closely the instructions given to them on the examination day. Candidates are advised not to waste valuable time collecting unnecessary data. The cases are based upon real-life situations and all the information about the chosen organisation is contained within the case study.

As this case represents real-life situations, anomalies may be found in the information you have before you. Therefore, please state any assumptions you make that are reasonable when answering the questions. Remember you are going to be tested on your overall understanding of the case issues and your ability to answer the questions that are set in the examination.

In order to prepare for the examination, candidates will need to carry out a detailed analysis of the case material ahead of the examination. Candidates have sufficient time during the examination to answer all the questions, but this means that detailed analysis has taken place before commencing the examination. The examiners are looking for clear evidence that candidates have a good understanding of the case and can use the relevant course ideas from the syllabus to answer the questions.

The copying of pre-prepared 'group' answers, including those written by other third parties, is strictly forbidden and will be penalised. Thus, questions will demand analysis in the examination itself and individually composed answers are required in order to pass.

Candidates are only allowed to take up to two pages (four sides) of A4 notes into the examination room. These notes should be attached to the answer script at the end of the examination and returned.

A copy of the pre-issued case study material will be available in the examination. Candidates are NOT permitted to take into the examination the downloaded case study or any other notes. Candidates should not attach any other additional information in any format to their answer script. Any attempt to introduce such additional material will result in the candidate's paper being declared null and void.

The examination will be for **THREE HOURS** and will consist of TWO parts.

Part A comprises **FOUR** compulsory short answer general questions and is worth **40%** of the final mark. **These questions are not specifically related to the case study**. It is recommended that you spend approximately ONE HOUR on Part A.

Part B comprises **THREE** compulsory questions related to the pre-issued case study that you will have analysed before entering the examination room. This part is worth **60%** of the final mark. It is recommended that you spend approximately TWO HOURS on Part B, which includes planning and checking your answers.

DECEMBER 2016

MANAGEMENT OF CHANGE
CASE STUDY – THE DIE IS CAST!

Gordon Williams and Sons are the world's largest manufacturers and suppliers of die cast eye bolts. (NB: a threaded die cast bolt with a hole at the top of the bolt. The eye bolt is used by contractors; civil engineers etc. to lift heavy objects safely.)

Williams and Sons have been producing these eye bolts for the past 40 years and export their products mainly to Northern Europe and Australia. The company employs some 100 staff, many of whom have been with the company for decades. Approximately a quarter of the staff have only worked for the company since they left school. The success of the business has been due to fostering good relationships between management and workers who enjoy meeting regularly outside the workplace to socialise – Christmas parties and staff picnics in the summer months are just two of the activities that make working for Williams and Sons a bonus for the staff. Gordon and his predecessors have always made a point of talking to their staff on every occasion. Gordon walks around the factory every week talking informally to his staff, which has enabled him to appreciate what is going on and to put into place any actions he deems necessary for the smooth running of the business.

Another of the key reasons for the success of the business is the patents that are held on the design and production of the eye bolts. Williams and Sons pride itself on producing the very best engineered products it can. The company has attained the British Standard kite mark for quality (BS) and a similar kite mark issued by the Australian government. This has enabled Williams to produce world-class products that are of a high quality and reliability.

However, in 2008, the firm experienced its first major decline in orders and as a result a small loss in profits. At about this time Chinese manufacturers entered the market and were able to produce similar eye bolts substantially cheaper than Williams and Sons could. The Chinese companies were able to produce the bolts far cheaper as the labour costs were substantially lower in Chinese factories. Added to this, the Chinese firms did not produce the bolts to the same quality as Williams had to do. Also, the Chinese firms did not seek approval from the British and Australian government for the standards kite mark. This saved the Chinese firms the cost of seeking and paying for the kite mark approval, which was vital for Williams and Sons if they were to continue to offer a quality product in their existing UK and international markets.

At the beginning of 2009 Williams and Sons had invested in new production technologies in an attempt to reduce some of its cost. The investment in new technology was partially funded by the company with a small loan from the bank. By December 2010 Gordon was quite concerned with the downward slide in orders, which traditionally had been a busy period for the factory. Gordon needed a plan and decided to call a special meeting of the Board to look at the options for the business in the future.

