Business Management Units 3 & 4

Chapter 15 — The Three-Step Change Model and stakeholders

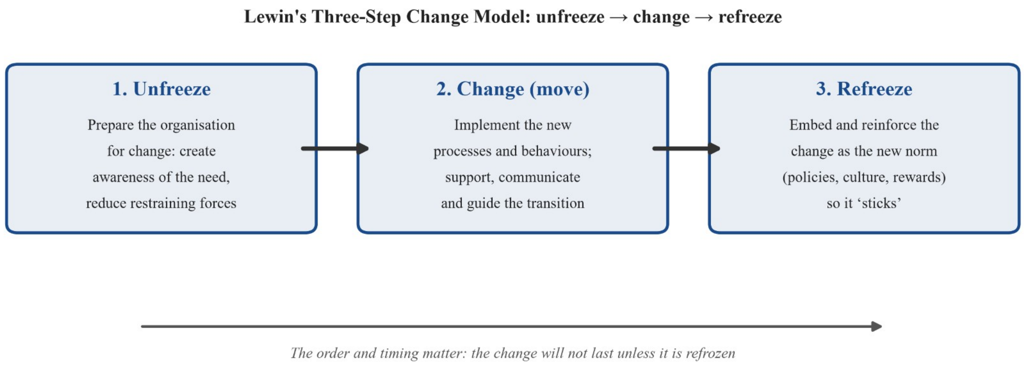
Aboriginal and Torres Strait Islander content has been excluded as accuracy cannot be guaranteed, and it is better to be respectful than cover the entire curriculum inaccurately.

Significant effort has been made to ensure this content is legal. Please send any areas of concern to admin@vwx.au with appropriate document/legal references so errors can be verified and changes be made.

Contents

Theory

Lewin's **Three-Step Change Model** is a theory that describes how a manager can lead an organisation through change so that the change is accepted by employees and, crucially, **lasts**. Lewin pictured an organisation's established ways of working as a block of ice that has set into a particular shape: to give it a new shape you must first **melt** it, then **reshape** it, and then **re-set** it so it holds the new form. Applied to a business, this gives three sequential steps — **unfreeze → change (move) → refreeze** — that a manager works through **in order**.



- **Unfreeze — prepare the organisation.** Before any change can be made, the manager must break down the existing "frozen" attitudes and work practices and create **motivation and awareness of the need to change**. This involves communicating *why* the change is necessary, challenging complacency with the current situation, and **reducing the restraining forces** — such as fear, habit, uncertainty or a lack of skills — that keep employees attached to the status quo. The result is an organisation that is **ready and willing** to change. No new practice has been introduced yet at this stage; unfreezing is preparation.
- **Change (move) — implement the change.** The new processes, structures, technologies or behaviours are now **actually introduced and adopted**. Because this is a period of transition and uncertainty for employees, the manager must **support and communicate** throughout — providing training, involving employees, addressing problems and reinforcing the benefits — so that the old ways of working are progressively replaced by the desired new ones.
- **Refreeze — embed and reinforce.** Once the new way of working is in place, the manager must **lock it in as the new norm** so the organisation does not slide back to its old habits. Refreezing is done by embedding the change in **policies, procedures, structures, corporate culture and reward systems**, by training new staff in the new way, and by celebrating successes and monitoring that the new practices are being sustained. The organisation is "refrozen" in its new state, and the change becomes permanent.

How a manager applies the model. A manager applies the model by moving through the three steps in sequence. First they **build the case for change and create readiness** (unfreeze) — for example explaining why a new system is needed and easing employees' concerns. Then they **implement the change and support people through it** (change/move) — installing the system, training staff and communicating as the workforce adjusts. Finally they **consolidate** (refreeze) — making the new system the standard procedure, writing it into policies and induction, and reinforcing it — so the business keeps the benefit rather than reverting. Working through the steps deliberately, and not stopping early, gives the change the best chance of being both **accepted** and **lasting**.

Key ideas to keep straight.

- **Unfreezing is not the change itself.** Unfreezing only *prepares* the organisation — creating readiness and reducing resistance; no new practice has yet been implemented. The change is introduced in the **second** step. Describing implementation as part of "unfreeze" muddles the model and loses marks.

- **Refreeze is essential — and it means *embedding*, not *evaluating*.** Refreezing locks the new practice in as the norm so it "sticks"; it is **not** reviewing KPIs or judging whether the change worked. Omitting refreeze is the single most common error: without it, employees drift back to old habits and the change fails to last, wasting the effort spent on the first two steps.
- **The order and timing matter.** The three steps are **sequential** and depend on one another. You cannot refreeze a change that has not yet been made, and implementing change *before* unfreezing meets strong resistance. Rushing or skipping a step undermines the whole process.
- **Link to Force Field Analysis.** Both models are Lewin's. **Force Field Analysis** (U4 AoS1) identifies and weighs the **driving and restraining forces** acting on a proposed change; the **unfreeze** step is where a manager acts on that analysis by **reducing those restraining forces** (and strengthening driving forces) to make the organisation ready to change. The two theories connect: Force Field Analysis helps *plan* and decide on the change, while the Three-Step Change Model helps *implement* it — and reducing restraining forces is exactly how the organisation is "unfrozen".

Contemporary example — ANZ, July 2024

ANZ is one of Australia's major banks, ASX-listed and operating nationally. Its acquisition of Suncorp Bank ran through three separable, dated stages.

The Australian Competition Tribunal authorised the acquisition on 20 February 2024, and on 28 June 2024 the Federal Treasurer approved it subject to conditions — including that ANZ maintain its own and Suncorp Bank's regional branch numbers throughout Australia for three years, and that there be no net job losses in Australia as a direct result of the acquisition for three years. Read through Lewin's model, this stage does the work of **unfreezing**: the case for the change was argued publicly, and the branch and job commitments addressed **restraining forces** such as employees' fear of job losses, building readiness before anything was transferred.

On 31 July 2024 ANZ completed the acquisition, taking on about 3,000 Suncorp Bank employees, about 1.2 million customers and $54.6 billion in deposits. That dated transfer is the **change (move)** step — the point at which the new arrangement was actually implemented.

Suncorp Group then continued supplying business and technology services to Suncorp Bank under a transitional services agreement, most of which was planned to be exited within two years of completion and the remainder no later than five years. That defined period is where **refreezing** must occur — the acquired operations being embedded in ANZ's own policies, procedures and corporate culture before the transitional support ends. (ANZ did not describe the acquisition in Lewin's terms; the model is used here as an analytical lens.)

Source: ANZ, ANZ completes acquisition of Suncorp Bank, 31 July 2024 — https://www.anz.com.au/newsroom/media/2024/july/anz-completes-acquisition-of-suncorp-bank/; ANZ, Federal Treasurer approval of Suncorp Bank acquisition, 28 June 2024 — https://www.anz.com.au/newsroom/media/2024/june/federal-treasurer-approval-of-suncorp-bank-acquisition/; Suncorp Group, Suncorp Group completes sale of Bank to ANZ, July 2024 — https://www.suncorpgroup.com.au/news/news/suncorp-completes-bank-sale. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Loomcraft Textiles is replacing its manual fabric-cutting tables with a single computer-controlled cutting machine. Describe how Loomcraft's manager could use Lewin's Three-Step Change Model to implement this change.

