Business Management Units 3 & 4

Chapter 16 — Corporate social responsibility and evaluating transformation

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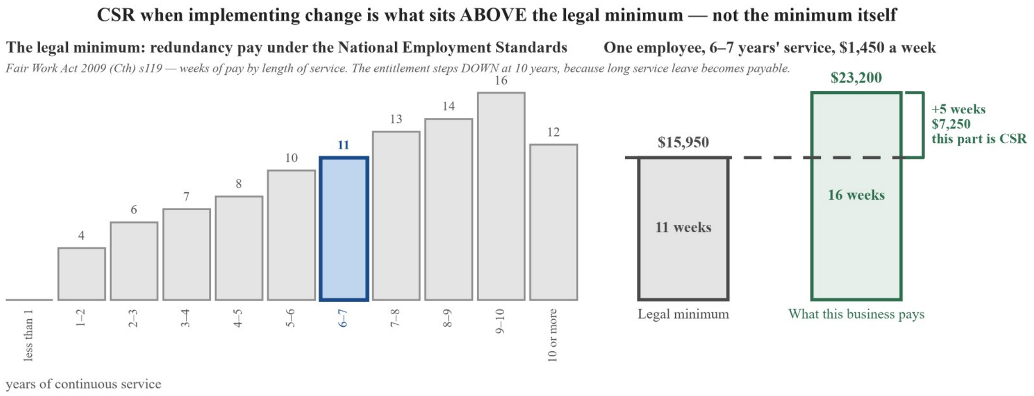
Theory

Corporate social responsibility (CSR) is the responsibility a business takes for the **social, ethical and environmental consequences** of its activities, **beyond its legal obligations and the pursuit of profit**. Every business must obey the law, and most aim to make a profit, but a socially responsible business **voluntarily** does more than the law requires and looks past short-term profit because it accepts that its decisions affect employees, customers, suppliers, the wider community and the natural environment. CSR is therefore a matter of **choice and values**, not compliance.

CSR can be applied to every activity of a business. In Unit 3 it was examined within the **operations system**; here the focus is **CSR when a business implements change**. Implementing change — restructuring, cutting costs, automating, adopting new production methods, redeploying resources or moving production overseas — can have serious human and environmental consequences. A socially responsible business **considers these consequences** and carries out the transformation **ethically and fairly, beyond the legal minimum**, rather than pursuing the change in the cheapest or fastest way regardless of who is harmed. The main CSR considerations when implementing change are the following.

- **Treating affected employees ethically and fairly.** Change frequently costs jobs — cutting costs, automating or offshoring may mean **retrenching (making redundant)** or **redeploying** employees. The law sets only **minimum entitlements** (such as notice periods and redundancy pay under the National Employment Standards and relevant awards). A socially responsible business goes **beyond** this minimum: offering **more generous redundancy payments**, **redeploying** employees into other roles rather than retrenching them where possible, providing **transition support** (career counselling, retraining, help finding new work, references), using a **fair and transparent selection process**, and treating departing staff with **dignity and respect**.
- **Honest and open communication.** Being **truthful and transparent** with those the change affects — telling employees openly *why* the change is happening, *how* it will affect them and *when*, and being straight with customers, investors and the community about decisions such as a site closure or a move overseas — rather than concealing, delaying or misleading. Full openness is not **legally required**, so honesty during change is an **ethical choice**, and it matters most when people are anxious and rumours spread easily.
- **Minimising the environmental impact of the change.** A change to *how* a business operates can affect the environment. Introducing **new production methods or technology**, or **moving manufacture overseas (offshoring)**, may increase emissions, waste or transport pollution, or shift production to a country with **weaker environmental standards**. A responsible business chooses change options that **reduce environmental harm** — for example selecting cleaner methods, disposing of replaced equipment responsibly, and not offshoring simply to escape environmental regulation.
- **Fair treatment of suppliers and the community affected by the change.** Change ripples beyond the business itself. Switching to **global sourcing or overseas manufacture** can end contracts with **local suppliers**; closing or relocating a site can cost a **community** jobs, income and services. A responsible business considers these effects — giving suppliers **fair notice** and honouring existing commitments, and taking steps to **support the community** it affects — rather than withdrawing abruptly.



Above the line — what a business CHOOSES to do

more generous redundancy payments than the minimum requires
REDEPLOYMENT into another role rather than retrenchment, wherever that is possible
transition support — career counselling, retraining, help finding new work, references
a fair and transparent selection process, and treating departing staff with dignity and respect
honest, open communication about why the change is happening, how it will affect people and when
choosing change options that reduce environmental harm, rather than the cheapest option regardless
fair notice to suppliers whose contracts end, and support for the community the change affects

Acting responsibly during change costs more in the SHORT term, which is exactly what it conflicts with — the cost cutting that is often the reason for the change.

Reading the floor (the figure above). Redundancy pay is a useful case because the legal minimum is written down: the **National Employment Standards** (*Fair Work Act 2009* (Cth), s119) set a scale of severance pay by length of service, rising from four weeks at one year to sixteen at nine, and then **stepping down to twelve** at ten years or more, because long service leave becomes payable. An employee with six years' service is entitled to **11 weeks**. Paying those 11 weeks is **compliance** — the law requires it, so it is not CSR. If the business chooses to pay **16 weeks** instead, only the **extra five weeks** is corporate social responsibility. On an illustrative wage of $1,450 a week that is $23,200 paid against $15,950 owed: $7,250 of CSR sitting on top of a $15,950 legal floor. Everything else in the list above works the same way — it is the part above the line, not the line itself.

The tension: short-term cost versus long-term benefit. Acting responsibly during change almost always **costs more in the short term**. Generous redundancy packages, redeployment and transition support, cleaner change options and honouring local suppliers are all **dearer** than making the change as cheaply as possible, and this **conflicts with the cost-cutting and short-term profit** that are often the very reason for the change. A manager must weigh these immediate costs against the **longer-term benefits**.

The benefits of acting responsibly during transformation.

- **Reputation and sales.** Handling change responsibly — rather than being seen to treat staff or a community harshly — protects the business's **public reputation and brand**, helping to retain customers and avoid boycotts and damaging publicity.
- **Trust and morale of remaining employees.** The employees who **stay** after a change watch how their departing colleagues are treated. Fair, honest treatment preserves the **trust, morale and loyalty** of the remaining workforce — the very people needed to make the change succeed — whereas harsh treatment damages it.
- **Smoother future change.** A business with a record of implementing change responsibly finds employees and the community **more willing to accept future change**.
- **Reduced risk.** Acting fairly and honestly reduces the risk of **disputes, industrial action, legal action, and regulatory or reputational damage**.

Key ideas to keep straight.

- **CSR is beyond the legal minimum.** Paying the redundancy entitlements and giving the notice the law requires is **legal compliance**, not CSR. CSR is what a business chooses to do **above** that minimum — extra redundancy pay, redeployment, transition support. If the law forces it, it is compliance; if the business chooses it, it is CSR.
- **CSR in change is not CSR in operations.** In operations (Unit 3), CSR concerns the **sustainability of inputs** and the **waste** generated by an ongoing production system. Here, CSR concerns the **human, environmental,**

supplier and community consequences of the transformation itself — how the *change* is carried out. Do not answer a change question with the two operations considerations.

- **Fair treatment as CSR is not the same as managing resistance.** A business might communicate honestly and support employees mainly to **reduce resistance and get the change through** (a change-management tactic). The **same actions** become **CSR** when the business does them because it accepts an **ethical responsibility** to treat people fairly — even where doing so is costlier or is not strictly necessary to push the change through. The actions can look identical; the **motive** differs.

Contemporary example — AGL Energy, April 2023

AGL Energy, an ASX-listed electricity generator and retailer operating in the National Electricity Market, closed its Liddell coal-fired power station in the NSW Upper Hunter on 28 April 2023, after almost 52 years of operation. The closure was staged rather than sudden: AGL stated it had given the market notice of Liddell's retirement more than seven years earlier, and the station's four units were shut progressively — the first in April 2022 and the remaining three between 24 and 28 April 2023. The Australian Energy Council reported that Liddell's workforce was either **redeployed** to AGL's neighbouring Bayswater power station or took **voluntary redundancy**, that there were **no forced redundancies** as a result of the closure, and that **retraining** and other support were made available before the station's final days.

The closure shows CSR considerations shaping **how a change was implemented**. A business closing a site must give the notice and redundancy pay the law requires; **redeployment**, **retraining** and other **transition support** sit **above that legal minimum**, which is where CSR begins, and they address the **ethical and fair treatment of affected employees**. Years of advance notice likewise goes to **honest and open communication**, giving employees and the surrounding community time to prepare. Measures of this kind carry a **short-term cost** that must be weighed against **longer-term benefits** such as reputation and the trust of remaining employees.

Source: AGL Energy, "AGL's Liddell Power Station closes after 52 years of operation", April 2023 — https://www.agl.com.au/about-agl/news-centre/2023/april/agls-liddell-power-station-closes-after-52-years-of-operation. Source: Australian Energy Council, "Bittersweet farewell to Liddell", 4 May 2023 — https://www.energycouncil.com.au/analysis/bittersweet-farewell-to-liddell/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Rosella Kitchens, an appliance manufacturer, is automating its assembly line and will make 40 long-serving factory employees redundant. Define corporate social responsibility, and describe **one** way Rosella Kitchens could act with corporate social responsibility towards these employees beyond its legal obligations.

Working	Comment
CSR = the responsibility a business takes for the social, ethical and environmental effects of its activities, **beyond its legal obligations and the pursuit of profit**.	A 2-element definition: (i) taking responsibility for social/ethical/environmental impact, (ii) going beyond what the law and profit require.
The law only requires Rosella to pay the **minimum redundancy pay and notice**; CSR means choosing to do **more** than that.	Establish the legal minimum first — CSR is what sits *above* it.
Rosella could provide **transition support** — for example funding **career counselling, retraining and outplacement help** so the 40 retrenched workers can find new jobs.	Describe a concrete beyond-minimum action, applied to the business.
∴ this is CSR because Rosella **voluntarily goes beyond the legal minimum entitlements** to treat the retrenched employees ethically and fairly.	Link the action back to CSR (beyond legal obligation).

