Business Management Units 3 & 4

Chapter 13 — Leadership and management strategies for change

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Chapter 13 Leadership and management strategies for change — 13A The importance of leadership in change management

Theory

Leadership is the ability to influence, inspire and guide people towards a shared goal or vision. It is one of the six management skills, but during a period of **change** it becomes especially important, because change is not simply an administrative task — it asks people to give up familiar routines and move into an uncertain future. Employees can find this unsettling, and their fear, doubt and resistance can stall or defeat a change even when the plan itself is sound. **Change management** is the process of leading a business and its people from the current situation to a desired future situation. Effective leadership is what carries the *people* through that process, so the study design treats the **importance of leadership in change management** as knowledge in its own right.

Why leadership is critical when implementing change. During change a leader performs several distinct roles, each of which addresses a different obstacle to successful change.

- **Setting and communicating a vision.** A leader creates a clear, compelling picture of the desired future — *where* the business is heading and *why* the change is necessary — and communicates it repeatedly and convincingly. A shared vision gives employees a **reason** and a **direction**, so the change feels purposeful rather than arbitrary. Without a vision, effort is scattered and people cannot see how their work connects to the goal.
- **Inspiring and motivating employees through uncertainty.** Change generates anxiety about job security, competence and the unknown. A leader supplies **energy, optimism and reassurance**, maintaining morale and belief so that employees stay engaged rather than disengaging, resisting or leaving. Motivation is what keeps people working towards the change when it becomes difficult.
- **Modelling the desired behaviour.** Employees take their cues from how leaders behave, not only from what they say. A leader who **visibly lives the new values and practices** — "walking the talk" — gives the change credibility; a leader whose actions contradict the message breeds cynicism. Modelling makes the new way of working believable and imitable.
- **Building commitment.** A leader works to move employees beyond mere **compliance** (grudgingly doing the minimum required) towards genuine **commitment** — believing in the change and putting in discretionary effort. Commitment is built by involving people, listening to them, and connecting the change to things they value. Committed employees sustain the change without constant supervision.
- **Overcoming resistance.** Because a trusted leader can **listen to concerns, explain the reasons for change and build trust**, strong leadership reduces the resistance that would otherwise slow or block implementation. (The specific low- and high-risk strategies a manager can use are examined in later subtopics.)
- **Sustaining momentum.** Change is rarely a single event. A leader keeps **driving the change over time** — reinforcing the vision, recognising progress and early wins, and preventing the business from slipping back into old habits — so that the change is fully implemented and embedded rather than fizzling out halfway.

The consequences of poor leadership during change. Because leadership addresses the human side of change, weak leadership tends to cause the change to fail even when the strategy is well designed. Poor leadership shows up as an **unclear or poorly communicated vision** (confusion, conflicting priorities and wasted effort), a **failure to inspire** (low morale, disengagement, absenteeism and higher staff turnover), **inconsistent role-modelling** (cynicism and loss of trust), **unaddressed resistance** (the change stalls), and a **loss of momentum** (the business reverts to its old ways). The results are a change that is not properly implemented, key performance indicators that do not improve, wasted time and money, a damaged corporate culture, and a loss of confidence among stakeholders.

Key ideas to keep straight.

- **Leadership is not the same as management.** *Management* is about administering **systems, processes and tasks** to keep the business running — planning, organising, coordinating and controlling ("doing things right"). *Leadership* is about setting a **direction** and moving **people** ("doing the right things"). Both are needed during change, but change amplifies the demand for leadership, because you cannot simply administer people through uncertainty — you must inspire them.

- **Vision is not the same as the task.** The **vision** is the compelling picture of the future — the *why* and *where* — that gives change its meaning; the **task** is the concrete day-to-day activities and steps — the *what* and *how* — of getting the work done. A task focus without a vision leaves people going through the motions without belief; a vision without task execution never gets delivered. Leadership supplies the vision; management drives the task.
- **Compliance is not commitment.** *Compliance* is doing the minimum an employee is told to do; *commitment* is genuine belief and extra, willing effort. Effective leadership converts compliance into commitment, which is what makes change durable.
- **Leadership is a management *skill*, not a style, strategy or theory.** Do not confuse the *skill* of leadership with a management **style** (autocratic, participative and so on), a management **strategy** for responding to KPIs, or a change **model** (such as Lewin's or Senge's). They are different parts of the course, and examiners penalise answers that mix them up.

Contemporary example — Myer, January 2025

Myer Holdings Limited (ASX:MYR) is an ASX-listed Australian department store retailer.

On 28 January 2025 Myer announced to the ASX that its combination with Premier Investments' Apparel Brands — the Just Group business made up of Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E — had completed, with 890.5 million new Myer shares issued as consideration. The combination followed a strategic review that Myer reported as under way through 2024 under executive chair Olivia Wirth, and shareholder approval at an extraordinary general meeting on 23 January 2025, at which the combination resolution was carried with 96.16% of the votes cast in the poll in favour.

The sequence shows the **leadership** roles this subtopic identifies being performed on the public record. The strategic review established *why* the business needed to change; leadership then had to **set and communicate a vision** of the desired future — described by Myer at the time of the meeting as creating a leading retail platform across Australia and New Zealand — so that the change carried a **reason** and a **direction** rather than appearing arbitrary. That vision had to persuade a stakeholder group with the power to stop the change, and the scale of the vote in favour points to **commitment** to the direction rather than reluctant **compliance**. The sequence also separates the two skills the subtopic distinguishes: winning support for the direction was the **leadership** task, while completing the transaction and combining the brands afterwards is the **management** task of administering the plan — the shares, systems, resources and timelines. Leadership does not stop at the vote, however: **sustaining momentum** through a long integration, so that the combined business does not drift back to its old habits, remains a **leadership** role.

Source: Myer Holdings Limited, Completion of Combination with Premier's Apparel Brands (ASX announcement), 28 January 2025 — https://investor.myer.com.au/DownloadFile.axd?file=%2FReport%2FComNews%2F20250128%2F02906186.pdf. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Naveen is the CEO of **GreenCrate Logistics**, a courier firm replacing its diesel vans with an electric fleet. Many drivers are anxious that the new vehicles will change their routines and that some jobs may go. Explain how Naveen's leadership could support the successful implementation of this change.

Working	Comment
The change is unsettling for drivers — it creates **uncertainty and fear** about routines and job security.	Identify the human obstacle that leadership must address.
Naveen can **set and clearly communicate a vision** — explaining *why* GreenCrate is going electric (cost, emissions, future demand) and *where* it is heading.	Name the relevant leadership role and connect it to the scenario.
A clear vision gives drivers a **reason and direction**, reducing uncertainty and helping them see how their work fits the goal, which lifts their willingness to adopt	Explain the causal mechanism — vision → less uncertainty → greater engagement.

Working	Comment
the new vans.	
∴ Naveen's leadership supports the change by giving employees purpose and reassurance, making the electric-fleet transition more likely to succeed.	State the conclusion.

Example 2 — scaffolded

During the same transition, Naveen personally drives an electric van and follows every new charging and safety procedure himself. Explain how a leader modelling the desired behaviour can build employee commitment to a change.