Working	Comment
Unfreeze: the manager explains to staff *why* the new machine is needed (faster cutting, less fabric waste), listens to their concerns and reduces resistance so employees are ready for the change.	Step 1 — prepare the organisation and reduce restraining forces before anything is introduced.
Change (move): the machine is installed and staff begin using it; the manager provides training and support and	Step 2 — implement the new process, supporting employees through the uncertainty.

Working	Comment
communicates through the transition.	
Refreeze: the manager makes the machine the **standard** cutting method — updating procedures, training new staff on it and reinforcing its use — so the business does not revert to manual cutting.	Step 3 — embed the change as the new norm so it lasts.
∴ working through unfreeze, change and refreeze **in order** gives the change the best chance of being accepted and sustained.	State the conclusion; sequence matters.

Example 2 — scaffolded

Justify Loomcraft's use of Lewin's Three-Step Change Model to introduce the new cutting machine.

Working	Comment
The model makes the manager **unfreeze** first, preparing staff and reducing resistance, so the change meets less opposition.	Justify = give the *benefit / why*, not merely describe the step.
Treating **change (move)** as a supported transition (training, communication) improves employee acceptance and reduces disruption.	Attach a concrete benefit to each step.
The **refreeze** step embeds the machine as the norm, so Loomcraft keeps the efficiency gain instead of sliding back to manual cutting.	The lasting-benefit argument — the strongest justification.
Because it manages readiness, implementation *and* consolidation, the model reduces the risk of a costly failed change — which is why Loomcraft should use it.	Conclude with the overall "why".

Example 3 — unscaffolded

Distinguish between the change (move) step and the refreeze step of Lewin's Three-Step Change Model.

Under the **change (move)** step the new processes or behaviours are actively **implemented** — the organisation is in transition and the manager supports employees as they adopt the new way of working. Under the **refreeze** step the change has already been made, and the manager works to **embed and reinforce** it as the new norm — through policies, corporate culture and reward systems — so that it lasts. The key difference is that the change step is where the change actually *happens*, whereas refreezing is where the change is *locked in* afterwards so that employees do not revert. ∴ the change step introduces the new practice and the refreeze step makes it permanent.

Example 4 — unscaffolded

Explain why the refreeze step is essential to the success of Lewin's Three-Step Change Model.

The refreeze step is essential because change is fragile: after a new practice has been implemented, employees tend to slip back into their old, familiar habits unless the change is deliberately consolidated. Refreezing embeds the change as the accepted norm — by building it into policies, procedures, corporate culture and reward systems and by monitoring and reinforcing the new behaviours — so that the organisation is held in its new state. Without this step, the effort and cost of unfreezing and changing are wasted because the change does not last. ∴ refreezing is what converts a temporary change into a permanent one, which is why omitting it is the most common reason a planned change fails.

Practice questions

Scaffolded

Q1. State what the Three-Step Change Model (Lewin) is, and list its three steps in the correct order.

Q2. Name the step of Lewin's Three-Step Change Model that: (a) embeds the change as the new norm; (b) prepares the organisation and reduces resistance; (c) implements the new processes and behaviours.

Q3. For each action, name the step being described: (a) a manager runs training so staff can start using new machinery; (b) a manager explains to staff why change is needed and addresses their concerns; (c) a manager writes the new process into the company's standard operating procedures.

Q4. (a) At which step of the model does a manager reduce **restraining forces**? (b) Name the other Lewin theory that identifies those restraining forces.

Q5. Zephyr Gym is introducing a new membership-management app that all staff must use. (a) Identify the first step its manager should take under Lewin's model. (b) Describe what the manager would do at that step.

Q6. Explain the difference between the **unfreeze** step and the **refreeze** step.

Unscaffolded

Q7. Describe the **unfreeze** step of Lewin's Three-Step Change Model. *(2 marks)*

Q8. Outline the three steps of Lewin's Three-Step Change Model, in order. *(3 marks)*

Q9. Explain the purpose of the **refreeze** step and why it is important to lasting change. *(4 marks)*

Q10. Distinguish between the **unfreeze** step and the **change (move)** step. *(4 marks)*

Q11. Explain how a manager could apply Lewin's Three-Step Change Model when introducing a new online ordering system. *(4 marks)*

Q12. Justify the use of Lewin's Three-Step Change Model to implement a significant change. *(4 marks)*

Q13. Analyse the relationship between Lewin's Force Field Analysis and the **unfreeze** step of the Three-Step Change Model. *(4 marks)*

Q14. Discuss the use of Lewin's Three-Step Change Model as a way of implementing change. *(6 marks)*

Q15. *Case study.* **BrightBox Logistics** is a courier company introducing GPS route-optimisation software that all drivers must use. Its manager, Dev Anand, wants the change to be accepted and to last. (a) Identify the step of Lewin's model at which Dev should communicate to drivers *why* the new software is needed. *(1 mark)* (b) Describe how Dev could carry out the **change (move)** step for this change. *(3 marks)* (c) Propose and justify **one** way Dev could **refreeze** this change so that it lasts. *(4 marks)*

Q16. Explain why the **order** in which the three steps are carried out matters. *(3 marks)*

Q17. Evaluate the effectiveness of Lewin's Three-Step Change Model as an approach to implementing lasting change. *(6 marks)*

Q18. A manager introduced new stock-management software, but within a few months staff have drifted back to the old system. With reference to Lewin's Three-Step Change Model, explain what the manager is likely to have overlooked, and how they could correct it. *(4 marks)*

Q19. *Extended response.* **Grovewood Furniture** is shifting from handcrafted, made-to-order production to a semi-automated production line — a change many long-serving employees are resisting. Analyse how Grovewood's management could use Lewin's Three-Step Change Model to implement this change successfully. In your response, refer to:

- each of the three steps of the model;
- how the model helps the change to last.

(10 marks)

Q20. *Contemporary example.* On 28 June 2024 the Federal Treasurer approved ANZ's acquisition of Suncorp Bank subject to three-year commitments on regional branch numbers and on no net job losses; ANZ completed the acquisition on 31 July 2024, taking on about 3,000 Suncorp Bank employees; and Suncorp Group continued to supply business and technology services under a transitional services agreement for a defined period afterwards. Analyse these three stages using Lewin's Three-Step Change Model. *(6 marks)*