Example 2 — scaffolded

Kingsley Apparel manufactures clothing in Australia but plans to move production to an overseas factory to cut costs. Describe **one** corporate social responsibility consideration, **other than** the treatment of its own employees, that Kingsley Apparel should take into account when implementing this change.

Working	Comment
Offshoring affects more than Kingsley's own staff — it also affects its **local suppliers, the community and the environment**.	Identify who else the change affects, since the question excludes its own employees.
Kingsley's Australian fabric suppliers will **lose its contracts**, and shifting production overseas may **increase transport emissions** or move production to a country with **weaker environmental rules**.	Draw out the supplier and environmental consequences of the change.
Kingsley could give its local suppliers **fair notice and a transition period**, and choose an overseas factory that **meets sound environmental standards**.	Give a concrete CSR action beyond its own workforce.
∴ acting responsibly towards **suppliers, the community and the environment** — not only employees — is part of CSR when implementing change.	Tie the action back to the scope of CSR-in-change.

Example 3 — unscaffolded

Explain how honest communication is a corporate social responsibility consideration when a business implements change.

When a business implements change, it has a choice about how **truthfully** it deals with the people the change affects. **Honest communication** as a CSR consideration means being **transparent and truthful** with stakeholders — telling employees openly **why** the change is occurring, **how** it will affect their jobs and **when**, and being straight with customers, investors and the community about decisions such as closing a site or moving production overseas — rather than concealing bad news, downplaying job losses or misleading people. It is a **CSR** consideration because a business is not **legally required** to be fully open, yet a socially responsible business accepts an **ethical duty** to treat those affected with honesty and respect, particularly when they are anxious and vulnerable to rumour. ∴ honest communication reflects corporate social responsibility because the business **voluntarily chooses transparency over concealment** out of ethical responsibility to its stakeholders.

Example 4 — unscaffolded

A manager states, "Worrying about social responsibility just makes change slower and more expensive — we should implement change as cheaply as possible." Evaluate this statement.

The statement is **partly valid but too one-sided**. It is true that acting responsibly when implementing change usually raises **short-term costs and can slow the change**: generous redundancy packages, redeployment and transition support, honouring local suppliers and choosing cleaner change options all cost more than making the change in the cheapest, fastest way, and this conflicts with the cost-cutting that often motivates the change. **However**, implementing change "as cheaply as possible" ignores the **longer-term costs** of acting irresponsibly. Treating retrenched staff harshly or concealing the truth can **destroy the trust and morale of the employees who remain** — the very people needed to make the change work — and can trigger **disputes, industrial action, reputational damage and lost customers**, all of which are expensive. Acting responsibly instead **protects reputation**, keeps remaining staff engaged and makes **future change easier**. ∴ while the manager is right that responsible change carries a short-term cost, treating it as merely an avoidable expense is short-sighted, because the reputational and workforce damage caused by an irresponsible transformation can cost the business far more over the long term.

Practice questions

Scaffolded

Q1. Define the term *corporate social responsibility*.

Q2. Identify **three** corporate social responsibility considerations a business should take into account when implementing change.

Q3. For each of the following actions taken during a change, state which CSR-in-change consideration it best reflects — *treatment of employees*, *honest communication*, *environmental impact*, or *suppliers and the community*: (a) giving retrenched staff paid time and funding to retrain for new jobs; (b) choosing a new production method that creates less pollution than the cheapest option; (c) giving long-standing local suppliers several months' notice before switching to an overseas supplier.

Q4. Explain the difference between meeting employees' **legal minimum entitlements** and acting with **corporate social responsibility** when making employees redundant.

Q5. A manufacturer is closing one of its factories and relocating production interstate. (a) Identify **one** corporate social responsibility consideration the business should take into account. (b) Explain **one** benefit to the business of managing the closure responsibly.

Q6. Explain why acting with corporate social responsibility when implementing change often involves a **short-term cost**.

Unscaffolded

Q7. Explain the importance of corporate social responsibility considerations when implementing change. *(3 marks)*

Q8. Describe **one** way a business could treat retrenched employees in a socially responsible way, beyond its legal obligations. *(3 marks)*

Q9. Distinguish between meeting **legal entitlements** and acting with **corporate social responsibility** when terminating employees during change. *(4 marks)*

Q10. Explain how **honest communication** is a corporate social responsibility consideration when implementing change. *(3 marks)*

Q11. Fernbrook Foods is closing a regional cannery and moving processing to a larger city plant. Explain the tension the business faces between acting responsibly towards its affected employees and the objective of cutting costs. *(4 marks)*

Q12. Outline **one** advantage and **one** disadvantage for a business of adopting corporate social responsibility considerations when implementing change. *(4 marks)*

Q13. Justify why a business should minimise the **environmental impact** of a change such as introducing a new production method or moving manufacture overseas. *(4 marks)*

Q14. A clothing business is moving from local suppliers to cheaper global sourcing of inputs. Propose **one** way it could act responsibly towards the suppliers and community affected by this change. *(3 marks)*

Q15. *Case study.* **Delta Home Appliances** manufactures washing machines at a factory in a regional town, where it is one of the largest employers. To cut costs and stay competitive, Delta will **close the factory and move manufacturing to an overseas plant**, making 220 employees redundant and ending its contracts with several local parts suppliers. Management has not yet told staff, and some directors want to announce the closure only on the final day to "avoid disruption". (a) Identify **one** group, other than Delta's own employees, that will be affected by this change. *(1 mark)* (b) Analyse how the plan to announce the closure "only on the final day" would conflict with acting in a socially responsible way. *(3 marks)* (c) Propose **two** ways Delta could implement this change more responsibly, and justify each with reference to the case study. *(4 marks)*

Q16. Compare a business that meets only its **legal obligations** when implementing change with one that adopts **corporate social responsibility** considerations. *(4 marks)*

Q17. Discuss acting with corporate social responsibility towards **retrenched employees** when implementing change. *(6 marks)*

Q18. Evaluate the view that a business should act responsibly during change **only when doing so improves its reputation**. *(4 marks)*

Q19. *Extended response.* **Ashgrove Textiles**, an Australian fabric manufacturer, is transforming its business to remain competitive: it will automate part of its factory, retrench some staff and redeploy others, adopt a new dyeing process, and begin sourcing some inputs from overseas rather than from its long-standing local suppliers. Analyse how corporate social responsibility considerations can be applied across this change process, and evaluate the view that acting responsibly when implementing change always benefits the business. *(10 marks)*

Q20. AGL Energy closed its Liddell power station on 28 April 2023, having given notice of the retirement more than seven years earlier. Its workforce was redeployed to the neighbouring Bayswater power station or took voluntary redundancy, retraining and other support were provided before the closure, and there were no forced redundancies as a result of it. Analyse how AGL's handling of this closure reflects corporate social responsibility considerations when implementing change. *(5 marks)*

Answers

Q1. The responsibility a business takes for the social, ethical and environmental effects of its activities, beyond its legal obligations and the pursuit of profit. **Q2.** Any three of: treating affected (retrenched/redeployed) employees ethically and fairly beyond their legal entitlements; honest and open communication; minimising the environmental impact of the change; fair treatment of suppliers and the community affected. **Q3.** (a) treatment of employees; (b) environmental impact; (c) suppliers and the community. **Q4.** Legal minimum entitlements (notice, redundancy pay) are the enforced minimum every business must give; CSR is voluntarily going beyond that — e.g. extra redundancy pay, redeployment, transition support — to treat employees fairly. **Q5.** (a) e.g. treating retrenched staff fairly (transition support), honest communication with staff, or supporting the affected community. (b) e.g. protects reputation, preserves the trust/morale of remaining staff, reduces the risk of disputes. **Q6.** Because responsible actions (generous packages, transition support, cleaner methods, honouring suppliers) cost more than making the change as cheaply as possible, so profit falls in the short term. **Q7.** Model response in solutions. **Q8.** e.g. redeployment, transition/outplacement support, retraining, or more generous redundancy pay — beyond the legal minimum. See solutions. **Q9.** Legal entitlements = the enforced minimum (notice, redundancy pay); CSR = voluntary, beyond-minimum fair treatment (redeployment, transition support, dignity). See solutions. **Q10.** Being truthful and transparent about the change rather than concealing/misleading; a voluntary ethical duty, not legally required. See solutions. **Q11.** Responsible treatment (generous packages, redeployment, support) costs money and conflicts with the cost-cutting the closure is meant to achieve; weigh short-term cost against long-term benefit. See solutions. **Q12.** Advantage: protects reputation / retains remaining-staff trust and morale. Disadvantage: higher short-term cost / can slow the change. See solutions. **Q13.** Argue *why*: beyond the legal minimum, protects reputation, meets community/customer expectations, reduces regulatory and long-term risk, avoids simply “exporting” harm. See solutions. **Q14.** Propose a specific action (e.g. fair notice + transition period, or phased withdrawal / helping suppliers find new customers), applied responsibly. See solutions. **Q15.** (a) e.g. local parts suppliers / the regional community / customers. (b) Concealing until the last day removes the honesty owed to staff, prevents them preparing, and damages trust and reputation. (c) e.g. honest early communication + transition support / redeployment / fair supplier notice / community support, each justified. See solutions. **Q16.** Similarity: both obey the law when changing. Difference: the CSR business voluntarily goes beyond the minimum (fair treatment, honesty, environmental care). See solutions. **Q17.** Discuss advantages (reputation, remaining-staff morale, reduced risk, ethical) and disadvantages (short-term cost, may slow change, still cuts jobs). See solutions. **Q18.** Evaluate — reputation is one genuine reason, but CSR also rests on ethical duty and other benefits (staff trust, reduced risk), so “only for reputation” is too narrow; reach a judgement. See solutions. **Q19.** Model response in solutions. **Q20.** Redeployment, retraining and transition support, voluntary rather than forced redundancy, and years of advance notice all sit **above** the legal minimum entitlements — fair treatment of affected employees plus honest, open communication — so they are CSR, not compliance; note the short-term cost. See solutions.