Working	Comment
Modelling desired behaviour means the leader visibly does the very things the change asks of employees.	Define the leadership role at the centre of the question.
Because employees take their cues from what leaders **do**, Naveen using the vans himself makes the change **credible** and signals it is genuine, not just words.	Establish why modelling matters — it builds credibility and trust.
This trust and credibility encourage drivers to move beyond grudging **compliance** towards genuine **commitment**, adopting the new procedures willingly.	Link modelling → trust → commitment.

Example 3 — unscaffolded

Distinguish between leadership and management in the context of implementing change.

Management in a change context is concerned with administering the **systems, processes and tasks** that keep the change on track — planning the steps, organising resources, coordinating activities and controlling progress against targets; in short, "doing things right". **Leadership** in a change context is concerned with the **people** side — setting a clear vision of the desired future, communicating it, and inspiring and motivating employees to move towards it despite the uncertainty change creates; in short, "doing the right things". The key difference is their focus: management directs **tasks and systems**, whereas leadership directs and energises **people**. Both are needed to implement change successfully, but leadership is what carries employees through the emotional disruption that change involves. ∴ management keeps the machinery of change running, while leadership provides the direction and human energy that make the change happen.

Example 4 — unscaffolded

Evaluate the importance of leadership when a business is implementing significant change.

Leadership is **highly important** to successful change. Significant change threatens employees' routines, competence and security, and this human reaction — not the plan itself — is what most often causes change to fail. Leadership addresses this directly: a leader **sets and communicates a vision** that gives the change purpose, **inspires and motivates** employees through the uncertainty, **models** the new behaviour to make it credible, **builds commitment** rather than mere compliance, and **sustains momentum** so the change is embedded rather than abandoned. Where leadership is poor, even a well-designed change tends to stall — morale falls, resistance grows, and the business slips back into old habits. **However**, leadership alone is not sufficient: it must be paired with sound **management** of the tasks, systems and resources, because an inspiring vision that is never translated into organised action delivers nothing. The importance of leadership therefore also depends on the **scale of the change** — a minor, technical adjustment may need little leadership, whereas a major transformation of culture or operations depends on it heavily. ∴ leadership is a critical, though not solitary, ingredient of successful change: the more significant and people-affecting the change, the more its success rests on effective leadership working alongside effective management.

Practice questions

Scaffolded

Q1. Define the term *leadership*.

Q2. List **four** ways in which leadership is important when a business is implementing change.

Q3. For each of the following, name the leadership role being described: (a) creating and sharing a clear picture of the desired future so employees know where the business is heading; (b) personally demonstrating the new behaviour the change requires; (c) recognising early wins and continuing to drive the change so it is not abandoned.

Q4. Identify **two** possible consequences of poor leadership during a period of change.

Q5. A café chain is introducing a new online-ordering system and its staff are worried they will not cope with the technology. (a) Identify **one** leadership role the manager should perform. (b) Explain how performing that role could help the change succeed.

Q6. Explain the difference between employee **compliance** and employee **commitment** during change.

Unscaffolded

Q7. Outline **one** way in which leadership is important when a business implements change. *(2 marks)*

Q8. Distinguish between **leadership** and **management** in the context of implementing change. *(4 marks)*

Q9. Explain how setting and communicating a **vision** can support the successful implementation of change. *(3 marks)*

Q10. Explain how a leader can build employee **commitment** to a change. *(4 marks)*

Q11. During a major restructure, a division manager tells staff only that "changes are coming" and gives no reasons or direction. Justify why stronger leadership is needed in this situation. *(4 marks)*

Q12. "Strong leadership is more important than sound management when implementing change." Discuss. *(6 marks)*

Q13. Explain the possible consequences of **poor leadership** during a period of change. *(4 marks)*

Q14. Compare **compliance** and **commitment** as employee responses to change. *(4 marks)*

Q15. *Case study.* **Loom & Thread** is a family-owned homewares manufacturer. Its new managing director, Talia, is moving the business from hand production to a partly automated line so it can meet rising demand. Long-serving machinists fear the automation will make their skills redundant, morale has dropped, and several experienced staff are threatening to leave. Talia has communicated the technical plan in detail but has said little about why the change matters or what the future holds for staff. (a) Identify the leadership role Talia has **most neglected**. *(1 mark)* (b) Analyse **one** way this gap in leadership is affecting the implementation of the change at Loom & Thread. *(3 marks)* (c) Propose and justify **one** way Talia could strengthen her leadership to improve the change's chance of success. *(4 marks)*

Q16. Analyse the relationship between a leader **modelling the desired behaviour** and the level of employee **resistance** to a change. *(6 marks)*

Q17. Evaluate the importance of leadership in change management. *(6 marks)*

Q18. A start-up's founder launches a new company-wide way of working, but soon becomes distracted by other projects and stops mentioning it. Within months staff have drifted back to their old methods. Explain why this outcome has occurred, and recommend how the founder's leadership could have prevented it. *(4 marks)*

Q19. *Extended response.* "Change initiatives usually fail because of a lack of leadership, not a lack of planning." Analyse the importance of leadership in the successful implementation of change, referring to the roles a leader performs and the consequences when leadership is weak. *(10 marks)*

Q20. *Contemporary example.* On 28 January 2025, Myer announced that its combination with Premier Investments' Apparel Brands had completed, following a strategic review and a shareholder vote at an extraordinary general meeting on 23 January 2025 at which the combination resolution was carried with 96.16% of the votes cast in favour.

Analyse the importance of **leadership** in implementing a change of this kind, referring to at least **two** leadership roles. *(6 marks)*

Answers

Q1. Leadership is the ability to influence, inspire and guide people towards a shared goal or vision. **Q2.** Any four of: setting and communicating a vision; inspiring and motivating employees through uncertainty; modelling the desired behaviour; building commitment; overcoming resistance; sustaining momentum. **Q3.** (a) setting and communicating a vision; (b) modelling the desired behaviour; (c) sustaining momentum. **Q4.** Any two of: confusion from an unclear vision; low morale/disengagement/higher turnover; cynicism from inconsistent modelling; unaddressed resistance stalling the change; loss of momentum and reverting to old ways; change not implemented so KPIs do not improve. **Q5.** (a) e.g. setting and communicating a vision, or providing support/reassurance (inspiring and motivating). (b) It reduces staff fear of the technology and gives them a reason to adopt the system, increasing engagement so the change is adopted. **Q6.** Compliance = doing the minimum the change requires because they are told to; commitment = genuinely believing in the change and putting in willing, discretionary effort. **Q7.** Model response in solutions. **Q8.** Management = administering tasks/systems/processes ("doing things right"); leadership = setting direction and inspiring people ("doing the right things"). See solutions. **Q9.** A clear, communicated vision gives purpose and direction, reduces uncertainty and aligns effort. See solutions. **Q10.** Involve and listen to employees, connect the change to what they value, and model/communicate consistently, converting compliance into willing effort. See solutions. **Q11.** Without a vision and reasons, staff face uncertainty and resistance; leadership is needed to communicate the "why", motivate and build commitment. See solutions. **Q12.** Two-sided — leadership drives the people/vision side, but management of tasks and systems is also essential; neither alone is sufficient. See solutions. **Q13.** Confusion, low morale, cynicism, resistance, lost momentum and a failed/reverted change with no KPI improvement. See solutions. **Q14.** Both are employee responses that permit the change to proceed; they differ in the level of belief and discretionary effort (minimum vs willing). See solutions. **Q15.** (a) Setting and communicating a vision (and inspiring/motivating). (b) e.g. absence of a "why" is fuelling fear, falling morale and threatened resignations, slowing the change. (c) e.g. articulate a vision and reassure staff about their future roles/retraining, justified by reduced resistance and retained expertise. See solutions. **Q16.** Modelling builds credibility and trust, which lowers resistance; failing to model raises it — a causal relationship. See solutions. **Q17.** Evaluation — leadership is critical (addresses the human side that most often derails change) but must work with sound management; judgement depends on the scale of change. See solutions. **Q18.** Loss of momentum — the leader stopped sustaining the change; recommend continued reinforcement, recognising wins and embedding the new way. See solutions. **Q19.** Model response in solutions. **Q20.** Leadership set and communicated a vision of the desired future, giving the change a reason and a direction; that vision had to win over stakeholders who could block it, and the scale of the vote indicates commitment rather than compliance; leadership must then sustain momentum through the integration while management executes the practical tasks. See solutions.