Answers

Q1. A theory/framework for implementing change in three sequential steps: **unfreeze → change (move) → refreeze**. **Q2.** (a) refreeze; (b) unfreeze; (c) change (move). **Q3.** (a) change (move); (b) unfreeze; (c) refreeze. **Q4.** (a) The **unfreeze** step. (b) Lewin's **Force Field Analysis**. **Q5.** (a) Unfreeze. (b) Explain to staff why the app is being introduced, address their concerns and build readiness / reduce resistance *before* it is implemented. **Q6.** Unfreeze *prepares* the organisation and reduces resistance **before** the change; refreeze *embeds and reinforces* the change as the new norm **after** it has been made, so it lasts. **Q7.** Preparing the organisation for change — creating awareness of the need to change and reducing restraining forces. See solutions. **Q8.** Unfreeze (prepare/reduce resistance) → change/move (implement + support) → refreeze (embed/reinforce). See solutions. **Q9.** Purpose = embed the change as the norm; important because otherwise staff revert and the change does not last. See solutions. **Q10.** Unfreeze = prepare/build readiness, no change made yet; change (move) = actually implement the new practice with support. See solutions. **Q11.** Unfreeze (explain why, reduce resistance) → change (install + train) → refreeze (make it the standard). See solutions. **Q12.** Structured sequence that reduces resistance, supports implementation and — via refreeze — makes the change last, lowering the risk of a costly failed change. See solutions. **Q13.** Force Field Analysis identifies/weighs the restraining forces; the unfreeze step is where the manager reduces exactly those forces — so the analysis shapes the unfreezing task. See solutions. **Q14.** Advantages: clear structure, reduces resistance, refreeze embeds change. Disadvantages: too simple/linear for continuous change, no guidance on which strategies, slow. See solutions. **Q15.** (a) Unfreeze. (b) Drivers begin using the software with training and support through the transition. (c) e.g. make it the required standard procedure + include in induction + reward improved performance; justified because it embeds the change so drivers do not revert. See solutions. **Q16.** Each step depends on the previous — can't refreeze before changing; changing before unfreezing meets resistance. See solutions. **Q17.** Effective for planned one-off change (builds readiness, embeds via refreeze) but limited in fast-changing environments; evidence-based judgement required. See solutions. **Q18.** Overlooked the **refreeze** step; correct it by embedding the software as the norm (required procedure, retraining, induction, remove old system, reward use). See solutions. **Q19.** Model response in solutions. **Q20.** Approvals and commitments up to 28 June 2024 = **unfreeze** (building readiness, reducing restraining forces such as fear of job losses); completion on 31 July 2024 = **change (move)** (the new arrangement is implemented); the transitional-services period = where **refreeze** must occur (embedding the acquired operations in ANZ's policies, procedures and corporate culture before the transitional support ends). See solutions.

Fully-worked solutions

Q7. The **unfreeze** step involves **preparing the organisation for change** by creating awareness of, and motivation for, the need to change. The manager breaks down the existing "frozen" attitudes and work practices — for example by communicating why change is necessary and **reducing the restraining forces** (such as fear or habit) that keep employees attached to the status quo — so that the organisation becomes **ready and willing** to change.

Q8. Lewin's Three-Step Change Model has three **sequential** steps. First, **unfreeze** — the organisation is prepared for change by building awareness of the need to change and reducing resistance to it. Second, **change (move)** — the new processes, structures or behaviours are implemented, with the manager supporting and communicating with employees through the transition. Third, **refreeze** — the change is embedded and reinforced as the new norm (through policies, culture and rewards) so that it lasts and the organisation does not revert to old habits.

Q9. The **purpose** of the refreeze step is to **embed and reinforce** the newly adopted practices so they become the standard, accepted way of operating — the organisation is "refrozen" in its new state. A manager does this by building the change into policies, procedures, structures, corporate culture and reward systems, and by celebrating and monitoring the new behaviours. Refreezing is **important** because change is fragile: if the new practices are not consolidated, employees tend to drift back to their old, familiar habits, and the effort and cost of the change are wasted. By locking the change in, refreezing makes the change **lasting** rather than temporary. (Refreezing embeds the change; it does not evaluate whether the change worked.)

Q10. In the **unfreeze** step the manager *prepares* the organisation for change — creating awareness of the need to change and reducing the restraining forces that hold employees at the status quo — but the new way of working has **not yet been introduced**. In the **change (move)** step the new processes, structures or behaviours are *actually implemented and adopted*, with the manager supporting employees through the transition. The key difference is therefore **timing and action**: unfreezing is preparation that builds readiness *before* any change is made, whereas the change step is where the change is *put into practice*.

Q11. To apply the model, the manager first **unfreezes** the business — explaining to staff why the new online ordering system is needed (for example, rising customer demand for online service), listening to concerns and reducing resistance so employees are ready. The manager then carries out the **change (move)** step by installing the system and having staff begin using it, providing **training and support** and communicating throughout the transition so the old manual methods are replaced by the new process. Finally, the manager **refreezes** the change by making the online system the **standard procedure** — updating policies, including it in the training of new staff and recognising staff who use it well — so the business does not revert to the old method. Applying the steps **in order** gives the change the best chance of being accepted and of lasting.

Q12. The use of the model can be justified because it gives a manager a clear, structured sequence for managing change, which improves the chance the change **succeeds and lasts**. By requiring an **unfreeze** step first, the model forces the manager to prepare employees and reduce resistance before implementing anything, so the change meets less opposition. By treating **change (move)** as a *supported* transition, it prompts the manager to communicate and train rather than impose change abruptly, improving employee acceptance. Most importantly, the **refreeze** step ensures the change is embedded as the new norm, so the business gains a **lasting** benefit rather than slipping back to old habits and wasting the resources invested. Because it manages readiness, implementation and consolidation, the model **reduces the risk of a costly failed change** — which is why it is worth using.

Q13. Lewin's **Force Field Analysis** and the **unfreeze** step are closely related because Force Field Analysis identifies the driving and **restraining forces** acting on a proposed change, and the unfreeze step is where a manager *acts on* those restraining forces. When a manager uses Force Field Analysis, they weight and rank the restraining forces (such as fear, habit or a lack of skills) that hold the organisation at the status quo. This directly informs unfreezing: to "unfreeze" the organisation the manager works to **reduce or remove exactly those restraining forces** — for example through communication and training — and to strengthen the driving forces. The stronger the restraining forces revealed by the analysis, the **more** unfreezing effort is required before the change can be implemented. In this way the output of Force Field Analysis (the balance of forces) shapes and drives what the manager must do in the unfreeze step, linking the *planning* of change to its *implementation*.

Q14. A **discussion** weighs the model's advantages and disadvantages. *Advantages:* it gives managers a clear, easy-to-follow three-step **structure** for a task that is otherwise difficult to manage; the **unfreeze** step reduces resistance *before* implementation, so change meets less opposition; and the **refreeze** step embeds the change so the benefits **last** rather than fading. *Disadvantages:* the model treats change as a single event with a stable "frozen" end state, which can be **unrealistic** in industries that must change continually — where refreezing could even make the business rigid and slow to adapt; the model is quite **general** and does not specify *which* change strategies a manager should use; and working through all three steps properly takes **time and resources**. Overall, the model offers a useful framework for managing change but has real limitations, particularly in fast-changing environments.

Q15. (a) The **unfreeze** step. (b) In the **change (move)** step, Dev would have drivers begin using the GPS route-optimisation software on their actual deliveries, switching from their old manual route planning. He would provide **training** on how to use it, offer **support** and troubleshooting during the first weeks, and communicate regularly with drivers as they adjust — guiding the workforce through the transition until the new software is being used routinely. (c) Dev could **refreeze** the change by making use of the GPS software a formal part of every driver's **standard operating procedure** and including it in the **induction and training of all new drivers**, supported by **recognising or rewarding** drivers whose on-time delivery improves. This is justified because embedding the software in official procedures, new-staff training and the reward system makes it the accepted "normal" way BrightBox operates, so drivers are far less likely to revert to manual route planning once the initial novelty passes — locking in the efficiency gains the change was intended to deliver.

