TOPIC 1

Assignment 2a: The Management of Business Organisations at Times of Crisis

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The Management of Business Organisations at Times of Crisis

Introduction

Organisational crisis is defined as an unpredictable event that can threaten an organisation's viability, which requires leaders of an organisation to take decisive action and make quick decisions (Kazemi, 2013). Specifically, Smith and Riley (2012) explain that every leader has different strategies in managing their organisational crisis depending on the types of crises and the levels of complexities. This essay aims to critically analyse organisational management at times of crisis, applying three major topics that were covered in this module – leadership, innovation and change, and business environment and internal culture – with three relevant examples. Firstly, the idea of transformational leadership as an appropriate leadership approach for dealing with organisational crisis will be discussed explicitly through comparisons with other leadership approaches. Secondly, the barriers that leaders might encounter when changing their organisations' systems in a crisis will be analysed in detailed. Thirdly, strategies that an organisation can undertake to improve its performance during a crisis will be critically discussed. Lastly, a conclusion will be presented.

Transformational Leadership

The roles of leaders are crucially important when organisations face a crisis. Morin (2016) states that the effectiveness of transformational leaders can enhance productivity of employees both during normal times and in times of crisis as they assist employees to stay positive. Transformational leadership is conceptualised as a leadership approach that demonstrates a set of behavioural characteristics – idealised influence, inspirational motivation, intellectual stimulation and individualised consideration – which motivates followers to contribute extraordinary efforts and attain desirable outcomes (Bass, 1985, cited in Dust *et al.*, 2014). Celik *et al.* (2016) affirm that transformational leaders focus on bringing about innovation and change; they create an inspiring vision, share ideas, develop relationships and provide meaning to diverse activities. In that manner, transformational leaders actively seek to alter personal values of followers, so that followers can transcend their self-interest to act for the good of an organisation (Zhang *et al.*, 2012).

Furthermore, transformational leaders have numerous advantages that differ to leaders with other leadership styles such as autocratic leadership and laissez-faire leadership. Autocratic leadership is a leadership approach that relies on punishment to influence employees and deters employees from developing their competences, thus producing high staff turnover and absenteeism (Khan *et al.*, 2015). It is interpreted that autocratic leadership might worsen organisational internal crisis as there is no engagement between leaders and staff. Conversely, transformational leaders would support and motivate their followers through a constant two-way communication that can lead to job satisfaction (Ahmad *et al.*, 2014). Laissez-faire is another leadership that is not applicable during a crisis, because leaders allow complete freedom to all employees and have no particular method in achieving goals (Anbazhagan and Kotur, 2014). It could be said that laissez-faire leaders are not concerned with value driven when leading their organisations. On the other hand, transformational leaders encourage their followers to continuously learn and develop (Jyoti and Dev, 2015). According to the situational model of leadership, autocratic leadership is linked to directing style where is used when followers have low readiness, less capability and lack confidence; laissez-faire leadership is related to entrusting style where is used when followers have high readiness and high confidence (Daft and Benson, 2016a, p.423). Therefore, it is argued that autocratic leadership and laissez-faire leadership should only be applied under certain circumstances, whereas transformational leadership is more flexible and could be applied in any situation.

Referring back to the advantages of transformational leadership, Renand (2015) asserts that transformational leaders encourage their followers to think creatively and involve them in decision making processes. Howard Schultz – the CEO of Starbucks – is an example of transformational leader who had successfully managed his organisation at times of crisis. Starbucks' operations was highly affected by the global economic crisis in 2008; customers decreased their spending and favoured more on inexpensive products, which led to a 28% decrease on Starbucks' profits in 2008 (Husain *et al.*, 2014). Additionally, customers started questioning whether Starbucks' coffees were worth the price since it was not seen as having any competitive advantage. However, Schultz was able to overcome his organisational crisis through an employee engagement project. Gallo (2013) reports that Shultz conducted a conference with 10,000 of Starbucks' managers in 2008 to discuss several solutions on the crisis. It could be contended that Schultz has promoted an environment that enables his employees to share new ideas, which is closely associated to a characteristic of transformational leadership. Starbucks has come up with technological innovations that differentiates itself from competitors since 2009, thus attracting more customers' awareness from then (Starbucks, 2017). As a result, Starbucks' financial performance was improved from a significant drop on sales in 2008 to a continuous growth on sales that has occurred since 2009 until present (Latif *et al.*, 2014). It could be concluded that transformational leaders can succeed in a crisis because of great teamwork and excellent innovation, which autocratic leadership and laissez-faire leadership do not demonstrate.