Fully-worked solutions

Q7. Corporate social responsibility considerations are important when implementing change because change often harms people — employees may be retrenched or redeployed, suppliers may lose contracts and communities may lose jobs — and how a business manages this affects far more than its short-term costs. Acting responsibly (treating affected staff fairly, communicating honestly, minimising environmental harm and considering suppliers and the community) **protects the business’s reputation** and **preserves the trust and morale of the employees who remain** to carry out the change. Neglecting CSR, by contrast, can trigger disputes, reputational damage and lost customers. CSR considerations therefore help ensure the change is implemented in a way that is both **ethical** and **sustainable for the business over the long term**.

Q8. One socially responsible way to treat retrenched employees is to provide **transition (or outplacement) support** that goes beyond the legal minimum — for example funding **career counselling, retraining and assistance in finding new employment**, along with references and paid time to attend interviews. Because the law only requires the business to pay minimum notice and redundancy entitlements, choosing to help departing employees move into new work is a **voluntary** action that treats them with dignity and fairness, which is the essence of corporate social responsibility during change.

Q9. Meeting **legal entitlements** means giving terminated employees only the **minimum the law requires** — such as the correct notice period and the redundancy pay set out in the National Employment Standards and any relevant award. Acting with **corporate social responsibility** means **voluntarily going beyond** that minimum because the business accepts an ethical duty to treat people fairly — for example by **redeploying** employees into other roles instead of retrenching them, paying **more generous redundancy**, providing **transition support and retraining**, and treating departing staff with dignity and honesty. The key difference is **compulsion versus choice**: legal entitlements are the enforced floor that every business must meet, whereas CSR is what a business chooses to do **above** that floor.

Q10. Honest communication as a CSR consideration means being **truthful and transparent** with the people a change affects — openly telling employees why the change is happening, how it will affect their jobs and when, and being straight with customers and the community about decisions such as a closure or a move offshore — rather than **concealing, delaying or misleading**. It is a CSR consideration rather than a legal duty because a business is generally **not legally required** to be fully open, yet a socially responsible business accepts an **ethical responsibility** to be honest with stakeholders, especially when they are anxious and exposed to rumour. Communicating honestly therefore reflects the business voluntarily choosing transparency over concealment because it is the right thing to do.

Q11. Fernbrook Foods faces a genuine tension because the cannery is being closed **specifically to cut costs**, yet acting responsibly towards the affected employees **adds cost**. To treat the retrenched cannery workers fairly, Fernbrook would need to spend on measures such as **more generous redundancy pay, redeployment to the city plant, retraining and transition support** — all of which **increase the cost** of the very change that was meant to **reduce** it, and so reduce short-term profit. If instead Fernbrook did the minimum to keep costs down, it would save money now but risk **damaging its reputation and the trust of its remaining staff**. The manager must therefore **weigh the immediate cost of responsible treatment against the longer-term benefits** of protecting reputation and morale — the essence of the short-term-cost-versus-long-term-benefit tension in CSR.

Q12. An **advantage** of adopting CSR considerations when implementing change is that it **protects the business's reputation and preserves the trust and morale of the remaining employees**: by treating departing staff fairly and communicating honestly, the business avoids damaging publicity and keeps the workforce it needs to make the change succeed engaged and loyal. A **disadvantage** is the **higher short-term cost** — generous packages, redeployment, transition support and cleaner change options are all more expensive than making the change as cheaply as possible, and they can also **slow the change down**, reducing short-term profit at a time when the change may itself have been driven by a need to cut costs.

Q13. A business should minimise the environmental impact of a change such as a new production method or offshoring because it is a **responsible and worthwhile** decision for several reasons. First, it takes responsibility for the business's environmental footprint **beyond the legal minimum**, which is the essence of CSR and is increasingly **expected by customers and the community**. Second, offshoring or new methods can otherwise simply **shift harm elsewhere** — for example moving production to a country with weaker environmental laws, or adding transport emissions — and a responsible business does not treat this as acceptable just because it is legal or cheaper. Third, choosing cleaner change options **protects reputation** and **reduces the long-term risk** of criticism, boycotts and tighter future regulation. Because minimising environmental harm delivers ethical, reputational and risk-reduction value, a business is justified in doing so even when it is not the cheapest option — which is precisely why it should.

Q14. A clothing business moving to cheaper global sourcing could act responsibly towards its affected local suppliers and community by **giving those suppliers substantial advance notice and a phased transition** rather than cancelling their contracts abruptly — for example maintaining orders during an agreed wind-down period and helping the suppliers find alternative customers. This is a socially responsible approach because the business is **voluntarily going beyond** its strict contractual or legal duty to **cushion the impact** of the change on the suppliers and the community that depends on them, giving them time to adjust and reducing the harm caused by the switch — even though doing so is slower and costlier than simply ending the contracts immediately.

Q15. (a) Any one of: **the local parts suppliers** whose contracts will end; **the regional community** that depends on the factory for jobs and income; or **customers**. (b) Announcing the closure **"only on the final day"** would conflict with social responsibility because it **removes the honest, open communication** that a responsible business owes to the people a change affects, and this sets off a chain of harm: giving the 220 employees **no warning** would leave them **unable to prepare financially or begin looking for new work**, which is neither fair nor respectful; the **concealment** would also mean staff and the community first learn the truth through the closure itself, **destroying trust** in Delta and generating **damaging publicity** in a town where it is a major employer. Withholding the truth to "avoid disruption" therefore treats convenience to management as more important than honesty to stakeholders, which is the opposite of acting responsibly. (c) *(Two responsible actions, each justified to the case.)* First, Delta should **communicate the closure honestly and early** — informing employees and the community well in advance and explaining the reasons

— so the 220 workers have time to prepare and seek new jobs, which is fairer and protects Delta's reputation in the town. Second, Delta should provide **transition support and, where possible, redeployment** — funding retraining, outplacement help and references, and offering roles at other Delta sites — going beyond its minimum redundancy obligations to treat the retrenched workers with dignity. (Giving the **local suppliers fair notice and a wind-down period**, or **supporting the affected community**, would also be valid.) Each action is justified because it directly reduces the harm the closure causes to the specific groups in the case study, protecting Delta's reputation and the trust of the staff it retains.

Q16. *Similarity:* **both** businesses **obey the law** when implementing change — meeting the minimum requirements such as correct notice and redundancy entitlements — so neither is acting unlawfully. *Differences:* the first business does **only** what the law requires and treats the legal minimum as sufficient, implementing the change as cheaply as possible, whereas the CSR business **voluntarily goes beyond** that minimum — treating retrenched staff fairly through redeployment and transition support, communicating honestly, minimising the environmental impact of the change and considering affected suppliers and the community. As a result the CSR business usually bears **higher short-term costs**, but tends to gain a **stronger reputation and the trust of its remaining staff**, while the compliance-only business keeps costs lower but is more exposed to **disputes, reputational damage and lost customers**. In short, both meet the law, but only the CSR business chooses to do more than the law demands.

Q17. Acting with corporate social responsibility towards **retrenched employees** — going beyond the legal minimum through redeployment, more generous redundancy pay, transition support and honest, respectful treatment — has clear advantages and disadvantages. *Advantages:* it is **ethical**, treating people who are losing their jobs with fairness and dignity; it **protects the business's reputation**, avoiding the damaging publicity that harsh retrenchment can attract; and it **preserves the trust and morale of the employees who remain**, who watch how their colleagues are treated and are more likely to support the change if it is handled fairly. It can also **reduce the risk** of disputes and industrial action. *Disadvantages:* it **costs money in the short term** — packages, retraining and outplacement are expensive, which is difficult when the retrenchments were themselves intended to **cut costs** — and it can **slow the change** down; moreover, however responsibly it is done, retrenchment still means **people lose their jobs**, so CSR softens but does not remove the harm. *Overall,* acting responsibly towards retrenched employees involves a real short-term cost, but for most businesses the reputational and morale benefits — and the ethical obligation — make it worthwhile, provided the support is genuine rather than token.

Q18. The view is **partly valid but too narrow**. It is true that **reputation is a genuine and important reason** to act responsibly during change: a business seen to treat staff or a community harshly can lose customers and suffer damaging publicity, so protecting reputation is a legitimate motive. **However**, saying a business should act responsibly **only** when it improves reputation **reduces CSR to public relations** and ignores its other foundations. First, CSR rests on an **ethical duty** to treat people fairly and honestly **regardless of whether anyone is watching** — treating retrenched staff with dignity is right even where it earns no publicity. Second, responsible change delivers other benefits beyond reputation, such as **preserving the trust and morale of remaining staff** and **reducing the risk of disputes and legal action**. A business that acts responsibly only when it is visibly rewarded will behave badly whenever it believes no one will notice, which is not genuine social responsibility. ∴ while improving reputation is one valid reason to act responsibly during change, it is too narrow to be the **only** reason, because CSR is grounded in ethical obligation and broader long-term benefits as well.

Q19. *Model response (10 marks).* Corporate social responsibility (CSR) is the responsibility a business takes for the social, ethical and environmental effects of its activities **beyond its legal obligations and the pursuit of profit**. As Ashgrove Textiles transforms itself, CSR considerations can be applied at each stage of the change. In **automating the factory and retrenching or redeploying staff**, Ashgrove can go beyond the minimum legal entitlements by **redeploying** as many employees as possible into new roles, offering **more generous redundancy pay** and **transition support** such as retraining and outplacement help, and using a **fair, transparent selection process** — treating those who lose their jobs ethically. Throughout, it can practise **honest, open communication**, telling employees truthfully why the change is happening, how it will affect them and when, rather than concealing job losses. In adopting a **new dyeing process**, Ashgrove can act responsibly by choosing a method that **minimises environmental harm** — for example lower emissions or reduced chemical discharge — instead of simply the cheapest option, and disposing of replaced equipment responsibly. In **shifting to overseas inputs**, it can consider the **suppliers and community affected** by giving its long-standing local suppliers **fair notice and a transition period**, and it can choose overseas suppliers that meet sound environmental and labour standards so the change does not merely export harm. Applied across the process, these considerations show CSR is not one action but a **thread running through every part of the transformation** — people, environment, suppliers and community.