Q16. The three steps must be carried out **in order** because each one depends on the previous. Attempting the **change (move)** step before **unfreezing** means employees are not prepared and resistance is high, so the change is likely to be resisted or fail. **Refreezing** can only happen *after* the change has actually been made — there is nothing to embed until the new practice exists. Carrying the steps out in sequence — building readiness, then implementing, then consolidating — is what allows the change to be **accepted and to last**; skipping or reordering steps (especially rushing to change without unfreezing, or stopping before refreezing) undermines the whole process.

Q17. An **evaluation** weighs the model's strengths and weaknesses and reaches a **judgement**. *Strengths:* the model is effective because it provides a **simple, logical sequence** that most managers can follow; by insisting on **unfreezing** first it reduces employee resistance; and its distinctive **refreeze** step directly addresses the common failure where changes do not last, making it good at producing **durable** change. *Weaknesses:* it can be too simplistic and **rigid** — it frames change as a one-off move between two stable states, which suits a discrete change (such as installing new equipment) but fits poorly where a business must change **continually**, and "refreezing" could discourage the ongoing flexibility such businesses need; it also gives **no guidance on which strategies** to use and can be slow. *Judgement:* on balance, the Three-Step Change Model is an **effective framework for planned, one-off changes**, because it builds readiness and, crucially, embeds the change so it endures; however, its effectiveness is **more limited in fast-moving environments** that require constant change, where it is best used as a broad guide rather than a rigid rule.

Q18. The manager is most likely to have overlooked the **refreeze** step. Installing the software and getting staff to use it covers the **unfreeze** and **change (move)** steps, but if the new system is not **embedded and reinforced** as the standard way of working, employees naturally drift back to the familiar old system once the initial push ends — which is exactly what has happened here. To correct it, the manager should **refreeze** the change: make the new software the **official required procedure**, withdraw access to the old system, **retrain and support** staff, build the software into **new-employee induction**, and **recognise or reward** its correct use. This embeds the change as the new norm so it "sticks" rather than being temporary.

Q19. *Model response (10 marks).* Lewin's Three-Step Change Model gives Grovewood's management a structured way to move the business from handcrafted, made-to-order production to a semi-automated production line. Because many long-serving employees are resisting, working through the model's three steps **in order** directly addresses why the change is at risk and how each step contributes to its success.

The first step, **unfreeze**, is where management prepares Grovewood for the change and tackles the resistance head-on. By clearly communicating *why* the shift to a semi-automated line is needed — for example to lift capacity, cut costs or meet rising demand — and by listening to the long-serving employees' concerns (such as fear of job losses or the loss of craftsmanship), management **reduces the restraining forces** that are keeping staff attached to the old handcrafted methods. This matters because, unless those forces are reduced first, the resistance will carry into implementation and the change is likely to fail; unfreezing therefore creates the **readiness** that makes the next step possible.

The second step, **change (move)**, is where the semi-automated line is actually introduced and staff begin working in the new way. Because this is a period of uncertainty for resistant employees, management must **support the transition** — providing training on the new equipment, redeploying rather than simply cutting valued staff where possible, and communicating continually. The effect of this support is that old handcrafted behaviours are **gradually replaced** by the new line-based processes, with less disruption and resistance than an abrupt imposition would cause.

The third step, **refreeze**, is what makes the change **last** at Grovewood. Once the line is running, management embeds it as the new norm — writing the new processes into standard operating procedures, training all new employees on the line, adjusting the corporate culture to value efficient production alongside quality, and recognising staff who adapt well. This directly counters the risk that, given the strength of the long-serving employees' attachment to the old methods, the workforce slips back to handcrafting once the initial pressure eases. By refreezing, management converts a **temporary** change into a **permanent** one.

Overall, the relationship between the three steps explains how the model helps the change succeed and last: **unfreezing** lowers resistance so the change can begin, the supported **change** step replaces old behaviours with new ones, and **refreezing** locks those new behaviours in. Applied in this order at Grovewood, the model turns a heavily resisted change into one the business can implement and sustain.

(Full marks require: accurate treatment of all three steps in the correct order; sustained application to Grovewood's specific change and its resisting employees; ***analysis of the causal relationships*** *— how each step affects the change's success and how the steps depend on one another — rather than a list of advantages and disadvantages; and coverage of* ***how the model helps the change to last*** *(the refreeze step), as required by the second dot point.)*

Q20. ANZ's acquisition of Suncorp Bank can be analysed as the three **sequential** steps of Lewin's model. The approvals stage up to **28 June 2024** corresponds to **unfreeze**: ANZ had to build the case for the change with regulators, employees and customers, and the conditions accepted at that point — maintaining regional branch numbers throughout Australia, and no net job losses as a direct result of the acquisition, each for three years —

worked to **reduce restraining forces**, principally employees' fear of losing their jobs. This mattered causally: had those fears been left unaddressed, resistance would have carried into implementation and the transfer of about 3,000 employees would have been far harder to manage. Completion on **31 July 2024** corresponds to **change (move)**, the point at which the new arrangement was actually implemented and about 3,000 employees, 1.2 million customers and $54.6 billion in deposits moved across; consistent with the model, a transition on that scale requires continuing support and communication rather than a simple announcement. The **transitional services** period that followed corresponds to **refreeze**: because Suncorp Group kept supplying business and technology services for a defined time after completion, ANZ had a window in which to **embed** the acquired operations in its own policies, procedures and corporate culture. If that embedding were not completed before the transitional services ended, the new arrangement would not hold — precisely the risk the refreeze step exists to manage. The example also shows why the **order** matters: the approvals and commitments had to precede completion, and there was nothing to embed until the transfer had occurred.

Chapter 15 The Three-Step Change Model and stakeholders — 15B The effect of change on stakeholders

Theory

When a business implements a significant change — a **restructure**, the introduction of **new technology**, a move to operate **globally**, or a program of **cost cutting** — that change ripples outwards to everyone connected to the business. A **stakeholder** is any individual or group with an interest in, or affected by, the business, and the study design prescribes **six** stakeholder groups: **owners, managers, employees, customers, suppliers and the general community**. In 2A the focus was on each group's standing **interests** and the **conflicts** between them. Here the focus is different and specific: it is the **effect of a particular change** on each group — how a decision to change *helps* or *harms* the people the business touches.

Two ideas run through the whole topic. First, almost every change produces **both positive and negative effects**, and often for the *same* stakeholder — a new automated line may make an employee's work safer and more skilled, yet put a colleague's job at risk. Second, the **same change affects different groups differently**: a cost-cutting redundancy program that lifts the owners' profit is the very decision that costs employees their jobs. Because of this, managers cannot assume a change that suits one group suits all; they must weigh the effect on each.