Fully-worked solutions

Q7. One way leadership is important is that a leader **sets and communicates a vision** for the change. By giving employees a clear picture of *where* the business is heading and *why* the change is necessary, the leader provides purpose and direction, which reduces uncertainty and helps employees engage with the change rather than resist it.

Q8. In a change context, **management** is concerned with administering the **tasks, systems and processes** that keep the change on track — planning the steps, organising resources, coordinating activities and controlling progress ("doing things right"). **Leadership** is concerned with the **people** side — setting and communicating a vision of the desired future and inspiring and motivating employees to move towards it despite the uncertainty change brings ("doing the right things"). The key difference is focus: management directs **tasks and systems**, whereas leadership directs and energises **people**. Both are required to implement change, but it is leadership that carries employees through the disruption change creates.

Q9. Setting and communicating a **vision** means creating a clear, compelling picture of the desired future and sharing it convincingly and repeatedly with employees. This supports change in several linked ways: it gives employees a **reason** for the change (the *why*) and a **direction** (the *where*), which **reduces the uncertainty and fear** that change provokes; and it **aligns effort**, because people can see how their own work contributes to the goal rather than pulling in different directions. As a result, employees are more willing to adopt the change and less likely to resist it, making successful implementation more likely.

Q10. A leader builds **commitment** — genuine belief in the change and willing, discretionary effort — rather than mere compliance, by working on the **human** side of change. Practically, the leader can **involve employees** in the change and listen to their concerns so they feel ownership; **connect the change to things employees value**, such as job security, growth or a better way of working; **communicate the vision** so the change has purpose; and **model the new behaviour consistently** so employees trust that it is genuine. Because employees then believe in the change rather than just obeying it, they put in extra effort and help sustain the change without close supervision, which improves its chance of success.

Q11. Stronger leadership is needed because, as the situation stands, the manager has created a **vacuum of vision and reassurance** that will actively harm the restructure. Telling staff only that "changes are coming", with no reasons or direction, maximises **uncertainty and fear**, which typically provokes rumours, anxiety and **resistance**, and can push valuable staff to disengage or leave. Effective leadership is required to **communicate a clear vision** — the *why* and *where* of the change — to **inspire and reassure** employees through the uncertainty, and to **build their commitment** so they support the restructure rather than obstruct it. Without this leadership the restructure is likely to stall regardless of how well the technical plan is designed; that is precisely why stronger leadership is justified here.

Q12. The statement has real merit but is **too one-sided**. In favour of it: implementing change is largely a **people** problem, and it is a lack of leadership — not a lack of a plan — that most often causes change to fail. Strong leadership sets a vision, inspires employees through uncertainty, models the new behaviour, builds commitment and sustains momentum; without these, morale falls, resistance grows and even a well-designed change collapses. **On the other hand**, sound **management** is also essential: the vision must be translated into **organised tasks, allocated resources, coordinated activity and monitored progress**, or nothing is actually delivered. An inspiring leader with no management of the detail produces enthusiasm but no results, just as flawless administration with no leadership produces a plan no one is willing to follow. The two are **complementary rather than competing**, so while leadership is decisive for the human side of change, describing it as simply "more important" than management understates management's necessary role.

Q13. Poor leadership during change tends to cause the change to fail even when the strategy is sound. If the leader provides **no clear vision**, employees face confusion and conflicting priorities and effort is wasted. If the leader **fails to inspire or reassure**, morale falls and employees disengage, with rising absenteeism and staff turnover. If the leader's actions **contradict the message** (inconsistent modelling), employees become cynical and lose trust. Unaddressed fear hardens into **resistance**, and once initial enthusiasm fades the change **loses momentum** and the business slips back into its old ways. The overall consequences are a change that is not properly implemented, **key performance indicators that do not improve**, wasted time and money, a damaged corporate culture, and lost stakeholder confidence.

Q14. Similarity: both compliance and commitment are employee responses that **allow a change to go ahead** — in each case employees are, on the surface, doing what the change requires rather than openly refusing. **Differences:** *compliance* is doing only the **minimum** required because employees are told to, with little belief in the change and no extra effort, so it needs constant supervision and can fade the moment pressure eases. *Commitment* is **genuine belief** in the change, producing willing, **discretionary effort** and initiative that sustains the change without close oversight. In short, compliance and commitment look similar in that work gets done, but they differ sharply in the **depth of belief and the amount of effort** behind them — which is why effective leadership aims to convert compliance into commitment.

Q15. (a) The role Talia has most neglected is **setting and communicating a vision** (and, closely related, inspiring and reassuring staff) — she has explained the technical plan but not *why* the change matters or what the future holds for employees. (b) This gap is **directly harming implementation**. Because staff have been given the *how* but not the *why* or any reassurance about their future, their **fear that automation will make their skills redundant is left unanswered**. That unaddressed fear is **lowering morale** and hardening into **resistance**, and it is prompting experienced machinists to **threaten to resign** — which would strip Loom & Thread of the very expertise it needs to run the new line. So the missing vision and reassurance are causing the change to slow and risk failing, even though the technical plan itself is sound. (c) Talia should **articulate and communicate a clear vision** for the change and **reassure staff about their future**, explaining why automation is needed to meet rising demand and committing to **retrain machinists to operate and oversee the new line** rather than replace them. This is justified because it **directly targets the fear driving the resistance**: giving staff a reason for the change and a secure place in the future reduces resistance, lifts morale and **retains their valuable experience**, all of which raise the likelihood that the automation is implemented successfully. It converts anxious compliance (or departure) into commitment, which a family business relying on skilled staff particularly needs.

Q16. There is a strong **causal relationship** between a leader modelling the desired behaviour and the level of employee resistance to change. When a leader **visibly demonstrates the new behaviour** the change requires — using the new system, following the new process, living the new values — it signals that the change is **genuine and worthwhile**, and it builds employees' **trust and credibility** in both the leader and the change. Because employees take their cues from what leaders **do** rather than only what they say, this credibility makes the change feel achievable and safe to adopt, which **lowers resistance**: uncertainty and suspicion fall, and employees are more willing to follow. The relationship runs in the opposite direction too — if a leader **preaches the change but does not practise it**, employees conclude that the change is not really important or not really happening, trust erodes, cynicism grows and **resistance rises**. So modelling and resistance move **inversely**: the more consistently a leader models the desired behaviour, the lower the resistance, and the more a leader's actions contradict the message, the higher the resistance — which is why role-modelling is one of the most powerful levers a change leader has.