The view that acting responsibly when implementing change **always benefits** the business is **partly supported but too absolute**. There are real benefits: responsible treatment **protects Ashgrove's reputation** and helps retain customers; it **preserves the trust and morale of the employees who remain** to run the automated, restructured business; it makes **future change easier** to introduce; and it **reduces the risk** of disputes, industrial action and regulatory or reputational damage. **However**, acting responsibly also carries **short-term costs** — generous packages, redeployment and retraining, a cleaner dyeing process and honouring local suppliers are all **more expensive** than the cheapest path, and can **slow the transformation** at the very time Ashgrove is trying to cut costs to stay competitive. Whether Ashgrove **benefits overall** depends on factors such as how much its customers value responsibility, how genuine (rather than token) its efforts are, and whether the reputational and morale gains outweigh the extra cost; a poorly judged or purely cosmetic effort could cost more than it returns. ∴ while applying CSR considerations across the change process can strengthen Ashgrove's reputation, workforce and long-term position, the claim that responsible change **always** benefits the business overstates the case: the benefits are largely **long-term** and must be weighed against **real short-term costs**, so responsible transformation is best judged as a **valuable long-term investment rather than a guaranteed benefit** in every situation. *(Full marks require: an accurate definition of CSR; application of the CSR-in-change considerations — fair treatment of employees, honest communication, environmental impact, and suppliers/community — across Ashgrove's transformation; a two-sided evaluation weighing the benefits against the short-term cost/tension; and a justified conclusion.)*

Q20. Corporate social responsibility means taking responsibility for the social and ethical consequences of a decision **beyond the legal minimum**, and the Liddell closure shows those considerations shaping **how the change was implemented** rather than whether it happened. The law sets only a floor: a business closing a site must give the notice and redundancy pay required by the National Employment Standards and any relevant award. Every measure reported beyond that floor was therefore a **choice**, which is what makes it CSR rather than compliance. **Redeploying** employees to the neighbouring Bayswater station is the strongest form of **ethical and fair treatment of affected employees**, because it **prevents** the harm of job loss instead of merely compensating for it. Making redundancies **voluntary** rather than forced left the decision with the employee, and **retraining and other support** provided before the closure is **transition support** that helped those leaving move into other work — again beyond what the law compels. Giving notice of the retirement **more than seven years** in advance reflects **honest and open communication**: employees and the surrounding community could plan for the closure rather than learn of it late, which is precisely what concealing or delaying bad news denies them. Each of these measures also illustrates the central tension, since redeployment, retraining and voluntary packages **cost more in the short term** than closing the station as cheaply as possible, and must be weighed against **longer-term benefits** such as reputation and the trust and morale of the employees who remain. *(Analyse requires linking each action to the CSR consideration it reflects and to the beyond-the-legal-minimum test, not simply listing what the business did.)*

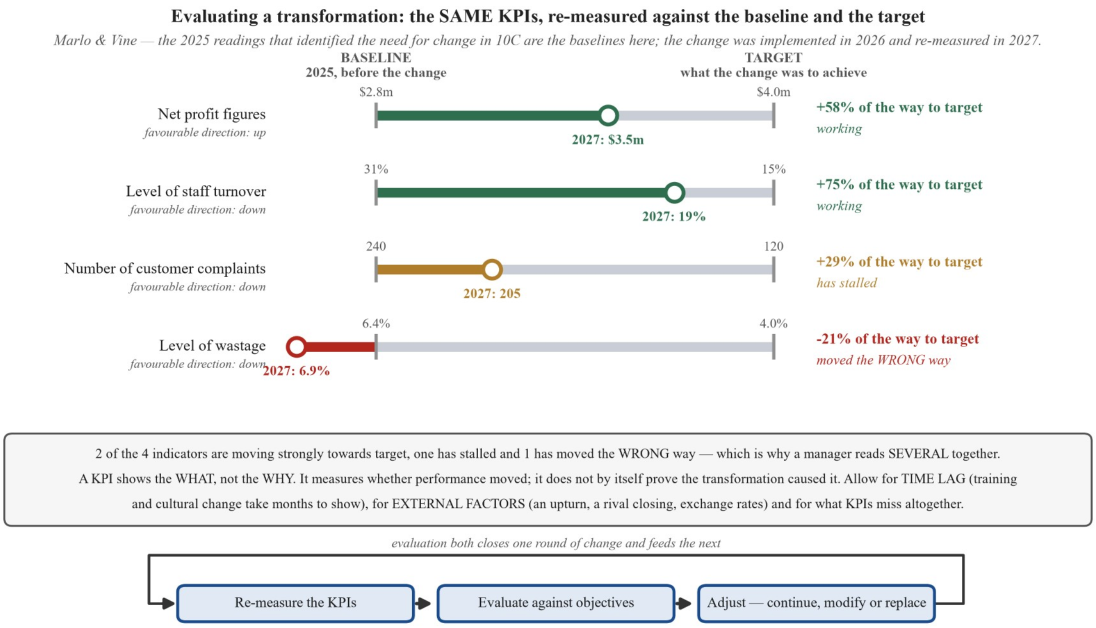
Chapter 16 Corporate social responsibility and evaluating transformation — 16B Reviewing key performance indicators to evaluate the effectiveness of business transformation

Theory

Once a business has implemented change — new technology, restructured operations, retrained staff, a new strategy — the manager needs to know whether the **transformation actually worked**. **Business transformation** is the overall process of significant change that repositions a business to better meet its objectives; **evaluating its effectiveness** means judging, against evidence, how far the transformation achieved what it set out to achieve. The most important source of that evidence is the business's **key performance indicators (KPIs)**.

The same KPIs, used a second time. In reviewing performance *before* a change (see 10C), a manager measures KPIs — net profit, percentage of market share, rate of productivity growth, number of sales, rates of staff absenteeism, level of staff turnover, level of wastage, number of customer complaints, number of website hits and number of workplace accidents — to diagnose underperformance and identify the **need for change**. To evaluate a transformation, the manager returns to those **same indicators** and re-measures them *after* the change has had time to take effect. The KPIs that revealed the problem become the yardstick for judging the solution.

Comparing before-and-after data. Evaluation works by **comparison**. The manager sets the KPI readings taken after the change against the **baseline** figures recorded before it, and against the **targets** the transformation was meant to reach. A movement in the *favourable* direction for that indicator — higher net profit, market share, productivity or sales; lower wastage, turnover, absenteeism, complaints or accidents — that brings the business towards its target is evidence the transformation is **working**. A KPI that has stalled, or moved the wrong way, is evidence that the change has **not** delivered and that the strategy may need rethinking. Because each KPI captures a different dimension of the business (financial, operational, human-resource, customer, safety), the manager reads **several together** to reach a balanced judgement rather than relying on one figure.



Reading an evaluation (the figure above). Marlo & Vine is the homewares business whose falling profit and rising staff turnover identified the **need** for change in 10C; those 2025 readings are the **baselines** here, and the same indicators have been re-measured in 2027, after a change implemented in 2026. Each indicator is judged as the distance travelled from baseline towards target. **Staff turnover** has fallen from 31% to 19% against a target of 15% — **75%** of the way, and clearly working. **Net profit** has recovered from $2.8 million to $3.5 million against a target of $4.0 million — **58%** of the way. **Customer complaints** have moved only from 240 to 205 against a target of 120 — **29%**, a stall worth investigating. And the **level of wastage** has risen from 6.4% to 6.9% when the target was 4.0% — it has moved the **wrong way** entirely. One transformation, four different verdicts: which is exactly why a manager reads the full set rather than the single most flattering figure, and why the strategy behind the two weaker indicators may need rethinking.

The review–evaluate–adjust loop. Reviewing KPIs to evaluate change is **not a one-off event**; it is a continuous cycle. Managers re-measure the KPIs, **evaluate** the results against the objectives, and then **adjust** — continuing and extending strategies that are working, and modifying or replacing those that are not — before measuring again. Business transformation is **ongoing**: markets, competitors and conditions keep shifting, so a business that has changed successfully must keep reviewing its indicators to stay positioned for the future. In this sense evaluation both closes one round of change and **feeds the next**.

Why evaluation matters. Reviewing KPIs after change is important because it:

- **confirms whether the objectives were met** — providing objective, measurable evidence rather than opinion about whether the transformation succeeded;
- **holds the strategy accountable** — showing whether the time, money and disruption of changing were justified by the results;
- **guides the next decision** — telling the manager whether to continue, expand, adjust or abandon a strategy; and
- **drives continuous improvement** — feeding lessons from one change into the next, so the business keeps refining how it operates.

Limitations of evaluating with KPIs. A KPI review is powerful but not infallible, and a good manager reads it critically:

- **Time lag.** KPIs often respond **slowly**. New equipment, training or a cultural change can take months or years to show in profit, productivity or turnover, so an early review may understate — or overstate — the transformation's true effect.
- **External factors.** KPIs move for reasons that have **nothing to do with the change** — an economic upturn, a competitor closing, a shift in exchange rates, seasonal demand. A favourable movement may be caused by these rather than by the transformation.
- **Attributing cause.** Because several things change at once, it is hard to **isolate** whether the transformation *caused* an improvement. A KPI shows *that* performance moved, not *why* — the movement is evidence to interpret, not proof of cause.
- **What KPIs miss.** Not everything a transformation achieves is captured by the prescribed indicators — improved reputation, staff goodwill or innovative capability may be real but hard to measure — so KPIs give only a partial picture.

Keep straight.

- **Analyse (before) vs evaluate (after).** In 10C, KPIs are used to *analyse current performance* and identify the **need** for change. Here the **same** KPIs are used *after* the change to **evaluate the effectiveness** of the transformation. A common exam error is to write about KPIs as a driving force that *initiates* change — but this key knowledge is about **judging change already made**.
- **A KPI shows the WHAT, not the WHY.** It measures whether performance improved; it does not, by itself, prove the transformation was the cause. Interpreting a review means reading the data *and* reasoning about cause, allowing for lag and outside factors.
- **Compare like with like.** Evaluation compares the **same** indicators before and after, against a **baseline and target** — a single after-the-change figure with nothing to compare it to is meaningless.
- **Read several KPIs, over time.** One favourable KPI does not prove success; a business may improve on one measure while deteriorating on another, so a sound evaluation weighs the full set and keeps re-measuring.

Contemporary example — JB Hi-Fi Limited, August 2025

JB Hi-Fi Limited is a consumer electronics and home appliance retailer listed on the ASX and headquartered in Victoria, trading across Australia and New Zealand.