- **Owners.** *Positive:* successful change can **improve profitability, market share and competitiveness**, secure the business's **long-term survival**, and **grow the value** of the business — all lifting the owners' return on investment. *Negative:* change usually carries a **short-term cost** (buying new technology, redundancy payouts, retraining) that **reduces profit** before benefits appear, and every change carries the **risk of failure** — the change may cost more than expected or not deliver, threatening the owners' capital.
- **Managers.** *Positive:* change can bring **new responsibilities and opportunities**, better systems and technology to work with, the **achievement of objectives** they are accountable for, and **career development** from leading a successful transformation. *Negative:* implementing change **increases managers' workload and stress**, they must **overcome employee resistance** and take **responsibility if the change fails**, they may need to **learn new skills**, and a restructure or delayering can put a **manager's own position at risk**.
- **Employees.** *Positive:* change can bring **new skills and training**, **redeployment** to new roles, **career advancement**, and technology that makes work **easier, safer or more interesting** (job enrichment). *Negative:* change is the stakeholder effect students most often meet — cost cutting, restructuring and automation can cause **redundancies and job losses**, **job insecurity and anxiety**, **increased workloads** during transition, the stress of **retraining or changed duties**, and **lower morale**, which is why employees so often resist.
- **Customers.** *Positive:* change frequently improves what customers receive — **better quality**, **lower prices** (from greater efficiency or cost cutting), **new and improved products** (innovation), **faster or wider service**, and greater choice when a business goes global. *Negative:* during the change customers may face **disruption to supply**, **price rises** if the cost of change is passed on, the **loss of a familiar product or personal service** (for example when automation replaces staff), or **quality concerns** while the new system beds in.
- **Suppliers.** *Positive:* if the change is **growth or expansion**, suppliers may win **larger, longer-term orders** and the chance to **grow alongside** the business. *Negative:* change often works **against** existing suppliers — a move to **global sourcing or overseas manufacture** can mean local suppliers **lose their orders entirely**, cost cutting brings **pressure to lower prices** or accept **longer payment terms**, and a restructure may **change specifications** or drop suppliers altogether.
- **The general community.** *Positive:* expansion can create **local jobs** and **economic activity**, and change aimed at sustainability (cleaner technology, waste reduction) can **improve the local environment** and the business's contribution to the community. *Negative:* cost cutting, closures and **offshoring destroy local jobs** and weaken the local economy, losing a major employer; and change that **increases production** or cuts corners can bring **more pollution, traffic or noise**, harming the community that hosts the business.

Effects of change at a glance.

Stakeholder	Typical positive effect of change	Typical negative effect of change
Owners	Higher profit, market share, growth,	Short-term cost of change; risk it

Stakeholder	Typical positive effect of change	Typical negative effect of change
	survival	fails
Managers	New responsibility, better systems, career growth	Heavier workload/stress; own role at risk
Employees	New skills, redeployment, safer/enriched work	Redundancy, insecurity, retraining stress
Customers	Better quality, lower prices, new products	Disruption, price rises, loss of service
Suppliers	Larger, longer-term orders if the business grows	Lost orders (offshoring); price/payment pressure
General community	Local jobs, economic and environmental gains	Local job losses; pollution, traffic, noise

Why managers must consider the effect of change on stakeholders. Considering stakeholder impact is not optional courtesy — it is central to implementing change successfully.

- **Stakeholders can support or resist the change.** Employees who see a change harming them will **resist**; customers, suppliers and the community who feel harmed can withdraw their business or oppose the change. Anticipating and managing negative effects (through communication, support or redeployment) **reduces resistance** and helps the change succeed.
- **Reputation and social licence.** A change that visibly harms stakeholders — mass redundancies, offshoring a town's main employer, environmental damage — can trigger **bad publicity, boycotts, industrial action and loss of the business's social licence to operate**, which ultimately damages the owners too.
- **Legal and ethical responsibility.** Managers have **legal obligations** (for example redundancy entitlements and consultation) and an **ethical (corporate social responsibility)** duty to consider the human cost of their decisions.
- **Long-term success.** A change that hits a short-term target while **alienating** employees, customers or the community can **undermine long-term performance**. Weighing the effect on each group helps managers choose *how* to implement change — the timing, the communication and the support — so the benefits are captured without the avoidable harm.

Keep these straight.

- **The same change affects different stakeholders differently.** One decision — say, replacing staff with automation — is **positive for owners** (lower costs), **mixed for customers** (lower prices but less personal service) and **negative for employees** (redundancy). Never treat a change as simply "good" or "bad"; identify **who** is affected and **how**.
- **Short-term versus long-term effects.** Many changes are **negative in the short term but positive in the long term** (or vice versa). A restructure may cause disruption, cost and job losses now, yet secure competitiveness and survival — and therefore jobs — later. Strong answers separate the two time frames rather than judging a change only by its immediate impact.
- **Effect of change is not the same as a stakeholder's interest.** 2A asked *what each group wants*; 15B asks *how a specific change helps or harms them*. Frame answers around the **change** (the restructure, the new technology, the cost cutting), not around a standing list of interests.
- **Look for both the positive and the negative.** For most groups a given change brings **both** — an answer that gives only the upside for owners and only the downside for employees is usually incomplete. Managers weigh the **net** effect on each group.

Contemporary example — PwC Australia, November 2023

PwC Australia is one of the country's largest professional services firms, a **partnership** selling audit, tax and consulting services from offices around Australia. In June 2023 it announced its intent to divest its federal and state government consulting business to the private equity firm **Allegro Funds for $1**. The **separation completed on 8 November 2023**, and the division began operating as an independent business, **Scyne Advisory**, on **13 November 2023**; Scyne reported that about **1,400 partners and staff** joined the new business.

One change, and its **effects ran in different directions for different stakeholder groups**. For PwC's **owners** — its partners — giving up an entire revenue-earning division was a heavy **short-term cost**, accepted to protect the firm's **long-term** position; it shows that change can carry both cost and risk for owners. For the **employees** who moved, the change was not a redundancy but a transfer to a **new employer under new ownership**, with the new systems and uncertainty a transition of that size brings. For the **customers** affected here — Commonwealth government agencies — the Department of Finance examined the new business and in October 2023 advised entities that they could consider **novating their existing PwC contracts to Scyne**, so services could continue, although each agency had to assess the new supplier for itself. Meanwhile the **new owners**, Allegro Funds, acquired the business and its client relationships.

Source: PwC Australia, "PwC Australia appoints Kevin Burrowes to lead firm as new CEO; Announces intent to divest its Government Business to Allegro Funds", 25 June 2023 — https://www.pwc.com.au/media/2023/pwc-australia-appoints-new-ceo-kevin-burrowes-intent-to-divest-government-business-to-allegro-funds.html; Scyne Advisory, "Scyne Advisory completes transaction and commences new era as independent advisory business", 8 November 2023 — https://www.scyne.com.au/news/scyne-advisory-completes-transaction-and-commences-new-era-as-independent-advisory-business; Department of Finance, "Procurement Policy Note — Novation of PwC contracts to Scyne Advisory", 13 October 2023 — https://www.finance.gov.au/government/procurement/procurement-policy-notes/procurement-policy-note-novation-pwc-contracts-scyne-advisory. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Willowbrook Threads, a clothing manufacturer, replaces part of its sewing line with automated machinery to cut labour costs. Explain **one** effect of this change on the business's **employees**.

Working	Comment
Identify the change and the group: automation of the sewing line, affecting **employees**.	Anchor the answer in the specific change and the named stakeholder group.
A likely **negative effect** is that some machinists are **no longer needed**, so the change may cause **redundancies and job insecurity**.	Choose one clear effect and name it precisely (redundancy, not a vague "bad for staff").
This matters because automation replaces the manual tasks employees were paid to do, removing roles and leaving remaining staff anxious about their own jobs.	Explain the causal *how/why* — the mechanism linking the change to the effect.
∴ a key effect of the automation on employees is the **loss of jobs and the job insecurity** it creates for those who remain.	State the conclusion, tied to the change and the group.