Q17. Leadership is of **critical importance** in change management, though it is not the only requirement. Its importance rests on the fact that change fails mostly for **human** reasons rather than technical ones: employees fear the unknown, worry about their competence and security, and resist. Leadership addresses this directly — a leader **sets and communicates a vision** that gives the change purpose, **inspires and motivates** employees through uncertainty, **models** the new behaviour to make it credible, **builds commitment** rather than mere compliance, **helps overcome resistance** by building trust, and **sustains momentum** so the change is embedded. Where leadership is weak, morale falls, resistance grows, momentum is lost and even a well-designed change reverts — strong evidence of how much implementation depends on it. **However**, a balanced judgement must recognise that leadership is **necessary but not sufficient**: it has to be paired with sound **management** of the tasks, resources and timelines, or the vision is never delivered; and its weight varies with the **scale of the change**, mattering far more for a major transformation than a minor technical tweak. **On balance**, leadership is one of the decisive factors in whether change succeeds — the larger and more people-affecting the change, the more its success depends on effective leadership working alongside effective management.

Q18. This outcome has occurred because of a failure to **sustain momentum** — one of the key leadership roles in change. Launching a change is only the beginning; because the founder **stopped reinforcing the new way of working** and turned their attention elsewhere, employees received no ongoing signal that the change still mattered, no recognition of progress, and no correction when they slipped. In the absence of continued leadership the natural pull back to **familiar old habits** reasserted itself, so the change **faded and was abandoned**. To prevent this, the founder's leadership should have **kept driving the change over time**: continuing to communicate and reinforce the vision, **recognising early wins** and the staff adopting the new method, monitoring that the change was sticking, and **embedding it** into everyday routines and expectations until it became "the way things are done here" rather than a passing initiative. Sustained leadership after launch is what turns a one-off announcement into a lasting change.

Q19. *Model response (10 marks).* Implementing change is fundamentally a **people** challenge, and the statement is largely correct that change initiatives fail more often through a lack of leadership than a lack of planning — although planning still matters. **Leadership** is the ability to influence, inspire and guide people towards a shared vision, and during change it performs a set of roles that a plan on paper cannot. First, a leader **sets and communicates a vision**: a clear picture of the desired future and the reasons for change, which gives employees purpose and direction and reduces the uncertainty that change provokes. Second, a leader **inspires and motivates** employees through that uncertainty, sustaining morale and belief when the change becomes difficult. Third, a leader **models the desired behaviour**, "walking the talk" so the change is credible and worth imitating. Fourth, a leader **builds commitment** rather than mere compliance, so employees willingly put in discretionary effort. Fifth, a leader helps **overcome resistance** by building trust and explaining the change. And sixth, a leader **sustains momentum**, reinforcing and embedding the change so it does not fade. Together these roles carry the *people* of a business from the current situation to the desired one.

The importance of leadership is confirmed by what happens when it is **weak**. Without a clear, communicated vision, employees face confusion and conflicting priorities. Without inspiration, morale falls and disengagement, absenteeism and turnover rise. When a leader's actions contradict the message, cynicism and distrust set in. Unaddressed fear hardens into **resistance**, and once early enthusiasm fades the change **loses momentum** and the business reverts to old habits. The consequences are a change that is never properly implemented, **key performance indicators that do not**

improve, wasted time and money, a damaged culture and lost stakeholder confidence — outcomes that occur even when the underlying plan was sound, which is precisely the point the statement makes.

Nevertheless, a complete analysis recognises that leadership does not act alone. Sound **management** of the tasks, resources and timelines is still needed to translate the vision into delivered action, so the most accurate view is that change succeeds when strong leadership and sound management **work together**, with leadership carrying the human side that most often determines success. The importance of leadership also scales with the change: a minor technical adjustment needs little, whereas a major transformation of operations or culture depends on it heavily. On balance, the evidence strongly supports the view that leadership is decisive in change management — its roles address the human reactions that most often derail change, and its absence is a leading cause of failure — provided it is paired with the management of the practical detail. *(Full marks require: a clear grasp of what leadership is; coverage of several distinct leadership roles in change; the causal consequences of poor leadership; engagement with the prompt statement; and a sustained, reasoned line of argument reaching a justified conclusion.)*

Q20. Leadership is **highly important** to a change of this scale, because combining two businesses asks employees, shareholders and other stakeholders to leave a familiar arrangement for an uncertain future. The first role evident here is **setting and communicating a vision**. The strategic review supplied the reasons for change, and leadership then had to articulate a clear picture of the desired future — a broader retail platform across Australia and New Zealand — and communicate it repeatedly and convincingly. This gives the change a **reason** (the *why*) and a **direction** (the *where*), so it appears purposeful rather than arbitrary, and it aligns effort behind a single goal. The second role is **building commitment** rather than mere **compliance**. Shareholders voting at the extraordinary general meeting on 23 January 2025 held the power to defeat the change, so leadership could not simply direct them to accept it; it had to persuade them. That 96.16% of votes cast in the poll were in favour indicates genuine support for the direction rather than reluctant acceptance, which is what allowed the combination to complete on schedule. A third point is that leadership had to work with **management**: a communicated vision does not by itself issue shares, combine five brands or integrate systems, so the practical tasks of implementing the change fall to management of tasks, resources and timelines. Leadership's work continues alongside that, because **sustaining momentum** across a long integration — reinforcing the vision and recognising progress so the change is embedded rather than fading — is itself a leadership role. This illustrates the central claim of the subtopic — leadership carries the human and stakeholder side of change, and the larger and more people-affecting the change, the more its success depends on that leadership working alongside sound management.

Chapter 13 Leadership and management strategies for change — 13B Management strategies to respond to KPIs and seek new business opportunities

Theory

By the end of Unit 4 Area of Study 1, a manager has reviewed the business's **key performance indicators (KPIs)** — the items of measurable data used to judge how the business is performing, such as the percentage of market share, net profit figures, the rate of productivity growth, the number of sales, rates of staff absenteeism, the level of staff turnover, the level of wastage, the number of customer complaints, the number of website hits and the number of workplace accidents. A poor or declining KPI signals a **problem** that needs a response, while a favourable trend or an unmet demand can signal a new **business opportunity** to pursue.

A **management strategy** is a specific, planned course of action a manager implements to move the business towards a desired position — here, to lift an underperforming KPI or to capture an opportunity. The study design prescribes a set of these strategies. For each one you must be able to say two things: **what the strategy is**, and — the part that earns the marks — **how it works on a named KPI or opportunity**. Think of the strategy as the *cause* and the improved KPI as the *effect*.

Many of these strategies are the same operations and human-resource levers first met in Unit 3; here they are re-framed as deliberate **responses to change**. The strategies can be grouped sensibly into people-focused strategies, operations and cost strategies, and global and growth strategies.

People and management strategies.