On **2 September 2024** the group completed its acquisition of a 75% interest in e&s, a premium home appliance and bathroom retailer — a **business transformation** that moved JB Hi-Fi into a new product category. Its full-year results, released to the ASX on **11 August 2025**, then reported the indicators that change produced: for the period of ownership (2 September 2024 to 30 June 2025), e&s total sales rose **5.2% to $225.2 million** and comparable sales rose 4.2%, while EBIT was $4.2 million at a margin of 1.9%.

Because higher is the **favourable** direction for a sales indicator, that movement — measured against the **baseline** of the prior-year figures — is evidence the acquired business performed as intended. But it is evidence to interpret, not proof: the figures cover only about **ten months** of ownership, so **time lag** limits what so early a review can show, and retail sales also move with **external factors** such as consumer spending, making the effect hard to **attribute** to the change itself. The same announcement's July 2025 trading update reported e&s total sales growth of 1.0% with comparable sales growth of **−2.7%** — slower than over the period of ownership, and unfavourable on the comparable measure. Reading **several KPIs, over time**, is exactly what the review–evaluate–adjust cycle requires.

Source: JB Hi-Fi Limited, JB Hi-Fi Limited Full Year 2025 Results (ASX company announcement), 11 August 2025 — https://investors.jbhifi.com.au/announcements-and-trading-updates. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Northwind Timber, a furniture manufacturer, was losing money through high waste and low productivity. Twelve months ago it transformed its operations by introducing lean production techniques and retraining its machinists. The table shows selected KPIs before the change and now.

Key performance indicator	Before	After 12 months
Level of wastage	14%	8%
Rate of productivity growth	+1%	+5%
Net profit	$2.1m	$3.0m

Using the KPI data, explain whether the transformation has been effective.

Working	Comment
Wastage **fell** (14% → 8%): for wastage, lower is favourable, so this movement is favourable.	Read each KPI's direction against its favourable direction.
Productivity growth **rose** (+1% → +5%) and net profit **rose** ($2.1m → $3.0m): higher is favourable for both.	Do the same for the remaining indicators.
All three indicators moved **favourably** and are consistent with the aim of the change — less waste, more output, higher profit.	Compare the after-figures with the before baseline and the purpose of the change.
∴ measured against these KPIs the transformation has been **effective**, though the manager should keep reviewing to confirm the gains last.	Reach an evidence-based judgement and note the ongoing nature.

Example 2 — scaffolded

Seabright Cosmetics repositioned itself as a premium brand, rebranding its packaging and launching a new luxury range. Over the following year its number of sales rose from 40,000 to 52,000 units and its percentage of market share rose from 8% to 11%. During the same year, its largest competitor closed. Explain why the manager should be cautious in concluding that the transformation *alone* caused the improvement.

Working	Comment
Both KPIs moved favourably (sales 40,000 → 52,000; market share 8% → 11%).	Establish that the data looks positive first.
However, a **major competitor closed** during the same period — an **external factor**.	Identify an outside influence acting on the KPIs.

Working	Comment
Those customers had to buy elsewhere, so some of the rise in sales and share may be due to the competitor's exit rather than the rebrand.	Explain how the external factor could move the KPIs independently of the change.
The KPIs show performance improved (the WHAT) but not that the transformation caused it (the WHY), so crediting the gain solely to the change is unsafe.	Draw the attribution limitation.

Example 3 — unscaffolded

Explain the importance of reviewing key performance indicators after a business has implemented change.

After a change is implemented, reviewing KPIs gives the manager **objective, measurable evidence** of whether the transformation achieved its objectives, rather than relying on impressions. By re-measuring the **same indicators** used to identify the need for change and comparing them against the **before-change baseline** and the **targets** set, the manager can judge whether performance actually improved — for example, whether net profit rose or wastage fell as intended. This matters because it **holds the change accountable** (was the disruption and expense worthwhile?) and because it **informs the next decision**: strong results justify continuing or extending the strategy, while poor results signal that it should be adjusted or replaced. ∴ reviewing KPIs turns a transformation from an act of faith into an **evidence-based, self-correcting process**.

Example 4 — unscaffolded

Distinguish between using key performance indicators to identify the *need* for change and using them to *evaluate* the effectiveness of a business transformation.

Using KPIs to **identify the need for change** happens **before** a transformation: the manager measures indicators such as falling profit or rising customer complaints to **diagnose** underperformance and decide that change is required. Using KPIs to **evaluate effectiveness** happens **after** change has been implemented: the manager re-measures the **same** indicators to **judge** whether the transformation actually worked, comparing the new figures with the pre-change baseline. The two uses therefore differ in **timing** (before vs after the change) and **purpose** (diagnosing a problem vs judging a solution), even though they draw on the **same** set of KPIs. ∴ the same indicators serve first as a **trigger** for change and later as a **report card** on it.

Practice questions

Scaffolded

Q1. Explain what it means to review key performance indicators to *evaluate* the effectiveness of a business transformation.

Q2. Explain why a manager compares KPI data recorded **before** a change with data recorded **after** the change has been implemented.

Q3. A business implemented a change to reduce operating costs. Twelve months later its net profit had risen from $1.8m to $2.4m and its level of wastage had fallen from 15% to 9%. (a) State whether each KPI movement is favourable. (b) Explain what these movements suggest about the effectiveness of the transformation.

Q4. Identify **two** reasons why reviewing KPIs after implementing change is important to a business.

Q5. Explain why reviewing KPIs to evaluate a transformation is an **ongoing** process rather than a single, one-off task.

Q6. Explain **one** limitation of using KPIs to evaluate the effectiveness of a business transformation.

Unscaffolded

Q7. Identify **two** key performance indicators a business could review to evaluate the effectiveness of a transformation aimed at improving the management of its employees. *(2 marks)*

Q8. Describe how a manager uses key performance indicators to evaluate the effectiveness of a business transformation. *(3 marks)*

Q9. Explain the importance of reviewing key performance indicators to evaluate the effectiveness of a business transformation. *(4 marks)*

Q10. Distinguish between using key performance indicators to identify the *need* for change and using them to *evaluate* the effectiveness of a business transformation. *(4 marks)*

Q11. *Case study.* **Fernbrook Grocers**, a regional supermarket chain, was losing money and transformed its operations by installing self-checkout technology, redeploying staff and renegotiating supplier contracts to cut costs. The table shows selected KPIs before the change and 18 months after it.

Key performance indicator	Before	After 18 months
Net profit	$1.2m	$1.9m
Number of sales (per week)	22,000	24,500
Number of customer complaints (per month)	180	240
Level of staff turnover	18%	26%

(a) State whether each KPI movement is favourable or unfavourable. *(2 marks)*
(b) Using the data, evaluate the effectiveness of the transformation at Fernbrook Grocers. *(6 marks)*

Q12. A business's net profit rose in the year after it introduced new technology. Explain why this favourable movement does not, on its own, prove that the transformation caused the improvement. *(4 marks)*

Q13. Explain why there may be a **time lag** before the full effect of a transformation is visible in a business's KPIs. *(3 marks)*

Q14. Explain how the results of a KPI review could lead a manager to **adjust** the strategies used in a business transformation. *(4 marks)*

Q15. *Data interpretation.* After a clothing retailer introduced staff training and a new customer-service system, its number of customer complaints fell from 320 to 150 per month while its rate of staff turnover fell from 24% to 16%. Interpret what these KPIs suggest about the effectiveness of the transformation. *(3 marks)*

Q16. "If net profit rises in the year after a change, the transformation has been a success." Discuss. *(4 marks)*

Q17. Analyse the relationship between reviewing key performance indicators and the ongoing nature of business transformation. *(6 marks)*

Q18. Explain why a manager should review **several** KPIs, rather than a single indicator, when evaluating a business transformation. *(3 marks)*

Q19. *Extended response.* Evaluate the importance of reviewing key performance indicators to evaluate the effectiveness of a business transformation. In your answer, refer to how KPIs are used after change and to the limitations of relying on them. *(10 marks)*

Q20. *Contemporary example.* On 2 September 2024, JB Hi-Fi Limited completed its acquisition of a 75% interest in the premium appliance retailer e&s. In its full-year results released on 11 August 2025, the group reported that for the period of ownership e&s total sales rose 5.2% to $225.2 million, with EBIT of $4.2 million. Analyse what this KPI data does, and does not, tell a manager about the effectiveness of the transformation. *(6 marks)*

Answers

Q1. It means re-measuring the KPIs after a change and comparing them with the before-change figures and targets to judge, against evidence, whether the transformation achieved its objectives. **Q2.** The before-change data is the baseline; comparing it with the after-change data shows the direction and size of any movement, which is how the manager judges whether performance improved. **Q3.** (a) Both favourable (net profit rose; wastage fell). (b) Both KPIs moved the desired way and are consistent with the cost-reduction aim, so the evidence suggests the transformation has been effective (so far). **Q4.** Any two of: confirms whether objectives were met (evidence, not opinion); holds the strategy accountable; guides the next decision (continue/adjust/abandon); drives continuous improvement. **Q5.** Because conditions, competitors and markets keep changing and effects emerge over time, so managers must keep re-measuring, evaluating and adjusting — transformation is continuous, not finished after one review. **Q6.** Any one of: time lag; external factors; difficulty attributing cause; effects KPIs cannot measure. E.g. time lag — new technology or retrained staff take months to affect productivity or net profit, so a review taken too early understates the transformation's true effect. **Q7.** Any two of: level of staff turnover; rate of staff absenteeism; rate of productivity growth; number of workplace accidents. See solutions. **Q8.** Re-measure the same KPIs after the change; compare with the before-change baseline and targets; judge from favourable/unfavourable movements whether objectives were met. See solutions. **Q9.** Provides measurable evidence of whether objectives were met, holds the change accountable and guides the next decision. See solutions. **Q10.** Identify the need = before the change, to diagnose a problem; evaluate = after the change, to judge whether it worked — same KPIs, different timing and purpose. See solutions. **Q11.** (a) Net profit favourable; sales favourable; customer complaints unfavourable; staff turnover unfavourable. (b) Effective on its financial/cost aim (profit and sales up) but service and staff indicators worsened → only partially effective; adjust and keep reviewing. See solutions. **Q12.** Profit could have risen from external factors (economy, competitor, prices) or a lag; a KPI shows what moved, not why — correlation is not proof of cause. See solutions. **Q13.** New technology, training or culture change take time to take effect and show up in results, so an early review may not capture the full impact. See solutions. **Q14.** Unfavourable or stalled KPIs signal a strategy is not working → manager modifies, replaces or reinforces it; favourable KPIs justify continuing/extending. See solutions. **Q15.** Both KPIs fell (favourable); plausibly linked (better service and satisfaction) → evidence the transformation was effective on these measures; confirm over time. See solutions. **Q16.** Disagree overall — net profit is only one (financial) KPI; other areas may be worsening, and profit can rise for external/one-off reasons. See solutions. **Q17.** Reviewing KPIs produces the evidence that drives the next adjustment, which is itself further change to be reviewed — a continuous loop; conditions keep shifting so review never ends. See solutions. **Q18.** One KPI covers one dimension only; several read together give a fuller, more reliable judgement and reveal trade-offs. See solutions. **Q19.** Model response in solutions. **Q20.** Sales rose 5.2% to $225.2m — favourable against the prior-year baseline, so evidence the change performed as intended; but it is one dimension only, covers ~10 months (time lag) and cannot be attributed to the acquisition given external factors → an interim judgement, not a final verdict. See solutions.