The Barriers of Organisational Change

Organisational change is understood as the process of shifting a current situation to a desired future state (Cawsey *et al.*, 2011). Organisations are required to adapt rapidly to meet the needs of changing environment at times of crisis. Belias and Koustelios (2014) emphasise that change is an unavoidable element of existence for organisations and is one of the most difficult leadership challenges. Voehl and Harrington (2016) substantiate that there has been an estimation of a 70% failure rate of leaders changing their organisations' systems. Companies that are not able to respond to changes are at risk of losing market share and key staff, endangering shareholders' agreement and possibly even causing bankruptcy (Rosenberg and Mosca, 2011). It is evident that business leaders face a number of barriers when attempting to change their organisations, especially during unstable situations.

Moreover, Johnson *et al.* (2011) highlight that barriers for business leaders to change emerge when organisations do not comprehend about new trends in their business environments, choose to persevere with what they do best and keep in line with their existing systems. The four phases of strategic drift model show that business environment keeps changing faster than organisations do, thus creating a barrier for business leaders to change (Zafirova, 2014). Nokia is one company example that was failed when dealt with its external business environment; it had reached a death phase of strategic drift model as it did not recognise the need for a transformational change in its strategic direction. Nokia was proven to have lack of urgency, whereby global smartphone firms were taking over market share with an entire ecosystem (Reeves and Deimler, 2011). Also, Nokia executives decided to not adapt its phones for the changing smartphone market as they were not willing to change (Robbins *et al.*, 2014). It then raised the idea of bounded rationally which had constrained Nokia from change.

In addition, most changes will face some levels of resistance when an executive and employees have different assessments and goals (Daft and Benson, 2016b, p.361). Stephen Elop – a former Nokia CEO – was seen as controversial as he did not build clear communication in decision making processes and was against company's culture, thus resulting in a protest from his employees (Khan *et al.*, 2017). It could be seen that changing an organisation's culture will become tough when a leader does not have charisma to instil trust among his staff. Johnson and Scholes' cultural web model identifies six interconnected components that are needed for managers to understand when intending to change organisations' cultures (Cacciattolo, 2014). Nevertheless, some cultures are very hard to change as they might have deep roots in an organisation over a long period of time in which employees have become accustomed. Another resistance to change that Nokia experienced was over reliance on its past successful business model; Nokia did not think Apple as a competitor until it was too late (Birkinshaw, 2013). Lewis and Grosser (2012) affirm that an organisation would face a loss of opportunities when is not able to adapt to situational needs. In Nokia's case, the organisation falls under cell 4 in the environmental uncertainty matrix where high need for sophisticated knowledge is required to sustain in a dynamic business environment. Overall, the barriers to change existed in relation to environment both within and outside organisations.

The Strategies for Improving Organisational Competitiveness

A strong organisational culture has a considerably positive relationship with good performance in management practices (Ehtesham *et al.*, 2011). Organisations could improve their competitiveness even at times of crisis, if they are able to promote an appropriate internal corporate culture. Shahzad *et al.* (2012) explain that the competitiveness of an organisation is determined by the degree to which the values of corporate culture are completely shared internally, achieving organisational competencies that are not easily imitated by competitors.

Research suggests that the appropriate fit between culture, strategy and environment is related to the four types of corporate culture (Daft and Benson, 2016c, p.87).