Example 2 — scaffolded

Using the same change at **Willowbrook Threads**, explain **one positive** and **one negative** effect of the automation on the business's **owners**.

Working	Comment
Identify the group: the **owners**, who are interested in profit and the return on their investment.	Read the same change from a different stakeholder's point of view.
Positive effect: automation **lowers labour costs** and can raise output and consistency, **increasing profit** and competitiveness over time.	Give the upside and link it causally to the owners' return.
Negative effect: the machinery is **expensive to buy and install**, so profit **falls in the short term**, and there is a **risk** the investment does not pay off.	Give the downside — the short-term cost and risk of change.
Overall the automation is likely **negative for the owners in the short term but positive in the long**	Draw the two effects together across time frames — note the same change cuts both ways.

term, once the cost savings exceed the investment.

Example 3 — unscaffolded

Explain how a decision to move to **global sourcing of inputs** ("going global") can have both a **positive** and a **negative** effect on a business's **suppliers**.

Moving to global sourcing means the business buys its inputs from **overseas suppliers** rather than its existing ones, and the effect on suppliers depends on which suppliers are meant. For the **new overseas suppliers** the effect is **positive**: they win **large, ongoing orders** and a valuable new customer, allowing them to grow. For the business's **existing (often local) suppliers**, however, the effect is **negative**: they may **lose their orders entirely** as the business switches to cheaper overseas inputs, cutting their revenue and threatening a long-standing trading relationship. The single change therefore **benefits one set of suppliers while harming another**, because the orders that flow to overseas suppliers are the very orders taken away from local ones. ∴ going global is positive for the new overseas suppliers who gain the business but negative for the existing suppliers who lose it.

Example 4 — unscaffolded

A manager states, "As long as a change increases profit for the owners, it is a good change that managers do not need to think twice about." **Evaluate** this statement.

The statement has some merit but is **too narrow**. It is true that a change lifting **profit** serves the **owners**, who provide the capital and bear the risk, and that a profitable, competitive business is more likely to **survive** — which ultimately protects other stakeholders too, such as employees whose jobs depend on the firm continuing to trade. **However**, judging a change *only* by its effect on owners ignores its effect on the **other five stakeholder groups**, and those effects can be severe: the same profit-raising change might make **employees** redundant, strip **local suppliers** of orders, withdraw a **familiar product** from customers, or cost the **community** jobs and a clean environment. Ignoring these effects is not only unethical but **self-defeating** — resistance, industrial action, lost customers, boycotts and reputational damage can erode the very profit the change was meant to create. Managers therefore **must** think twice: they should weigh the effect on **every** group, and manage the negative effects (through consultation, support and CSR) so the benefit to owners is not won at an avoidable, and ultimately costly, expense to others. ∴ increasing owners' profit is one important test of a change, but it is not the only one; a genuinely "good" change is one whose effects on all stakeholders have been considered and, where possible, balanced.

Practice questions

Scaffolded

Q1. List the **six** stakeholder groups that can be affected by business change.

Q2. State whether each of the following is generally a **positive** or a **negative** effect of change on **employees**: (a) being made redundant after a task is automated; (b) being retrained and gaining new skills; (c) increased anxiety and job insecurity during a restructure.

Q3. For each change, identify **one** stakeholder group likely to be **negatively** affected: (a) closing a local factory and moving manufacturing overseas; (b) cutting costs by reducing the number of staff; (c) expanding production in a way that increases noise and traffic in the neighbourhood.

Q4. Identify **one positive** effect and **one negative** effect that introducing **new technology** can have on a business's **customers**.

Q5. A business decides to cut costs by **closing one of its retail stores**. (a) Identify **one** stakeholder group that is negatively affected. (b) Explain how that group is affected by the closure.

Q6. Explain why the **same** change can be **positive** for one stakeholder group but **negative** for another.

Unscaffolded

Q7. Describe **one** positive effect that business change can have on a business's **customers**. *(2 marks)*

Q8. Outline **one positive** and **one negative** effect that a **restructure** can have on a business's **managers**. *(4 marks)*

Q9. Explain why it is important for managers to **consider the effect of change on stakeholders** when implementing change. *(3 marks)*

Q10. Explain how a **single change** can affect **two** stakeholder groups in **opposite** ways. *(4 marks)*

Q11. Explain how the effect of a change on a stakeholder group can **differ in the short term and the long term**. *(3 marks)*

Q12. Distinguish between the effect of **cost cutting** on a business's **owners** and its effect on its **employees**. *(4 marks)*

Q13. Compare the effect of a business **"going global"** (moving manufacturing overseas) on its **suppliers** and on the **general community**. *(4 marks)*

Q14. Discuss the effects of introducing **automated technology** on a business's **employees**. *(6 marks)*

Q15. Analyse how a decision to **cut costs by reducing staff** can affect the **owners**, the **employees** and the **general community**. *(6 marks)*

Q16. *Case study.* **Redgum Furniture Co.** is a well-known Australian furniture maker that has manufactured in a regional town for thirty years and buys its timber from local sawmills. Facing falling profit, the owners decide to **close the local factory and shift all manufacturing overseas**, which will make around 80 employees redundant but allow furniture to be sold at lower prices. (a) Identify **two** stakeholder groups that are negatively affected by this change, and state how each is affected. *(4 marks)* (b) Explain **one** way the change could have a **positive** effect on the business's **owners** and **one** way it could have a **positive** effect on its **customers**. *(4 marks)* (c) Explain why the owners of Redgum Furniture Co. should still **consider the effect on employees and the community** even though the change increases profit. *(4 marks)*

Q17. Evaluate the view that a manager should implement a change that **increases profit for the owners** even though it **harms employees and the general community**. *(6 marks)*

Q18. Propose and justify **one** action a manager could take to **reduce the negative effect** of a major change on the business's **employees**. *(4 marks)*

Q19. *Extended response.* Significant business change affects everyone connected to a business. Analyse the effect that a major change — such as a restructure, new technology, going global or cost cutting — can have on the six stakeholder groups, and evaluate the view that a manager can implement a significant change without harming any stakeholder. *(10 marks)*

Q20. *Contemporary example.* On **8 November 2023**, PwC Australia completed the divestment of its government consulting business, which commenced operations as the independent firm **Scyne Advisory** under new owner Allegro Funds on **13 November 2023**; about **1,400 partners and staff** moved to the new firm, and the Department of Finance had earlier advised Commonwealth entities they could consider novating their existing PwC contracts to Scyne. **Analyse** the effect of this change on PwC's **owners**, its **employees** and its **customers**. *(6 marks)*