Fully-worked solutions

Q7. To evaluate a transformation aimed at **improving the management of employees**, a business could review the **level of staff turnover** (a fall would suggest employees are more satisfied and staying) and the **rate of staff absenteeism** (a fall would suggest higher engagement). Other acceptable indicators include the **rate of productivity growth** and the **number of workplace accidents**.

Q8. To evaluate a transformation, a manager **re-measures the same KPIs** that were used to identify the need for change, once the change has had time to take effect. Each after-change figure is then **compared with the before-change baseline** and with the **target** the change was meant to reach. From the **direction and size** of each movement — favourable or unfavourable for that indicator — the manager judges whether the transformation has achieved its objectives, reading several KPIs together rather than relying on one.

Q9. Reviewing KPIs after a transformation is important because it provides **objective, measurable evidence** of whether the change met its objectives, instead of leaving the manager to guess. By comparing the same indicators before and after against a target, the manager can see whether performance genuinely improved — for example, whether wastage fell or profit rose as intended. This is important for **accountability**, showing whether the cost and disruption of changing were justified, and for **decision-making**, because the results tell the manager whether to **continue, extend, adjust or abandon** the strategy. In this way the review makes the transformation evidence-based and self-correcting rather than a one-off gamble.

Q10. Using KPIs to **identify the need for change** occurs **before** a transformation: the manager measures indicators — such as falling market share or rising customer complaints — to **diagnose** that the business is underperforming and that change is required. Using KPIs to **evaluate effectiveness** occurs **after** the change: the manager re-measures the **same** indicators and compares them with the pre-change baseline to **judge whether the transformation worked**. The two uses draw on the **same set of KPIs** but differ in **timing** (before vs after) and **purpose** (spotting a problem vs assessing the solution) — the indicators act first as a trigger for change and later as a report card on it.

Q11. (a) **Net profit** rose \$1.2m → \$1.9m (**favourable**); **number of sales** rose 22,000 → 24,500 per week (**favourable**); **number of customer complaints** rose 180 → 240 per month (**unfavourable** — lower is better); **level of staff turnover** rose 18% → 26% (**unfavourable** — lower is better). (b) The evidence is **mixed**, so the transformation has been only **partially effective**. Judged against its **primary aim** — cutting costs to restore profitability — it **succeeded**: net profit rose by around 58% and weekly sales rose, so the self-checkout technology and supplier renegotiation improved the financial position. **However**, two indicators moved **unfavourably**: customer complaints rose (self-service and fewer staff on the floor may have frustrated shoppers) and staff turnover rose sharply (redeployment appears to have unsettled employees). These deteriorating **customer** and **human-resource** KPIs are a warning that the cost savings may have come at the expense of service and staff, which could erode sales and profit in future. **On balance**, the transformation achieved its financial objective but is **not an unqualified success**: Fernbrook should **adjust** — for example, supporting redeployed staff and improving customer service — and keep reviewing the KPIs, remembering that 18 months is a short window and outside factors may also be at work. *(Full marks require: correct reading of the favourable and unfavourable movements; a two-sided evaluation across the different KPI dimensions; and a justified, evidence-based judgement — not a bare "advantages outweigh disadvantages".)*

Q12. A rise in net profit shows that performance improved, but a KPI records **what** happened, not **why**. The profit could have risen because of **external factors** unrelated to the new technology — a stronger economy, a competitor leaving the market, higher prices or seasonal demand — or the timing could be **coincidental**. It is also difficult to **isolate** the technology's effect when other things changed at the same time, and some of the improvement may reflect a **lag** from an earlier decision. Because the KPI shows a **relationship, not a proven cause**, the manager should treat the favourable movement as evidence to investigate, confirming the link (and reading other KPIs) before concluding the transformation was responsible.

Q13. A **time lag** arises because most changes do not produce their full effect immediately. New technology must be **installed and mastered**, retrained staff take time to become **proficient**, and a new culture or strategy takes time to **embed** before it influences output, costs or customer behaviour. As a result, KPIs such as productivity growth, net profit or staff turnover may show little change soon after implementation and only improve later. A review taken **too early** can therefore understate the transformation's true effect, which is why managers keep re-measuring over time rather than judging on one early reading.

Q14. A KPI review turns results into decisions. When indicators move **favourably** towards their targets, the manager has evidence the strategy is working and can **continue or extend** it. When indicators have **stalled or moved unfavourably**, the review signals that the transformation is not delivering, prompting the manager to **adjust** — for example, modifying the strategy, adding support or resources, or replacing it with a different approach — and then to re-measure. In this way the review does not simply grade the change but **feeds the next round** of it: the data guides whether the business reinforces, refines or abandons what it is doing, which is why evaluation and adjustment form a continuous loop.

Q15. Both KPIs moved in their **favourable** direction: customer complaints **fell** from 320 to 150 per month and staff turnover **fell** from 24% to 16%. The two movements are plausibly **linked** — better-trained staff and an improved customer-service system would lift the quality of service (reducing complaints) and improve job satisfaction (reducing turnover). Read together, they are evidence that the transformation has been **effective** on these customer and human-resource measures. However, because KPIs show *what* changed rather than *why*, and other factors could be involved, the manager should confirm the pattern holds over time and check other indicators before treating the change as a complete success.

Q16. The statement should be **largely rejected**. It is true that a rise in **net profit** is a favourable sign and evidence that the change may have helped the business financially. **However**, net profit is only **one KPI**, capturing the **financial** dimension alone. The transformation could have **worsened** other areas the figure does not reveal — customer complaints, staff turnover, wastage or workplace safety could all be deteriorating while profit rises. Net profit can also increase for reasons **unrelated** to the change, such as an economic upturn or a **one-off** event like selling an asset, which would mask underlying problems. Because a single indicator captures only part of performance, a sound evaluation reads **several KPIs together** over time; concluding "success" from profit alone is therefore unreliable. *(Note: to discuss well, weigh the point in favour and the points against without simply reversing the same point — avoid double-dipping.)*

Q17. Reviewing KPIs and the ongoing nature of business transformation are bound together in a **continuous cause-and-effect loop**. A review after a change produces **evidence** of how the business is performing; that evidence **drives the manager's next decision** — to continue, extend, adjust or abandon a strategy — and each of those decisions is itself a **further change**, whose effect must then be **measured by another review**. So reviewing does not end the transformation; it **feeds the next stage** of it. The relationship also runs the other way: because the business's environment keeps shifting — competitors, technology, customer expectations, the economy — its KPIs keep moving, so there is always something new to review, and the transformation can never truly be "finished". Reviewing KPIs is therefore both a **consequence** of change (measuring what a change achieved) and a **cause** of the next change (triggering the adjustment), which is exactly why business transformation is an ongoing, cyclical process rather than a single event. *(Analyse requires showing these causal relationships, not listing advantages and disadvantages.)*

Q18. Each KPI measures only **one dimension** of performance — financial, operational, human-resource, customer or safety — so a single indicator gives an incomplete and potentially misleading picture of a transformation. Reading **several KPIs together** lets the manager see whether the change improved the business **overall** or merely shifted a problem: profit might rise, for example, while customer complaints and staff turnover also rise, revealing a **trade-off** that one figure would hide. Multiple indicators also **cross-check** one another, reducing the risk of being misled by a single figure that moved for a one-off or external reason. Reviewing the full set therefore produces a **more reliable, balanced judgement** of how effective the transformation has been.

Q19. *Model response (10 marks).* Business transformation is the process of significant change a business undertakes to reposition itself and better meet its objectives. Once such change is implemented, reviewing **key performance indicators** — the same measurable criteria (net profit, market share, productivity growth, sales, absenteeism, staff turnover, wastage, customer complaints, website hits and workplace accidents) used to identify the need for change — is how a manager evaluates whether the transformation actually worked.

Reviewing KPIs is **important** for several reasons. First, it provides **objective, measurable evidence** of effectiveness: by comparing after-change figures with the **before-change baseline** and the **targets** set, the manager can judge whether performance genuinely improved — for instance, whether wastage fell or net profit rose as intended — rather than relying on impressions. Second, it delivers **accountability**, showing whether the cost, effort and disruption of changing were justified by the results. Third, it **guides the next decision**: strong results justify continuing or extending a strategy, while weak results signal that it should be **adjusted or abandoned**. Because transformation is **ongoing**, this review–evaluate–adjust cycle repeats, driving **continuous improvement** and keeping the business positioned for a changing environment. Reading **several KPIs together** across the financial, operational, human-resource, customer and safety dimensions makes the judgement more reliable and reveals trade-offs a single figure would hide.

However, the importance of KPI review must be **weighed against its limitations**. KPIs can lag — technology, training and cultural change take time to show in the figures, so an early review may mislead. They are affected by **external factors** such as the economy or a competitor's actions, and because many things change at once it is hard to **attribute** a movement to the transformation itself: a KPI reveals *what* changed, not *why*. Some outcomes, such as reputation or staff goodwill, are not captured by the prescribed indicators at all.