Furthermore, Unilever is one company example that concentrates on corporate culture as its core strategy. The consumer goods industry was facing a downturn in 2008 due to the recession; indeed, Unilever is one that was affected as its profits were down 17 percent at that time (The Economist, 2009). Nonetheless, the CEO of Unilever – Paul Polman – has impressively strengthened the core value of corporate culture. Unilever embodies commitments to its employees and customers, which is regarded to involvement culture. Specifically, Unilever launched the Sustainable Living Plan in 2009 that facilitates staff to do their best in meeting the demand of changing consumers' preferences (Confino, 2011). The employees of Unilever are encouraged to involve in the creation and production of environmentally friendly products. As a result, Unilever obtained its 50% of growth from sustainable living products and was ranked as LinkedIn top 3 most sought-after employer internationally in 2014 (Hardcastle, 2016). It is affirmed that the involvement culture not only boosts a company's performance during a crisis, but also retains talented employees. Therefore, corporate culture should be aligned with organisational strategy and external environment in order for organisations to be effective.

Moreover, Shadraconis (2013) suggests that an education through training is a foremost method that leaders should undertake for their organisations' improvements at times of crisis. A leader who is able to combine available resources and capabilities simultaneously is most likely to survive in a crisis (Jaques, 2012). As an illustration, Unilever has increased its training programs in a way to support its employees at all levels in understanding how their jobs fit in and how maximise their skills to react toward a crisis (Wartzman, 2015). One study finds that millennials workers are eager to contribute something that makes their employers feel proud of them and remain keen learners (PwC, 2011). In that way, tackling a problem with adequate skills and knowledge during a crisis could be an interesting challenge for millennials staff. This could provide an opportunity for organisations to grow as workers are more motivated. Hence, training is believed as an essential element for improving organisations' competitiveness in a crisis.

Another point to be highlighted is that organisations should partner with the right suppliers to achieve mutual value creation through beneficial long-term relationships (Tescari and Brito, 2016). Unilever has partnered with its key suppliers through Partner to Win programme to ensure limitless innovations and to give awards for suppliers who have made a sunstantial contribution (Unilever, 2012). Products' qualities would remain the same as there is a sense of loyalty and priority given by suppliers to their partner organisation. Thus, it is perceived that supplier partnership could be an appropriate strategy for organisations to progress even at times of crisis.

Conclusion

In conclusion, there are many factors that organisations should take into consideration at times of crisis. Leaders of organisations are required to demonstrate the characteristics of transformational leadership. Transformational business leaders have been observed as being effective in a crisis time; they motivate, support and engage with employees to obtain the best out of them for the benefit of a whole organisation. Notwithstanding, transformational business leaders might encounter barriers when they have to change their organisations' systems in a crisis. The barriers to change could come from both inside and outside an organisation. Lack of understanding toward external environment, different directions among executives and staff and close minded organisational culture are noted as several examples of resistance to change. After all, organisations could still improve their competitiveness during a crisis through organisational strategic alignment, staff trainings and relationships with suppliers.

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Assignment 2b: Reflection

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Reflection

This module has been so challenging for me, due to the fact that a high level of research and critical thinking skills are essentially required. Regarding the assignment 2a, I found it challenging at first because I could not fully understand on how to link the assignment questions with theoretical models from any three topics that were covered in this module. However, the feedback I received from the tutors was very helpful because then I knew what I was supposed to do for the assignment 2a. For example, the lecturers were giving me a range examples on how business organisations could still improve at times of crisis. These examples led me to think more critically and to do advanced research for the assignment 2a. In that way, I developed research and critical thinking skills which I believe are useful for the future workplace too. Additionally, the assignment 1b on the globalisation has made me concerned about the international business management. I shall improve the skills and knowledge I gained from this module by doing more research on global business practices, considering new perspectives I found toward the changing global business environments. Overall, I have been encouraged to maximise and improve my competences throughout this module.