- **Staff training.** Providing employees with the skills, knowledge and competencies needed to perform their roles, through on-the-job or off-the-job training. Better-skilled staff work faster and make fewer mistakes, so training can raise the **rate of productivity growth**, cut the **level of wastage** and the **number of customer complaints** (through fewer errors and better service), and, where safety training is involved, reduce the **number of workplace accidents**. It also equips staff to use new equipment or enter new markets (an opportunity). Its benefits are mostly **long-term**.
- **Staff motivation.** Using strategies such as performance-related pay, career advancement, support or recognition to increase employees' willingness to work towards business goals. Motivated employees are more engaged and productive and less likely to leave or be absent, so this strategy targets the **rate of productivity growth**, the **number of sales**, **rates of staff absenteeism** and the **level of staff turnover**.
- **Change in management styles or management skills.** A manager deliberately moving along the style continuum (for example, from autocratic towards consultative or participative) or developing skills such as communication, leadership and delegation, so their approach better suits a period of change. A more engaging style and stronger leadership can lift morale and employee buy-in, improving the **level of staff turnover** and **rates of staff absenteeism** and helping staff accept the change, which in turn supports productivity.

Operations and cost strategies.

- **Increased investment in technology.** Acquiring or upgrading technology such as automated production lines, robotics, computer-aided design and manufacture, artificial intelligence or online services. Technology can produce more output, more consistently, at a lower unit cost, so it targets the **rate of productivity growth**, the **level of wastage** (greater precision) and **net profit figures**. Establishing or improving an online presence can also lift the **number of website hits** and the **number of sales**, opening new markets.
- **Improving quality in production.** Raising the standard and consistency of outputs through quality control, quality assurance or Total Quality Management. Fewer defective products means fewer returns and a stronger reputation, so this strategy reduces the **number of customer complaints** and the **level of wastage** (less rework and scrap) and can lift the **percentage of market share** and the **number of sales**.
- **Cost cutting.** Deliberately reducing the business's expenses — for example by renegotiating supplier contracts, reducing overheads or eliminating non-essential activities. Because profit is revenue minus costs, lower costs directly widen the margin, so cost cutting most obviously improves **net profit figures** and can raise the **rate of productivity growth** (more output per dollar of input). It can act **quickly**, but cutting too

deeply can damage quality or morale and later push up the **number of customer complaints** or the **level of staff turnover** — a short-term gain that carries a long-term risk.

- **Initiating lean production techniques.** Adopting lean principles — pull, one-piece flow, takt and zero defects — so the business produces only what is demanded, with minimal waste and defects. Lean directly attacks the **level of wastage**, lifts the **rate of productivity growth**, protects **net profit figures** and, through "zero defects", reduces the **number of customer complaints**.
- **Redeployment of resources (natural, labour and capital).** Reallocating existing resources from lower-value or underperforming areas to higher-value or higher-demand ones — for example, retraining and moving employees (labour) from a declining product line to a growing one, repurposing machinery or premises (capital), or switching the raw materials (natural resources) used. Using resources where they are most productive can lift the **rate of productivity growth**, **net profit figures** and the **number of sales**, and it lets a business pursue an opportunity **without buying more resources**.

Global and growth strategies.

- **Innovation.** Developing new or significantly improved products, services or processes. Innovation is the clearest *opportunity-seeking* strategy: a fresh product can meet an unmet need, lift the **number of sales** and the **percentage of market share** and command a higher margin (**net profit figures**), while process innovation can also raise productivity. Its payoff is usually **long-term** and it carries risk.
- **Global sourcing of inputs.** Obtaining materials, components or services from overseas suppliers, typically because they are cheaper, of higher quality or unavailable locally. Cheaper or better inputs reduce costs and defects, so this targets **net profit figures**, the **level of wastage** and the **number of customer complaints**. Note that the business still makes the product itself — only the *inputs* come from overseas.
- **Overseas manufacture.** Relocating the actual production of goods overseas (in the business's own facilities), usually to access lower labour or production costs or to be closer to overseas markets. It targets **net profit figures** (lower production cost) and the **rate of productivity growth**, and can grow the **percentage of market share** by placing production near new markets.
- **Global outsourcing.** Paying an external overseas third party to perform a whole function or process the business would otherwise do itself — for example manufacturing a component, information technology support or a call centre. A specialist provider can perform the task more cheaply or expertly, improving **net profit figures** and the **rate of productivity growth**, and freeing the business to focus on its core activities.

Management strategies and the KPIs they respond to — read ACROSS for what a strategy moves, DOWN for what could fix an indicator

	% of market share	Net profit figures	Rate of productivity growth	Number of sales	Number of website hits	Rates of staff absenteeism	Level of staff turnover	Level of wastage	Number of customer complaints	Number of workplace accidents	KPIs targeted
Staff training			●					●	●	●	4
Staff motivation			●	●		●	●				4
Change in management styles or skills			●			●	●				3
Increased investment in technology		●	●	●	●			●			5
Improving quality in production	●			●				●	●		4
Cost cutting		●	●				○		○		2
Initiating lean production techniques		●	●					●	●		4
Redeployment of resources		●	●	●							3
Innovation	●	●	●	●							4
Global sourcing of inputs		●						●	●		3
Overseas manufacture	●	●	●								3
Global outsourcing		●	●								2
strategies that target this KPI:	3	8	10	5	1	2	2	5	4	1	

● the strategy aims to move this indicator in its FAVOURABLE direction
○ cut too deeply, cost cutting can later push this indicator the WRONG way — a short-term gain carrying a long-term risk

41 links are drawn across 12 strategies and 10 KPIs. The KPI is the MEASURE that reveals a problem or an opportunity; the strategy is the ACTION taken in response. Some strategies move a KPI quickly — cost cutting can lift net profit almost immediately — while training, innovation and culture change work slowly but last. Match the strategy to how urgently the indicator must move, and remember that managers usually COMBINE strategies rather than relying on one.

Key ideas to keep straight.

- **A strategy responds to a KPI — it is not the KPI.** The KPI is the *measure* that reveals a problem or opportunity; the strategy is the *action* taken in response. (A common exam error is to treat the KPIs themselves as the thing that drives change.)
- **A strategy is not a driving force.** A driving force (Chapter 11) *pushes* a business towards change; a management strategy is the *response* a manager chooses to bring that change about. Some words — for example "technology", "innovation" or "reduction of costs" — name **both** a driving force and a strategy. Keep the roles distinct: as a *force* it triggers change, as a *strategy* it is how the business responds.
- **A strategy is not the same as a style, a skill or a theory.** A management *strategy* is a specific action to improve performance; a management *style* is how a manager relates to staff (autocratic … laissez-faire); a management *skill* is a manager's competency (communication, planning). "Change in management styles or skills" is *one* strategy on the list — that does not make every style or skill a strategy. Confusing these is the single most common examiner complaint on this topic.
- **Short-term versus long-term.** Some strategies move a KPI quickly (cost cutting can lift net profit almost immediately) but risk later harm; others — training, innovation, culture change — work **slowly** but are more **sustainable**. Match the strategy to how urgently the KPI must move.
- **One strategy can shift several KPIs, and several strategies can target one KPI.** Lean production, for instance, improves wastage, productivity and complaints at once, while a falling net-profit KPI might be tackled by cost cutting, global sourcing and lean together. Managers usually **combine** strategies rather than relying on one.
- **Keep the three global strategies apart.** *Global sourcing of inputs* = buying inputs from overseas (the business still makes the product); *overseas manufacture* = making the product overseas itself; *global outsourcing* = paying an overseas party to perform a function for the business.