On balance, these limitations are reasons to review KPIs **carefully — using several indicators, over time, and interpreting cause rather than assuming it — not reasons to skip evaluation**. Without a KPI review a manager has no evidence-based way of knowing whether a costly transformation succeeded or whether further change is needed, leaving decisions to guesswork. Reviewing KPIs to evaluate the effectiveness of business transformation is therefore **essential**, provided its results are read critically rather than at face value. *(Full marks require: explaining how KPIs are used after change to evaluate effectiveness; the importance/benefits of doing so; the limitations; and a sustained, evidence-based judgement that weighs both sides.)*

Q20. The data gives the manager **genuine evidence** about the transformation. The acquisition completed on 2 September 2024 was a significant change, and the sales reported for the period of ownership — up 5.2% to $225.2 million — can be **compared with the prior-year baseline**. Because higher is the **favourable** direction for a sales indicator, that movement is evidence the acquired business performed in the direction intended, which is precisely how effectiveness is judged: re-measure the same indicator after the change, compare it with the baseline, and read the direction of movement.

However, what the data can tell the manager is **limited** in three ways. First, sales capture only the **financial** dimension; the same results reported EBIT of $4.2 million on a 1.9% margin, so **reading several KPIs together** — and adding operational, human-resource and customer indicators — would give a fuller picture than sales alone. Second, the figures cover only about **ten months** of ownership, so **time lag** means the benefits of integrating a business into a larger group had not yet had time to appear. Third, retail sales move with **external factors** such as consumer spending and interest rates, so growth cannot be **attributed** to the acquisition itself — the KPI shows *what* moved, not *why*.

∴ the data supports an **interim, evidence-based judgement** that the transformation is performing as intended, but not a final verdict — which is why the manager must keep re-measuring in the **review–evaluate–adjust cycle**. *(Analyse requires drawing out the causal links between the data and the judgement, and what weakens those links — not merely restating the figures.)*

Topic 5 Test A — Section A: short-answer and extended-answer questions

Reading time: 5 minutes. Writing time: 55 minutes. Total 40 marks. No calculator. Answer all questions in the spaces provided. Cumulative over Chapters 13–16.

Question 1 (9 marks)

Halvard Cookware is an Australian manufacturer of stainless-steel pots and pans. Over the past financial year its rate of productivity growth has fallen and its level of wastage has risen. Its newly appointed operations manager, Talia Brandt, has been asked to lead a transformation of the business.

a. Outline the importance of leadership in change management. 2 marks

b. Describe one management strategy Halvard could use to respond to the rising level of wastage. 3 marks

c. Explain how increased investment in technology could improve Halvard's rate of productivity growth. 4 marks

Question 2 (9 marks)

Sundial Textiles manufactures fabric for the fashion industry. It is replacing much of its manual cutting and dyeing with automated equipment, and chief executive Dominic Reyes expects some employees to resist the change. He wants to build a positive culture for change.

a. Explain how two principles of Senge's Learning Organisation could help Sundial create a positive culture for change. 4 marks

b. Distinguish between low-risk and high-risk strategies to overcome employee resistance to change. 3 marks

c. Propose one strategy Sundial could use to develop a positive corporate culture. 2 marks

Question 3 (6 marks)

Marrowfield Creamery, owned by Elena Sarkis, is installing a new automated bottling line that will change how most employees work. Elena intends to manage the transition using Lewin's Three-Step Change Model.

Evaluate the usefulness of Lewin's Three-Step Change Model for managing the change at Marrowfield Creamery.

Question 4 (6 marks)

Cloudpeak Outdoor designs hiking gear. To reduce costs, it is closing its Australian factory and shifting production to a contracted overseas manufacturer, while keeping its head office and design team in Australia. Manager Rhys Alderton is finalising the change.

a. Describe the effect of Cloudpeak Outdoor's decision to shift production overseas on two of its stakeholder groups, other than employees. 4 marks

b. Explain why corporate social responsibility considerations are important when a business implements a change such as this. 2 marks

Question 5 (10 marks)

"A business cannot know whether its transformation has succeeded unless it returns to the numbers it started with."

Analyse the importance of reviewing key performance indicators to evaluate the effectiveness of a business transformation. In your response, refer to:

- at least two key performance indicators;
- at least one management strategy used to implement change;
- at least one contemporary business case study from the past four years.

End of Topic 5 Test A

Topic 5 Test A — Solutions

Question 1.

(a) Leadership is the ability to influence and inspire others towards the achievement of goals. It is important in change management because a leader sets and clearly communicates a vision for the change, and motivates, guides and reassures employees through the uncertainty of the transformation, so that resistance is reduced and the change is more likely to be implemented successfully. *(2 marks: 1 for what leadership involves; 1 for why it matters specifically during change — vision, motivation or reducing resistance. Two developed points earn full marks.)*

(b) *One acceptable strategy — initiating lean production techniques (zero defects).* Halvard could initiate lean production, specifically the zero defects principle, which aims to produce each pot correctly the first time by empowering line workers to stop and fix a fault immediately rather than passing on a defective unit. Applied to Halvard, catching faults at the source means fewer pots are scrapped or reworked, directly reducing the level of wastage. *(3 marks: 1 to name a genuine Ch13B strategy, 2 to describe what it entails AND link it to reducing wastage. Also accept improving quality in production / Total Quality Management, waste minimisation through reduce–reuse–recycle, etc., correctly described and linked.)*

(c) Investing in technology such as an automated production line means machines carry out the cutting, pressing and finishing tasks that were previously done by hand. Because automated equipment works faster, more consistently and for longer hours than manual labour, Halvard can produce a greater quantity of pots from the same quantity of inputs and labour hours. Productivity growth measures output relative to inputs over time, so increasing output while holding inputs steady raises Halvard's rate of productivity growth. *(4 marks: identify a specific technology (1); explain the causal mechanism — faster/more consistent/greater output per input (2); link explicitly to the rate of productivity growth (1). "Explain how" requires the mechanism, not just the label.)*

Question 2.

(a) *Any two of Senge's five principles — systems thinking, personal mastery, mental models, shared vision, team learning.* Under **shared vision**, Dominic could work with employees to build a common picture of what Sundial is changing towards, so staff feel ownership of the automation rather than having it imposed, which fosters a culture that is open to change. Under **team learning**, employees would regularly share knowledge and solve problems together as they master the new equipment, so the workforce improves collectively and comes to treat learning and change as normal. *(4 marks: 2 per principle — name a genuine Senge principle (1) and explain how it helps create a positive culture for change at Sundial (1). Must be two different principles and must connect to culture for change, not merely define the principle.)*

(b) Low-risk strategies overcome resistance by working *with* employees — for example through communication, empowerment, support and incentives — so they are generally slower but preserve trust and morale. High-risk strategies overcome resistance by working *against* employees — for example through manipulation and threat — which can force a change through quickly but tend to damage trust, morale and the manager–employee relationship. The key difference is that low-risk strategies gain employees' genuine cooperation, whereas high-risk strategies coerce their compliance. *(3 marks: both categories addressed with an example of each and the point of difference stated. A one-sided response caps at 1–2 marks — "distinguish" requires both terms.)*

(c) *One acceptable strategy.* Sundial could develop a positive corporate culture by establishing shared rituals and recognition — for example, a monthly forum at which teams celebrate successful improvements and long-serving staff are formally acknowledged. This shapes the values and behaviours employees share day to day, signalling that collaboration and improvement are valued and strengthening the real culture of the business. *(2 marks: name a genuine culture-development strategy (1) and show what it would involve / how it shapes shared values (1). Also accept: managers modelling desired behaviours, involving staff in decisions, aligning symbols and policies with desired values, or reinforcing values through induction.)*

Question 3. Lewin's model breaks change into three steps — **unfreeze** (preparing employees by explaining why the current way must change and reducing their resistance), **change** (installing the new bottling line and supporting staff as they take on new roles), and **refreeze** (embedding the new methods as the standard, accepted way of working). A key strength for Elena is that the model provides a clear, staged framework: the unfreeze step forces her to build the case for change and address resistance *before* acting, reducing the risk of failure, while the refreeze step ensures the new line does not quietly lapse back into old habits once installed. However, the model has limitations. It treats change as a discrete, one-off event with a stable "refreeze", whereas Marrowfield operates in a competitive market where technology and customer demands keep shifting, so freezing practices too firmly could leave it inflexible; the model also gives little practical detail on *how* to unfreeze or refreeze. On balance, Lewin's model is a useful planning tool for a defined, one-off change such as installing the bottling line, because it structures the transition and stresses embedding, provided Elena treats "refreeze" as a stable-but-adaptable state rather than a permanent one. ∴ it is useful here so long as it is not applied rigidly. *(6 marks, marked globally: accurate outline of all three steps applied to Marrowfield; at least one developed strength and one developed limitation; a justified evaluative judgement. Common error to avoid — describing refreeze as "evaluating the change": refreeze means embedding and reinforcing the new practices.)*

Question 4.