<u>Appendix: The marked version of Assignment 1</u>

GLOBALISATION

Assignment 1a: Review of Two Articles on Globalisation

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Review of Two Articles on Globalisation

Bremmer (2014) highlights in article 1 that globalisation has commenced a distinct period defined as guarded globalisation and provides strategies on how to manage this phase. It is a trend where governments of developing countries favour local companies over multinational enterprises, which then encourages state capitalism. Mills (2009) emphasises in article 2 that globalisation has resulted in various advantages for the world development. Nonetheless, it leads to inequality both within and between countries and considers several factors.

Article 1 asserts that state capitalism is a globalisation shift that alters how the free market works in developing nations. It enables government to perform a major role in controlling the market through state-owned enterprises. On the other hand, article 2 argues that globalisation has resulted in more flexible government policies referring to financial openness such as deregulation of trading procedures across national borders, privatisation of state-run banks, and economic liberalisation. The mindset of politicians on how they perceive international trade can generate trading policy that either increases or decreases barriers for foreign firms entering emerging markets. A government's rules could determine the efficiency of the business sector (Harvey, 2012). It shows that government is one of key factors that shapes international business environment.

Moreover, article 1 states that guarded globalisation requires multinational enterprises to assess the strategic importance of their industries at home and in the countries they would like to enter before investing further. Conversely, article 2 discusses that global companies generally consider employment regulations and operational costs before expanding business abroad. In this way, multinational corporations seek to obtain resources such as capital, technology, and workers among country affiliates wherever it is most beneficial to do so (Daft and Marcic, 2015). Western enterprises usually pay lower-skilled staff with higher wages in developing nations; therefore, it decreases inequality in emerging countries. On the contrary, this condition increases inequality in advanced countries because global firms relocate their manufacturing sector to developing countries; thus, the demand and incomes for highly qualified staff are increased.

Finally, article 1 elaborates on a few business strategies in the new era of globalisation such as global outsourcing. Global outsourcing is a contractual agreement in which a client company hires separate companies that specialise in specific functions to perform tasks in the value chain on its behalf (Mohr *et al.*, 2011). It could be argued that outsourcing is a low-cost business strategy that improves the efficiency of allocating resources to create sustainable competitive advantage. By contrast, article 2 views market internationalisation as a result of applying those business strategies which implies the term of borderless world. One major concern of the borderless world is a growing number of migrant employees which promotes intense competition in labour markets.

In conclusion, article 1 and article 2 examine globalisation from diverse perspectives. Government regulations could directly affect how global firms should adjust their business practices. Subsequently, there are considerations that companies should take into account before expanding their businesses as to how their actions impact on inequality. Also, some explanations on international business strategy are presented along with a brief statement about a borderless world.

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Assignment 1b: The Effects of Globalisation on Business Schools

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The Effects of Globalisation on Business Schools

Introduction

Globalisation of management education appears to have become an essential circumstance for any business school. Khan (2015) affirms that business schools face numerous challenges as well as great opportunities in equipping their graduates with the knowledge and skills needed to succeed in working or doing businesses across countries and cultures. This essay aims to analyse globalisation in relation to business schools by linking the three articles given. Firstly, article 1 focuses on how guarded globalisation that rises state capitalism has provided new barriers for multinational corporations (Bremmer, 2014). Secondly, article 2 highlights interrelated structural shifts of globalisation that lead to inequality both within and between nations (Mills, 2009). Thirdly, article 3 details the impacts of globalisation on business education (Aggarwal, 2008). Also, theoretical frameworks and relevant examples will be used for a critical discussion. Finally, a conclusion will be presented.

The Internationalisation of Business Schools

The emergence of Information and Communication Technologies (ICTs) has been the major trend in globalisation, which is closely related to a perspective of global business schools. Article 2 explains diverse benefits of ICTs' development such as providing simpler financial transactions and easier access to international communication. Article 3 emphasises on how ICTs lead to global competition and alter the nature of work. In that case, ICTs can definitely provide an opportunity for a business school to collaborate with other business schools internationally as individuals have become more interconnected. A partnership is an international business strategy that could be undertaken at a low-cost, fast and with least risk (Daft and Benson, 2016a, p.146). International partnerships can assist business schools to develop an internationalised curriculum (Dixon *et al.*, 2013). As an example, the Bologna process has been used as one system in European Higher Education Area (EHEA). This education system encourages students to study abroad for completing their higher education in affiliated universities, thus attracting awareness toward multicultural business environment (Jurše and Mulej, 2011). With the advances in ICTs, the processes of registration for international students can be completed online without necessarily them visiting the intended universities (Shao *et al.*, 2013).