Contemporary example — Baby Bunting, August 2024

On 20 August 2024, Baby Bunting Group — an ASX-listed specialty retailer of maternity and baby goods, then trading from stores in Australia and New Zealand — released its results for the year ended 30 June 2024. The performance data contained two weak indicators: comparable store sales had fallen 6.3%, and gross profit margin had come in at 36.8%, down 56 basis points on the previous year. The business attributed the margin pressure to its key hard-goods categories.

The response illustrates the cause-and-effect logic of this subtopic, because the business named particular strategies against those particular measures. Comparable store sales speak to the **number of sales**, while margin feeds directly into **net profit figures**. Against them it named renegotiating trading terms with suppliers — a form of **cost cutting**, since lower input costs widen the gap between revenue and costs — alongside a simplification of its pricing structure and **innovation** in its range through exclusive brand partnerships. Note that the strategies were **combined** rather than used one at a time.

The same announcement reported an effect: in July 2024 the gross profit margin was 180 basis points higher than in the same month a year earlier, which the business linked to the simplified pricing and the removal of a loyalty spend-and-earn offer. That is the **short-term** movement the theory predicts from cost-focused strategies — though the supplier renegotiations were reported as still in progress, a reminder that a strategy's full effect on a KPI often arrives later than its announcement.

Source: Baby Bunting Group Limited (ASX announcement), FY24 Full Year Results — Refreshed strategy driving positive momentum, 20 August 2024 — https://assets.contentstack.io/v3/assets/blt497a29fffbfff85f/blt40648fe697fe9864/66c3c41bf641a652cfabdbb7/BBN_FY24_ASX_Announcement_-_20_Aug_2024.pdf. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Riverbend Timber, a furniture manufacturer, has seen its level of wastage rise from 5% to 12% of raw materials over the past year. Explain how initiating lean production techniques could respond to this key performance indicator.

Working	Comment
The rising **level of wastage** KPI shows that too much raw material is being scrapped or reworked.	Identify the poor KPI and what it measures.
Lean production techniques — pull, one-piece flow, takt and zero defects — produce only what is demanded, with minimal waste and defects.	Define the strategy briefly.
A *pull* approach and *one-piece flow* mean timber is only worked when it is needed, so less is over-produced or damaged in storage, while *zero defects* reduces the number of items scrapped for faults.	Link the strategy's features to the cause of the wastage.
With less material scrapped or reworked, the level of wastage falls back towards its former level.	Show the effect on the KPI.
∴ initiating lean production techniques directly reduces the level of wastage.	State the conclusion.

Example 2 — scaffolded

GlowLeaf Skincare's number of customer complaints has doubled in six months, with most complaints about inconsistent product quality. Propose and justify one management strategy to respond to this KPI.

Working	Comment
The rising **number of customer complaints** is being driven by **inconsistent quality**.	Read the KPI and its stated cause.
A suitable strategy is **improving quality in production** through Total Quality Management (TQM).	Propose a strategy that targets the cause (propose = name it and show what it entails).
TQM builds continuous improvement and a commitment to quality into every stage of production, so fewer defective or inconsistent products reach customers.	Explain what the strategy entails and how it works.
Fewer faulty products means fewer complaints, so the KPI improves; this also protects the firm's reputation and market share.	Justify by arguing the benefit for the KPI.
∴ improving quality in production is an appropriate response because it removes the cause of the complaints.	Conclude with a justified recommendation.

Example 3 — unscaffolded

Distinguish between global sourcing of inputs and global outsourcing.

Under **global sourcing of inputs** a business buys its materials, components or services from **overseas suppliers** but continues to **make the product itself**; the aim is usually to obtain cheaper or higher-quality inputs, which improves net profit and can reduce wastage. Under **global outsourcing** a business **pays an external overseas party to carry out a whole function or process** — such as manufacturing a component, information technology support or a call centre — that it would otherwise perform in-house; the aim is to have a specialist do the task more cheaply or expertly. The key difference is **what is obtained from overseas**: with global sourcing it is only the *inputs* (the business still performs the work), whereas with global outsourcing it is the *work or function itself* that is handed to an external provider. ∴ global sourcing supplies the business, while global outsourcing replaces one of its activities.

Example 4 — unscaffolded

Analyse the relationship between staff training and two key performance indicators a business might seek to improve.

Staff training equips employees with the skills and knowledge to perform their roles more competently, and this improved capability flows through to several KPIs. First, better-trained employees make fewer errors and work more efficiently, so the **rate of productivity growth** rises: as staff master techniques and new equipment, they produce more output from the same inputs. Second, more capable staff deliver a better product and service, so the **number of**

customer complaints falls, because fewer faults and delays reach the customer. The relationship is **causal and indirect** — training does not change the KPIs by itself; it changes employees' *capability*, and that improved capability is what then drives productivity up and complaints down. Because these gains depend on skills being learned and applied, the effect on the KPIs is realised mainly over the **longer term**. ∴ training improves KPIs by first building employee capability, which in turn raises productivity and reduces complaints.

Practice questions

Scaffolded

Q1. Define the term *management strategy* in the context of responding to key performance indicators.

Q2. List **four** management strategies a business could use to respond to key performance indicators and/or seek new business opportunities.

Q3. For each of the following situations, name **one** management strategy that would best respond to it: (a) the level of wastage in production has risen sharply; (b) the level of staff turnover has increased and morale is low; (c) the number of website hits and online sales are falling.

Q4. Explain the difference between a **management strategy** and a **driving force** for change.

Q5. A suburban bakery's number of customer complaints has risen steadily, with most complaints about slow, error-prone service from newly hired staff. (a) Identify **one** management strategy the owner could use to respond to this KPI. (b) Explain how the strategy would help reduce the number of customer complaints.

Q6. Explain the difference between **global sourcing of inputs**, **overseas manufacture** and **global outsourcing**.

Unscaffolded

Q7. Describe the strategy of **staff training** as a response to poor key performance indicators. *(2 marks)*

Q8. Explain how **increased investment in technology** could improve **two** key performance indicators. *(4 marks)*

Q9. Distinguish between **cost cutting** and **initiating lean production techniques** as strategies to improve a business's net profit. *(4 marks)*

Q10. Explain how the strategy of **improving quality in production** could respond to a rising number of customer complaints. *(3 marks)*

Q11. Describe the strategy of **redeployment of resources** and explain how it could respond to a poor key performance indicator. *(4 marks)*

Q12. Explain how **innovation** could help a business seek a new business opportunity. *(3 marks)*

Q13. Compare **staff training** and **staff motivation** as strategies to improve the rate of productivity growth. *(4 marks)*

Q14. *Case study.* **Boldwool Knitwear** is an Australian clothing manufacturer. Over the past year its **net profit** has fallen by 30%, its **level of wastage** has risen from 6% to 15% of materials, and its **number of customer complaints** has doubled, with many complaints about faulty garments. The owner, Dario, wants to turn performance around and is also considering selling knitwear online for the first time. (a) Identify **one** management strategy Dario could use to respond to the rising level of wastage. *(1 mark)* (b) Analyse how **one** management strategy could respond to the falling net profit KPI. *(3 marks)* (c) Propose and justify **one** management strategy Dario could use to seek the new online opportunity. *(4 marks)*