In the Board meeting discussions revolved around the savings that had been achieved from introducing the new technology into the production side of the business. However, if sales remained as they were, or even went lower, then a strategy to keep the business afloat was needed urgently. The Board meeting carried on for some hours where all options were discussed. At the end of the meeting the Board agreed to employ a local consulting company to help the Board in the formulation of its future strategy. Gordon was asked to contact the consultancy firm with a view to restructuring the business for the first time in its history.

After the Board had met, Gordon reflected on the seriousness of the situation. For the first time Gordon realised that drastic action was needed.

Weeks passed whilst the consultancy firm came up with plans to restructure the business. The key objective given by the consultancy firm was **to bring the company back into profit in the next two years**.

At the next Board meeting the one item on the agenda was the consideration of the consultants' report.

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The key recommendations in the report were:
1. A 20-25% reduction in the company's personnel.
2. A freeze on recruitment.
3. Re-negotiation with the bank to allow more time for the loan to be repaid.
4. Investigate new market opportunities, and focus on research and development activities to introduce new product lines.

In addition to these recommendations the consultancy team recognised that the new technologies introduced would continue to reap rewards in terms of efficiency gains, but these were seen as insufficient on their own to bring the firm back into profit by 2014. If the reduction in personnel could be achieved, then this would greatly improve the company's bottom-line.

The report made for uncomfortable reading for all of the Board members. The reduction in staffing levels would of course reduce costs and hopefully help the business to remain operational in the future. However, Gordon was very unhappy with these recommendations given the close working relationship management and workers had built up over many years. The Board realised that these steps would mean major changes to the way the firm had to be run. However, although these proposals were unpalatable, something had to be done if the business was to continue and prosper.

Gordon is not happy to carry out some of the consultants' recommendations outlined in their report. In particular Gordon is not willing to make reductions in his workforce or freeze recruitment. (Recommendations 1 & 2 above).

The re-negotiation with the bank is a worthwhile recommendation, but Gordon needs a new strategic approach to the business before he talks to the bank. The overdraft is within normal limits for a manufacturing business of this size and turnover, which the bank has been happy to continue.

From Gordon's perspective, he has built this business from nothing, he has an experienced and dedicated workforce who have unique skill sets which he is not willing to get rid of. Gordon is also aware that some of his workforce will reach retirement age in the next few years. It may be that some will want to retire then and some may wish to continue based on their family commitments. Gordon is also not willing to put a freeze on recruitment as new staff needs to be recruited and skills transferred across the business. If his strategy is successful, then new blood will be needed.

The New Strategy
Gordon has, with the help of some of the Board members, devised a new strategy which requires the company to revitalise itself from within. Gordon has a belief in his workforce that will re-energise the business. He and the workforce have always had a good relationship and Gordon's way of managing has been to be visible on the shop floor where the employees can stop and talk to him if they want to. Gordon sees this relationship forged over many years as one of his greatest assets. Gordon wants to tap into this close relationship and instigate new '**innovation teams**'. Gordon is confident these new teams can be an effective mechanism for developing new ideas to rejuvenate the business. Gordon is equally convinced that as key stakeholders they can collectively be a driving force for new ideas and new product development.

The Board are fully behind the idea of these new teams and the workforce and the trade unions are eager to start the process and transformation. The teams will be drawn from across the business and will represent the four small departments which are:
1. Production department
2. Marketing department
3. Technical department
4. Human Resources department

Initially there will be one innovation team consisting of 8-10 people from across the four departments. The teams will meet initially to work on an appropriate format and schedule for how these teams will function. Once these details have been finalised, other innovation teams will be formed and given a brief for each of the teams. For example, one team might look at new ideas for product development or modification of existing products that require little change to the production process. Another team might look at organisational structure and processes and how these might be made more efficient, thus making cost savings. Gordon will lead a team that monitors the teams' progress, reports back to each team and provides written reports, and leads meetings with the various teams. Some members of the teams want to meet outside work or at a weekend to bring together the ideas of other teams so that nothing is lost in the work of each team.

Gordon strongly believes that the future for the company is linked to his workforce and it is they that have the strongest vested interest to be successful.