(a) *Any two of owners, managers, customers, suppliers or the general community; employees are excluded by the question.* **General community** — the town in which the factory is located loses a major local employer, so local spending and employment fall and the community may suffer economically. **Suppliers** — the Australian firms that supplied the factory with fabric, buckles and packaging lose Cloudpeak's orders, because the contracted overseas manufacturer will source its own inputs; their sales fall and they may have to cut their own staff. *(4 marks: 2 per group — identify a genuine effect specific to that group (1) and develop/link it to this particular change (1). A response built on employees earns no marks for that group. Note that customers and the general community are distinct groups. Also accept owners/managers — lower production costs but a reputational risk — or customers, who may face cheaper gear but less control over quality.)*

(b) Corporate social responsibility (CSR) involves a business going beyond its legal obligations to act ethically and in the interests of society and the environment. It is important when implementing a change such as offshoring because the decision directly affects employees and communities; acting responsibly — for example by providing generous redundancy support, retraining or advance notice, and by ensuring the overseas manufacturer offers safe and fair labour conditions — protects Cloudpeak's reputation and its relationships with customers and the community, which supports the business's long-term success. *(2 marks: what CSR is / why it matters during change (1); a consequence or benefit of considering it, linked to implementing the change (1).)*

Question 5. *Model response (10 marks).* Reviewing key performance indicators (KPIs) after a change is essential because KPIs are the measurable data — such as percentage of market share, net profit figures, level of staff turnover, number of customer complaints and number of website hits — that reveal whether a transformation has genuinely improved performance rather than merely appearing to. Before implementing change, a manager records the baseline value of each relevant KPI; after the strategies have taken effect, the manager reviews the same KPIs and compares the new values with the old, and it is this comparison that exposes the *effect* of the change. Consider a business that implements the strategy of increased investment in technology, such as automating its distribution. Reviewing KPIs closes the loop: if the rate of productivity growth rises and the number of customer complaints falls after the automation, the manager can attribute the improvement to that strategy and judge the transformation effective; but if the level of staff turnover simultaneously spikes, the review exposes an unintended negative effect — perhaps resistance to the new technology — that the manager must then address. Because more than one KPI is reviewed, the manager sees the full picture: a rise in market share alongside a fall in net profit would show that the change won customers but was costly, prompting a further response. This causal chain — a management strategy alters operations, which moves the KPIs, which provides evidence for a judgement, which drives the next decision — is precisely why reviewing KPIs matters. A contemporary business studied this year (for example, an Australian retailer that automated its distribution centres within the past four years) set targets for productivity and order-accuracy KPIs, implemented the automation strategy, then reviewed those KPIs to confirm the efficiency gains and to decide whether to extend the rollout. Without reviewing KPIs, a business would implement strategies blindly — unable to prove the transformation worked, unable to identify which strategy drove which result, and unable to make an informed decision about what to do next. Reviewing KPIs therefore converts change from guesswork into an evidence-based cycle of continuous improvement. *(Marked globally. Full marks require: (i) treating KPIs as tools to evaluate change AFTER it is implemented — not as a driving force that initiates change, a common error; (ii) reference to at least two specific KPIs, respecting the plural; (iii) a genuine ANALYSIS showing the causal relationships between management strategies, movements in KPIs and management decisions — not a list of advantages and disadvantages; (iv) integration of at least one management strategy from Chapter 13B; and (v) sustained reference to a genuine contemporary case study from the past four years. A brief plan is recommended. Responses that only list KPIs, or that discuss KPIs as reasons to begin changing, are capped.)*

Topic 5 Test B — Case study

Reading time: 5 minutes. Writing time: 40 minutes. Total 30 marks. Answers must apply to the case study.

Case study

Tidewell Swim Schools operates learn-to-swim centres across regional Victoria and has been run since 2009 by chief executive Corinne Vasquez. Over the past two years, two app-based competitors have opened nearby and Tidewell's percentage of market share has fallen from 28% to 19%, while net profit has declined. Phone lines are frequently busy, customer complaints have climbed, and the level of staff turnover has risen sharply.

Corinne decides to transform the business. She invests in an online booking and app-based check-in system, redeploys three receptionists into a new "customer experience" team, and introduces fortnightly team-learning sessions at which instructors share teaching techniques. She offers instructors bonuses linked to lesson-retention targets, funds retraining on the new system, and closes Tidewell's least-used centre in order to consolidate operations. Before acting, Corinne holds staff forums to explain why the business must change and invites employees' feedback. Several long-serving instructors are uneasy, fearing the app will "replace the human touch". Twelve months later, Corinne reviews the results.

Key performance indicator	Before change	12 months after
Percentage of market share	19%	26%
Level of staff turnover	34%	21%
Number of customer complaints (per month)	45	18
Number of website hits (per month)	3,200	9,800

Question 1 (2 marks)

Describe one way Corinne's leadership contributed to the success of the change at Tidewell.

Question 2 (4 marks)

Interpret the changes shown in the key performance indicators in the table, and explain what they suggest about the success of Tidewell's transformation.

Question 3 (4 marks)

Describe how Corinne used investment in staff training as a management strategy to respond to Tidewell's key performance indicators.

Question 4 (4 marks)

Explain how Corinne applied Lewin's Three-Step Change Model when implementing the change at Tidewell.

Question 5 (4 marks)

Explain the effect of the change on two stakeholder groups of Tidewell Swim Schools.

Question 6 (6 marks)

Discuss the use of one low-risk strategy Corinne used to overcome employee resistance to the change.

Question 7 (6 marks)

Evaluate the extent to which Tidewell's transformation reflected corporate social responsibility considerations.

End of Topic 5 Test B

Topic 5 Test B — Solutions

Question 1. *One acceptable way.* Corinne gave Tidewell a clear direction: reading the falling market share, rising complaints and rising staff turnover as a signal that the business had to change, she settled on a coherent set of strategies — the online booking and app check-in system, the new customer-experience team, funded retraining and retention bonuses — and drove them through. This gave instructors who feared the app would "replace the human touch" a definite goal and a visible plan to work towards, so they moved with the change rather than against it, which contributed to the improvement in all four KPIs twelve months later. *(2 marks: identify a leadership behaviour evidenced in the case (1) and describe how it contributed to the success of the change (1). Also accept: explaining the reasons for the change at the staff forums; supporting staff through funded retraining; motivating instructors through retention bonuses. The answer must apply to the case study.)*

Question 2. All four indicators improved. Percentage of market share rose from 19% to 26% (up 7 percentage points); the level of staff turnover fell from 34% to 21%; monthly customer complaints fell from 45 to 18; and monthly website hits rose from 3,200 to 9,800 (roughly tripling). Interpreted together, these movements suggest the transformation was successful: the online booking system and new customer-experience team appear to have driven the surge in website hits and the sharp fall in complaints, winning back customers and lifting market share, while the retraining, team-learning sessions and retention bonuses appear to have improved job satisfaction and reduced staff turnover. The consistent improvement across several independent KPIs indicates the change achieved its objectives. *(4 marks: quote/reference at least two KPI figures from the table (1–2); explain what the movements MEAN for the transformation's success and link them causally to the changes made, rather than merely noting that the numbers "went up" (1–2). "Interpret" requires meaning drawn from the data, not just a restatement of it.)*

Question 3. Corinne funded retraining so that instructors and the new customer-experience team could confidently operate the online booking and app-based check-in system — for example, structured sessions teaching staff to manage digital bookings, troubleshoot the app and handle customer queries online. This investment in staff training responds to Tidewell's KPIs because competent, confident staff make fewer errors and resolve issues faster, reducing the number of customer complaints, while investing in employees' skills tends to lift morale and lower the level of staff turnover. *(4 marks: describe the training strategy in the context of Tidewell (2) and link it explicitly to at least one of Tidewell's KPIs it helps address (2). The answer must apply to the case study — naming the business is not enough.)*

Question 4. Corinne's actions map onto the three steps as follows. **Unfreeze** — she prepared staff for change by holding forums, before acting, that explained why Tidewell had to change (falling market share, rising complaints and turnover), loosening their attachment to the old phone-booking way of working and reducing resistance. **Change** — she implemented the transformation itself: the online booking and app check-in system, the redeployment of receptionists into the customer-experience team, and the new team-learning sessions, supporting staff as they adjusted to their new roles. **Refreeze** — she embedded the new ways as the standard by reinforcing them through the fortnightly team-learning sessions and the retention bonuses, so the app-based approach became "how things are done at Tidewell" rather than lapsing back to old habits. *(4 marks: correctly apply all three steps to Tidewell, with refreeze understood as embedding/reinforcing the new practices, not evaluating them. Using case detail — the staff forums as the unfreeze step — strengthens the response.)*

Question 5. *Any two of owners, managers, employees, customers, suppliers, general community.* **Employees** — the three receptionists are redeployed into the new customer-experience team rather than dismissed, so they keep their jobs but must learn new roles; however, staff at the closed centre may lose their positions, a negative effect on that group. **Customers** — swimmers and their families gain from easier online booking and app-based check-in and from shorter phone-line waits, so the change affects them positively through greater convenience. *(4 marks: 2 per group — a genuine effect specific to the group (1) and a link to the Tidewell change (1). Also accept the general community of the closed centre's town losing a local service/employer, or the app provider as a supplier gaining ongoing business.)*

Question 6. Corinne used **communication** as a low-risk strategy, holding staff forums to explain why the business must change and inviting employees' feedback. *Advantage:* open, two-way communication helps employees understand the reasons for the change and feel heard, which builds trust and reduces the resistance shown by the long-serving instructors who fear losing the "human touch"; staff who understand the "why" are more likely to cooperate, smoothing implementation and helping lower turnover. *Disadvantage:* communication is time-consuming and, on its own, may not overcome deep resistance — some instructors may continue to object even after being fully informed, and forums cannot guarantee genuine buy-in if staff sense the decision has already been made. *Overall,* communication is a sound first strategy for Tidewell because it preserves morale and trust, which is why Corinne sensibly reinforces it with support (retraining) and incentives (retention bonuses). *(6 marks: name the low-risk strategy and link it to the case (1–2); a developed advantage (2) and a developed disadvantage (2) — these must be genuinely different points, not one point reversed ("double-dipping"); a brief overall comment strengthens the answer. Application to Tidewell is required throughout.)*

Question 7. Corporate social responsibility (CSR) means acting beyond legal obligations in the interests of employees, the community and the environment. To a considerable extent, Tidewell's transformation reflected CSR: rather than dismissing the three receptionists whose roles were automated, Corinne redeployed them into a new team and funded retraining, protecting jobs and treating staff ethically, and involving employees through forums shows respect for those affected. However, CSR was not fully upheld: closing the least-used centre is likely to have cost some employees their jobs and removed a service from that local community, and there is no evidence Corinne offered those staff redundancy support or weighed the affected community's needs. On balance, the change was strongly socially responsible in how it treated the majority of employees, but the centre closure reveals a genuine gap; a fuller CSR approach would have paired the closure with support for the displaced staff and the community. ∴ Tidewell's transformation reflected CSR considerably, but not completely. *(6 marks, marked globally: identify what CSR means in the context of change (1); evidence that CSR was met — redeployment, retraining, consultation (up to 2); evidence of a CSR shortfall — the centre closure and its effect on staff/community (up to 2); a justified evaluative judgement about the EXTENT, grounded in the case (1). Avoid an unsupported "the positives outweigh the negatives" statement — an evaluation must add value and rest on evidence.)*