Q15. Justify the use of **global sourcing of inputs** as a strategy to improve a business's net profit. *(4 marks)*

Q16. Discuss the use of **cost cutting** as a strategy to respond to falling net profit. *(6 marks)*

Q17. Evaluate the strategy of **overseas manufacture** as a response to poor key performance indicators. *(6 marks)*

Q18. A manager responds to high staff turnover and absenteeism by shifting from an autocratic to a consultative management style. Explain how this **change in management style** could improve these key performance indicators. *(4 marks)*

Q19. *Extended response.* "Significant business change begins with the data: managers review their key performance indicators and then select strategies to respond." Analyse the relationship between key performance indicators and the management strategies a business uses to respond to them during a period of change. *(10 marks)*

Q20. *Contemporary example.* In August 2024, Baby Bunting reported that its comparable store sales had fallen 6.3% and its gross profit margin had declined to 36.8%, and named **renegotiation of trading terms with suppliers** as one of its responses. Analyse how this strategy could respond to the business's key performance indicators. *(5 marks)*

Answers

Q1. A specific, planned course of action a manager implements to move a business towards a desired position — here, to improve an underperforming KPI or capture a new opportunity. **Q2.** Any four of: staff training; staff motivation; change in management styles or skills; increased investment in technology; improving quality in production; cost cutting; initiating lean production techniques; redeployment of resources; innovation; global sourcing of inputs; overseas manufacture; global outsourcing. **Q3.** (a) initiating lean production techniques (or improving quality in production / increased investment in technology); (b) staff motivation (or a change in management styles/skills); (c) increased investment in technology — online services (or innovation). **Q4.** A driving force *pushes* a business towards change; a management strategy is the *action* a manager chooses in *response* to bring the change about. **Q5.** (a) Staff training. (b) Training the new staff improves the speed and accuracy of their service, so fewer errors and delays reach customers, reducing the number of complaints. **Q6.** Global sourcing of inputs = buying inputs from overseas (the business still makes the product); overseas manufacture = making the product overseas itself; global outsourcing = paying an overseas party to perform a function for the business. **Q7.** Staff training = equipping employees with skills/knowledge; reduces wastage, complaints and accidents and lifts productivity. See solutions. **Q8.** e.g. rate of productivity growth (more/faster output) and level of wastage (greater precision), or net profit / website hits / sales. See solutions. **Q9.** Both aim to improve net profit; cost cutting removes expenses directly, lean removes waste from the process. See solutions. **Q10.** Fewer defects reach customers → fewer complaints. See solutions. **Q11.** Reallocating labour/capital/natural resources to higher-value uses; lifts productivity/sales. See solutions. **Q12.** New/improved product meets an unmet need → new sales/market. See solutions. **Q13.** Both lift productivity via employees; training builds capability, motivation builds willingness. See solutions. **Q14.** (a) initiating lean production techniques (or improving quality in production / increased investment in technology). (b) e.g. global sourcing / cost cutting / lean / improving quality in production — causal link to net profit. (c) increased investment in technology (online services) or innovation, proposed and justified. See solutions. **Q15.** Cheaper/better overseas inputs lower costs → wider margin → higher net profit; argue why. See solutions. **Q16.** Advantages (fast, direct profit lift) vs disadvantages (quality/morale risk), no judgement needed. See solutions. **Q17.** Weigh lower costs/market access against risks (quality control, distance, reputation) → a judgement. See solutions. **Q18.** A consultative style lifts morale/buy-in → less turnover and absenteeism. See solutions. **Q19.** Model response in solutions. **Q20.** Renegotiating supplier trading terms = **cost cutting**; cheaper inputs widen the margin → improved net profit figures; acts relatively quickly but the gain depends on the negotiations landing. See solutions.

Fully-worked solutions

Q7. Staff training is the strategy of providing employees with the skills, knowledge and competencies they need to perform their roles, delivered on-the-job or off-the-job. As a response to poor KPIs, better-trained staff work more accurately and efficiently, which raises the rate of productivity growth and lowers the level of wastage and the number of customer complaints.

Q8. Increased investment in technology — such as an automated production line or robotics — can improve two KPIs. First, the **rate of productivity growth** rises: machines can run continuously and process more units per hour than manual labour, so the business produces more output from the same inputs. Second, the **level of wastage** falls: automated equipment works with greater precision and consistency than people, so fewer units are spoiled or need reworking. (Other acceptable KPIs: net profit figures through lower unit costs, or the number of website hits and sales through improved online services.)

Q9. Cost cutting and **initiating lean production techniques** both aim to improve **net profit**, but they work differently. Cost cutting improves profit by **directly removing expenses** — for example renegotiating supplier prices or reducing overheads — so the gap between revenue and costs widens. Lean production improves profit by **removing waste from the production process** — using pull, one-piece flow, takt and zero defects so the business produces only what is demanded, with fewer rejects and less idle inventory — which lowers costs as a by-product of a more efficient process. The difference is therefore that cost cutting targets **expenses directly and can act quickly** (but risks harming quality), whereas lean targets **inefficiency in the process** and tends to improve quality at the same time.

Q10. Improving quality in production — for example through Total Quality Management or quality assurance — responds to a rising number of customer complaints by building quality checks and continuous improvement into the production process so that **fewer defective or inconsistent products reach the customer**. Because most complaints are caused by faulty goods, removing those faults at the source **reduces the number of complaints** and, over time, restores customer confidence.

Q11. Redeployment of resources is the strategy of reallocating a business's existing natural, labour and capital resources from lower-value or underperforming areas to higher-value or higher-demand ones. It can respond to a poor KPI such as a low **rate of productivity growth**: for example, staff (labour) and machinery (capital) tied up in a declining product line can be retrained and shifted to a growing line where demand is strong, so the same resources now generate more output and sales. Because the business uses what it already owns more productively, the KPI improves **without the cost of buying additional resources**.

Q12. Innovation — developing a new or significantly improved product, service or process — helps a business **seek a new business opportunity** by allowing it to meet a customer need that is currently unmet or to serve a new market segment. A genuinely new offering can attract customers competitors cannot, lifting the number of sales and market share and often allowing a higher price. In this way innovation turns a gap in the market into a source of future growth, rather than simply fixing an existing weakness.

Q13. Staff training and **staff motivation** are **similar** in that both are human-resource strategies that improve the **rate of productivity growth** by working through employees, and both tend to deliver their benefits over the **longer term**. They **differ** in *how* they lift productivity. Training raises productivity by building employees' **capability** — giving them the skills to work faster and with fewer errors. Motivation raises productivity by increasing employees' **willingness and effort** — using strategies such as performance-related pay or career advancement so staff choose to work harder. In short, training changes what employees *can* do, while motivation changes what they are *willing* to do; the two are often used together.