Answers

Q1. Owners; managers; employees; customers; suppliers; the general community. **Q2.** (a) negative; (b) positive; (c) negative. **Q3.** (a) employees / the general community (local suppliers also acceptable); (b) employees; (c) the general community. **Q4.** Positive: e.g. better quality, lower prices, new or improved products, faster service. Negative: e.g. loss of personal service (automation replaces staff), disruption while the technology beds in, or higher prices if the cost is passed on. **Q5.** (a) e.g. employees (or the general community / customers of that store). (b) Employees at the store lose their jobs (redundancy) and face job insecurity; the local community loses a local employer; those customers lose convenient access. **Q6.** Because a single change touches each group's interests differently — a cost saving that raises the owners' profit is the same decision that costs employees their jobs. **Q7.** e.g. change can improve quality, lower prices, or deliver new/improved products. See solutions. **Q8.** Positive: new responsibility / better systems / career growth. Negative: heavier workload and stress / own role at risk in the restructure. See solutions. **Q9.** Because stakeholders can support or resist the change, it affects reputation/social licence, and there are legal/ethical duties — considering impact helps the change succeed. See solutions. **Q10.** Same change, opposite effects: e.g. automation lowers owners' costs (positive) but makes employees redundant (negative). See solutions. **Q11.** e.g. a restructure causes disruption and job losses now (negative short term) but secures competitiveness and survival later (positive long term). See solutions. **Q12.** Cost cutting is (often) positive for owners — lower costs, higher profit — but negative for employees — redundancy, insecurity, heavier workloads. See solutions. **Q13.** Similarity: both suppliers and the community are largely harmed (lost orders / lost local jobs). Difference: suppliers lose revenue/orders, while the community loses employment and economic activity. See solutions. **Q14.** Positive effects (new skills, safer/enriched work, redeployment) AND negative effects (redundancy, insecurity, retraining stress) — no judgement required, do not double-dip. See solutions. **Q15.** Owners: lower costs, higher short-term profit (positive), but risk/reputational cost; employees: redundancy and insecurity (negative); community: lost local jobs and economic activity (negative) — shown as causal relationships. See solutions. **Q16.** (a) e.g. employees (80 redundancies) and the local community (lost jobs/economic activity) or local sawmills (lost orders). (b) Owners — lower production costs, higher profit; customers — lower prices. (c) Resistance, reputation/social licence, ethical/legal duty, long-term performance. See solutions. **Q17.** Some merit (owners provide capital, profit aids survival) but too narrow — the harm to employees and community can be severe and self-defeating; judgement required. See solutions. **Q18.** e.g. redeployment/retraining, clear communication and consultation, support services, or a phased rollout — justified by how it reduces the harm and resistance. See solutions. **Q19.** Model response in solutions. **Q20.** Owners (partners): loss of a whole revenue-earning division — a short-term cost accepted to protect the firm long term; employees: no redundancy but transfer to a new employer/owner, new systems and transition uncertainty; customers (government agencies): continuity of service through novation, but they had to assess the new supplier. Relationships must be causal. See solutions.

Fully-worked solutions

Q7. Business change can benefit **customers** by improving what they receive. For example, investing in **new technology or improved processes** can lift the **quality** of the product, or greater **efficiency and cost cutting** can allow the business to charge **lower prices** — in both cases the customer gets **better value for money** from the change than before.

Q8. *Positive:* a restructure can give managers **new responsibilities and opportunities** — for example, taking charge of a new division or improved systems — which supports their **career development** and lets them achieve the objectives they are accountable for. *Negative:* leading a restructure **increases a manager's workload and stress**, since they must plan the change and overcome employee resistance, and a restructure that **removes or merges management layers** may put the **manager's own position at risk**.

Q9. Managers must consider the effect of change on stakeholders because those effects determine whether the change **succeeds**. Stakeholders who feel harmed will **resist or withdraw** — employees resist, customers leave, the community protests — which can derail the change, while stakeholders whose concerns are managed are more likely to **support** it. In addition, visible harm to stakeholders can damage the business's **reputation and social licence** and breach **legal or ethical (CSR) obligations**, all of which ultimately harm the business itself. Considering the impact therefore lets managers implement change in a way that **captures the benefits while limiting avoidable harm**.

Q10. A single change can affect two groups in opposite ways because each group's interests are different, so the same decision helps one while hurting the other. Take a decision to **replace staff with automated machinery**. For the

owners the effect is **positive**: labour costs fall and output becomes more consistent, **increasing profit**. For the **employees** the effect is **negative**: the machine does the work they were paid for, so some are made **redundant** and those who remain feel **insecure**. The very feature that benefits the owners — removing labour cost — is what harms the employees, so the same change pulls in opposite directions for the two groups.

Q11. The effect of a change often **changes over time**. In the **short term** a major change such as a restructure tends to be **negative**: there is **disruption**, the **cost** of implementing it, and **job losses and anxiety** among staff. In the **long term**, however, the same change can be **positive**: by making the business **leaner, more efficient and more competitive**, it can secure the firm's **survival and growth**, which protects profit and, in turn, remaining jobs. A change should therefore be judged across **both time frames**, because an effect that looks purely harmful today may be beneficial once the change has taken hold.

Q12. Cost cutting — for example reducing staff or overheads — tends to affect owners and employees in **opposite directions**. For the **owners**, cost cutting is generally **positive**: lower costs **increase profit** and improve competitiveness, serving their interest in a return on investment (though it carries some risk if service or quality suffers). For the **employees**, cost cutting is generally **negative**: it often means **redundancies and job insecurity**, and heavier **workloads** for those who remain as the same work is done by fewer people. The key distinction is that the very saving that **raises the owners' profit** is achieved by **removing or squeezing the employees**, so a benefit to one group is a cost to the other.

Q13. Both the suppliers and the general community are, on the whole, **negatively** affected when a business moves its manufacturing overseas — that is the **similarity**: each loses something it previously gained from the business operating locally. The **difference** lies in *what* they lose. The **suppliers** (typically local input suppliers) lose their **orders and revenue**, because the business now buys inputs overseas, which threatens their trading relationship and their own profit. The **general community** loses **local jobs and economic activity** — the factory's wages, spending and employment disappear from the town — weakening the local economy even for residents who never dealt with the business directly. So while both are harmed, suppliers are harmed as **trading partners losing orders**, whereas the community is harmed as a **local economy losing employment**.

Q14. Introducing **automated technology** has both positive and negative effects on **employees**. *Positive effects:* automation can take over **dangerous, repetitive or physically demanding** tasks, making work **safer and less monotonous**; it can create demand for **new, higher-skilled roles** (operating and maintaining the technology), giving employees **training and career development**; and some staff can be **redeployed** to more interesting work. *Negative effects:* because machines do work people used to do, automation can make some employees **redundant**, and the threat of this creates **job insecurity and anxiety** across the workforce; remaining staff may face the **stress of retraining** and adapting to new ways of working, at least until the technology is familiar. The overall effect on employees therefore depends on **how the business manages the change** — whether it retrains and redeploys staff or simply cuts them — but automation clearly brings both opportunity and threat to the workforce. *(Discuss: award for genuine positive AND negative effects, each explained and linked to employees; do not "double-dip" by turning one point into both sides.)*

Q15. A decision to **cut costs by reducing staff** sets off related effects across the three groups. For the **owners**, cutting the wage bill **directly lowers costs**, which **raises profit** in the short term and can improve competitiveness — a positive effect on their return, though it carries the **risk** that losing staff harms service, quality or reputation. That same reduction in staff, however, **causes** the negative effect on **employees**: the roles cut are the employees' jobs, so the decision brings **redundancies, job insecurity and heavier workloads** for those who remain. The effect then **transmits** to the **general community**: the redundant employees are local residents, so the town **loses local jobs, wages and spending**, weakening the local economy and possibly the business's standing in the community. The relationships are **causal**: the cost saving that benefits the owners is produced *by* removing employees, and removing employees is what harms the community. So a single cost-cutting decision **advances the owners' short-term interest while directly harming employees and, through them, the community** — which is exactly why managers must weigh the effect on each group before acting.