Q14. (a) **Initiating lean production techniques** (accept improving quality in production, or increased investment in technology). (b) *Analyse (3 marks).* One strategy Dario could use is **global sourcing of inputs**. Boldwool's net profit has fallen, and a major cause of low profit is high input costs. By sourcing wool and other materials from cheaper (or higher-quality) overseas suppliers, Boldwool **lowers its cost of production**, which **widens the margin between revenue and costs** and so lifts net profit. The relationship is causal: cheaper inputs reduce total costs, and lower costs — with revenue unchanged — raise net profit. (Accept cost cutting, lean production or improving quality, provided the causal chain to net profit is shown.) (c) *Propose and justify (4 marks).* To pursue the online opportunity, Dario should use **increased investment in technology** — building an online store and the systems to run it (an online-services strategy). This is appropriate because it directly creates the channel the opportunity requires: selling knitwear online lets Boldwool reach customers beyond its local area, which can lift the **number of website hits** and the **number of sales** and open a new market it cannot access through a physical shopfront alone. The investment is justified because the potential increase in sales and market share outweighs the set-up cost, and it positions the business for future growth rather than merely repairing a weak KPI. (Accept innovation — for example a new online-only product range — if proposed and justified.)

Q15. Global sourcing of inputs is an appropriate strategy for improving **net profit** because it attacks costs at their source. By obtaining materials or components from overseas suppliers that are **cheaper** than local suppliers (or of higher quality, reducing wastage and rework), the business **lowers its total cost of production**. Since net profit is revenue minus costs, a fall in input costs — with selling prices unchanged — **directly widens the profit margin** on every unit sold. The strategy is worth pursuing because the cost savings can be substantial and ongoing, and higher-quality overseas inputs can also reduce the level of wastage and customer complaints, reinforcing the profit gain. Provided the business manages the risks of longer supply lines, global sourcing therefore offers a well-founded route to a stronger net-profit KPI.

Q16. Cost cutting as a response to falling net profit has clear advantages and disadvantages. *Advantages:* it acts **directly and quickly** on profit — reducing expenses such as overheads, wages or supplier costs immediately widens the gap between revenue and costs, so a falling net-profit KPI can be arrested without needing to increase sales. It can also force the business to become leaner and more efficient, improving the rate of productivity growth. *Disadvantages:* cutting too deeply can **damage the business's capacity to perform** — reducing spending on materials or staff can lower product quality and service, pushing up the number of customer complaints, while cutting jobs or conditions can harm morale and raise the level of staff turnover. These effects can **erode revenue and profit in the long term**, undoing the short-term gain. Cost cutting is therefore a strategy whose benefits are immediate and certain but whose costs may appear later, so it must be applied to genuine excess rather than to activities that create value.

Q17. Overseas manufacture — relocating production to a facility abroad — can be an effective response to poor KPIs, but its appropriateness must be weighed. *In favour:* moving production to a country with **lower labour and production costs** reduces the cost of each unit, which lifts **net profit figures** and can improve the **rate of productivity growth**; producing closer to overseas markets can also grow the **percentage of market share**. *Against:* manufacturing at a distance makes **quality harder to control**, which can raise the **number of customer complaints** if standards slip; long supply lines create delays and risk; and relocating production can attract reputational criticism and harm relations with the domestic community and workforce. On balance, overseas manufacture is an appropriate response **when the cost savings are large and the business can maintain quality and oversight at a distance** — for a firm competing chiefly on price this can decisively improve its KPIs, but for one whose customers value quality, reliability or local production the risks may outweigh the cost savings, making a domestic strategy such as lean production or increased investment in technology preferable.

Q18. Shifting from an **autocratic** to a **consultative** management style means the manager now **seeks employees' views and feedback before making decisions**, rather than simply telling staff what to do. This **change in management style** can improve the high **staff turnover** and **absenteeism** KPIs because employees who feel listened to and valued experience greater job satisfaction and engagement. As morale rises, staff are **less likely to be absent** and **less likely to leave** the business for another employer, so both KPIs fall. The causal chain is: a more consultative style increases employees' sense of involvement and respect, which lifts satisfaction, which in turn reduces absenteeism and turnover.

Q19. *Model response (10 marks).* Managers review a business's **key performance indicators** — such as the percentage of market share, net profit figures, the rate of productivity growth, the number of sales, rates of staff absenteeism, the level of staff turnover, the level of wastage, the number of customer complaints, website hits and workplace accidents — to judge how the business is performing. KPIs are the **measures** that reveal where a business is underperforming or where an opportunity exists; **management strategies** are the **actions** a manager selects in response. The relationship between them is **causal and diagnostic**: a poor KPI identifies the problem, and the manager chooses the strategy whose effect targets that specific KPI.

This relationship can be traced strategy by strategy. A rising **level of wastage** points a manager towards **lean production techniques** or **improving quality in production**, both of which remove waste and defects from the process, so the KPI falls. A rising **number of customer complaints** points towards **quality strategies** or **staff training**, because fewer faults and better service reach the customer. A falling **net profit** points towards **cost cutting**, **global sourcing of inputs**, **overseas manufacture** or **global outsourcing**, all of which lower costs and widen the margin. High **staff turnover** or **absenteeism** points towards **staff motivation** or a **change in management style or skills**, which lift morale and retention. A low **rate of productivity growth** points towards **increased investment in technology** or **redeployment of resources**, which raise output from the same inputs. Where the data instead reveals an **opportunity** — an unmet need or a new market — a manager turns to **innovation** or **increased investment in technology** (for example an online channel) to capture it.

Several features define this relationship. First, it works in **both directions and in the plural**: one strategy can improve several KPIs at once (lean production improves wastage, productivity and complaints together), and one KPI can be tackled by several strategies used in combination. Second, the match must fit the **cause** of the poor KPI, not just its name — complaints caused by faulty products call for a quality strategy, whereas complaints caused by slow service call for training. Third, the **time horizon** matters: some strategies (cost cutting) move a KPI quickly but risk later harm, while others (training, innovation, culture change) work slowly but sustainably, so managers weigh how urgently the KPI must move. ∴ the KPIs and the management strategies form a connected system in which reviewing performance data identifies the change required and the chosen strategies are the causal levers that move those indicators back to — or beyond — their targets. *(Full marks require: accurate use of KPIs and a range of prescribed strategies as distinct concepts; explicit causal links from named strategies to named KPIs, respecting the plural; recognition that strategies can also seek opportunities; and a structured, sustained response — not a list — reaching a clear conclusion about the relationship.)*

Q20. *Analyse (5 marks).* Renegotiating trading terms with suppliers is an example of **cost cutting**, the strategy of deliberately reducing a business's expenses — the theory names renegotiating supplier contracts as one of its standard forms. The two indicators Baby Bunting reported in August 2024 were a 6.3% fall in comparable store sales, which bears on the **number of sales**, and a gross profit margin of 36.8%, which bears on **net profit figures**. The strategy is aimed squarely at the second of these. Because profit is revenue minus costs, securing better terms lowers what the business pays for the stock it sells, so the margin on each unit **widens without any need to lift sales volume or the price charged** — which matters when the sales KPI is falling and raising prices would risk worsening it. The relationship is causal: cheaper inputs reduce total costs, and lower costs with revenue unchanged raise net profit. Consistent with the theory that cost strategies can act **quickly**, the business reported a 180 basis point margin improvement in July 2024, although it attributed that particular gain to its pricing changes and reported the supplier negotiations as still under way — so the effect on the KPI depends on the negotiations actually concluding. The example also shows that one weak KPI is usually attacked by **several strategies combined**, since cost cutting was paired with pricing simplification and **innovation** in the product range. ∴ cost cutting responds to the margin problem by acting directly on the cost side of net profit, but its effect on the KPI is neither automatic nor instant.