Q16. (a) **Employees** are negatively affected — around **80 lose their jobs** (redundancy) and the rest of the workforce faces closure of the site, causing insecurity. The **general community** (the regional town) is negatively affected — it **loses a major local employer**, so local jobs, wages and spending fall, weakening the local economy. *(Accept the local sawmills / suppliers, who lose their timber orders.)* (b) *Owners:* moving manufacturing overseas is likely to **cut production costs substantially** (cheaper labour and inputs), which **increases profit** and helps address the falling profit that prompted the change — serving the owners' interest in a return on investment. *Customers:* the lower production costs allow furniture to be **sold at lower prices**, giving customers **better value for money**. (c) Even though the change lifts profit, the owners should consider the effect on employees and the community because ignoring it can **backfire**. Making 80 workers redundant and abandoning a town after thirty years is likely to generate **negative publicity, community anger and loss of the brand's "Australian-made" reputation and social licence**, which could **reduce sales and customer loyalty** and offset the cost savings. The owners also have **legal obligations** (redundancy entitlements and consultation) and an **ethical (CSR)** responsibility for the human cost of their decision. Considering these effects lets them manage the change more responsibly — for example through **redeployment, redundancy support or a phased closure** — protecting both the affected stakeholders and the business's **long-term** performance.

Q17. The view that a manager should implement a profit-raising change **regardless** of harm to employees and the community is **partly defensible but ultimately too narrow**. In its favour, the **owners** provide the capital and bear the risk, and a change that lifts **profit and competitiveness** can be essential to the business's **survival** — and a business that fails helps **no** stakeholder, so protecting profit can be in everyone's longer-term interest. **However**, the view wrongly treats the harm to employees and the community as irrelevant. That harm can be **severe** — lost jobs, insecurity, a damaged local economy — and ignoring it is often **self-defeating**: it can trigger **resistance, industrial action, boycotts, reputational damage and loss of social licence**, all of which **reduce** the very profit the change was meant to protect. Managers also carry **legal and ethical (CSR)** duties that a purely profit-focused view ignores. **On balance**, a manager should not implement such a change *blindly*; profit matters, but the manager should first **weigh the effect on all stakeholders** and, where the change is justified, **manage the harm** (through consultation, redeployment and support) rather than disregard it. A change is well implemented not when it maximises owner profit alone, but when its stakeholder effects have been **considered and balanced**.

Q18. A manager could **redeploy and retrain affected employees** into other roles in the business rather than making them redundant, supported by **clear, early communication** about the change. This is justified because it addresses the **main negative effect** of change on employees — the fear of **job loss and insecurity**. By offering redeployment and the training to move into new roles, the manager **preserves jobs and reassures staff** that the change is not a threat to their livelihood, which **reduces resistance, protects morale and retains valuable experience** for the business. Communicating the reasons and the plan early prevents the rumours and anxiety that make change harder, so the workforce is more likely to **support** the change. *(Accept alternatives such as consultation, phased implementation, redundancy support/counselling, or incentives — provided the response shows how the action reduces a specific negative effect on employees and justifies why it works.)*

Q19. *Model response (10 marks).* A significant business change — a **restructure**, the introduction of **new technology**, a move to operate **globally**, or **cost cutting** — affects all six stakeholder groups, and for most it brings **both positive and negative effects**. For the **owners**, change can raise **profit, market share and competitiveness** and secure the business's **survival**, though it carries a **short-term cost** and the **risk** of failure. **Managers** may gain **new responsibility and career development**, but face **greater workload and stress** and, in a restructure, a threat to their **own position**. **Employees** can gain **new skills, redeployment and safer, enriched work**, yet change — especially cost cutting and automation — is also the source of **redundancy, job insecurity and retraining stress**. **Customers** often benefit from **better quality, lower prices and new products**, but may suffer **disruption, price rises or the loss of familiar service**. **Suppliers** can win **larger, longer-term orders** if the business grows, yet **lose their orders** if it sources globally. And the **general community** can gain **local jobs and environmental improvements**, or lose **local employment and amenity** through offshoring, closures or increased pollution. Crucially, these effects are **interrelated**: the same decision — say, cutting costs by automating — **benefits owners** (lower costs), is **mixed for customers** (lower prices, less service) and **harms employees** (redundancy) and the **community** (lost local jobs). The effects also shift over **time**: a change that is disruptive and painful in the short term may prove positive in the long term by keeping the business viable.

The view that a manager can implement a significant change **without harming any stakeholder** is **difficult to support**. Because stakeholder interests **compete** for the same limited resources, a change that advances one group's position — higher profit for owners, lower prices for customers — is usually **funded by** a cost to another, most often the **employees, suppliers or community**. It is therefore rarely possible for a major change to leave **every** group better off; some negative effect on at least one group is almost inevitable. **However**, this does **not** mean managers are powerless to limit harm. Skilful managers **anticipate** the effects on each group and **manage** the negative ones — communicating early, **redeploying and retraining** staff rather than simply cutting them, supporting affected suppliers and the community, and using **corporate social responsibility** to soften the impact — so that the harm is **reduced**, even if it cannot be eliminated. **On balance**, the evidence supports the view only in the weak sense that *harm can be minimised*, not eliminated: a significant change almost always disadvantages **some** stakeholder, so the realistic goal is not a harm-free change but a **responsibly implemented** one, in which the manager has **considered the effect on every group** and balanced the benefits of change against its unavoidable costs. *(Full marks require: accurate coverage of positive and negative effects across the six stakeholder groups; genuine analysis of how the same change affects groups differently and over time; and a sustained, two-sided evaluation reaching a justified judgement about whether change can be harm-free.)*

Q20. The divestment completed on **8 November 2023** is a single change whose effects **ran in different directions** for each group, and those effects are **causally linked** to one another. For PwC's **owners** — the partners — the change removed an entire revenue-earning division from the partnership, which is a clear **short-term cost** to their returns; it was accepted because the partners judged it necessary to protect the **long-term** position and survival of the rest of the firm, illustrating that a change can be **negative in the short term but intended as positive in the long term** for the same group. That same decision produced the effect on **employees**: because the division itself was sold rather than closed, the roughly **1,400 partners and staff** were not made **redundant** but transferred to a **new employer under new ownership**, so the effect was mixed — their jobs continued (a positive effect on job security compared with a closure), yet they faced new systems, new leadership and the uncertainty that any transition of that size brings. The effect on the **customers** — the Commonwealth agencies PwC served — flowed from the same change again: their contracts were with PwC, so the sale threatened **disruption to the service they were receiving**. The Department of Finance's advice that entities could consider **novating existing PwC contracts to Scyne** limited that disruption, allowing work to continue, but each agency still bore the effect of having to **assess a new supplier** and decide whether to move. ∴ the one change imposed a short-term cost on the owners in pursuit of a long-term benefit, moved employees to a new employer rather than out of work, and preserved continuity for customers only because a mechanism was put in place to manage the change — showing that **the same change affects different stakeholder groups differently**, and that the size of the harm depends on **how** the change is implemented. *(Analyse: award for effects on each of the three groups shown as causal relationships arising from the one change, not three unlinked descriptions.)*