Furthermore, the internationalised curriculum concerns with a variety of cultures, economies, languages, and legal across borders as the key elements of students' learning related to globalisation (Bruner and Iannarelli, 2011). For instance, Kellogg School of Management enables students to incorporate a grounding international business programme with real-world research experience abroad (Starbird and Power, 2013). In that way, graduates would be able to understand possible challenges and opportunities for opening new ventures in specific countries. Referring back to international partnerships, business schools have now started facilitating their own students to take courses at another institution for a semester or more, meaning a large proportion of the student population could pursue studies in another country that means higher students' mobility (AACSB International, 2011). Also, international partnerships could help reducing inequality between countries by offering scholarships for students from affiliated campuses in developing countries to pursue further education in developed countries; graduates could then apply diverse skills obtained from their studies abroad when returning to their home countries. UKCES (2014) states that global labour market will progressively require specialisations across various fields and have a high demand for joint degrees such as business technology. Therefore, internationalisation of education would enhance qualities needed – business ethics, cross-cultural management and multilingual ability – for business graduates on a global scale.

However, business schools might face a challenge when investing their branches into other countries. Article 1 mentions guarded globalisation as an indicator that could impede multinational corporations from entering certain countries as some governments aim to protect local interests. Article 3 highlights that multinational corporations should follow regulations in host countries where they have their business operations. Many Western institutions have experienced significant faults in penetrating foreign markets due to cultural matters (Canals, 2011). Economic, Legal-Political and Sociocultural are the key broad elements that multinational corporations should take into consideration before entering a global market (Daft and Benson, 2016b, p.148). It could be argued that business schools should carefully choose host countries that have a global outlook, thus obtaining more international students (see Figure 1). It is recommended that a business school should regularly control operations of its branches overseas in a way to be aware of any changes in tax regulation for foreign educational institutions.

Figure 1

Rank	Place of Origin	Number of Students
1	China	328,547
2	India	165,918
3	Saudi Arabia	61,287
4	South Korea	61,007
5	Canada	26,973

(IIE, 2015)

The Role of Business Schools for Students Development

Regardless of the fact that a high percentage of international students contribute to the internationalisation of universities, international students could bring a challenge for universities (Doh and Pfeffermann, 2011). Specifically, business schools in English-speaking countries are required to accommodate their international students with academic English skills support. Bista and Foster (2016) assert that international students with a high degree of English competence tend to navigate a new educational environment with greater confidence and feelings of acculturation, leading to a high level of performance in academic classes. It could be implied that

English skills support is one opportunity which business schools should address to maintain their standard of education; thus, hiring proficient staff is crucially important.

Additionally, one survey reports that 60 percent of employers expressed dissatisfaction with job applicants who lack interpersonal skills (Hullinger, 2015). Article 2 views that workers with knowledge and skills based are high in demand. Article 3 asserts that business schools must equip their students with a set of skills in managing global business environment. Interpersonal skills – leadership, communication, teamwork and problem solving – are the competencies that will enable graduates to adjust and develop as the world of work remains change (Shuayto, 2013). Therefore, business schools should consider non-academic approaches to boost their graduates with interpersonal skills. As an instance, business schools can conduct a practical activity – business case study competition – involving both home and international students where they are given with cross-border case studies, critically analyse business issue within a group of multicultural backgrounds and present business decision one by one as a team (Dieck-Assad, 2013). Hence, it could be suggested that this method would result in attaining more globalised interpersonal skills.

Moreover, business schools encounter a matter in providing adequate resources (Phillips *et al.*, 2016). Some universities have offered online courses; students do not attend classes, but still obtain a fully accredited university degree (Dhar, 2013). Particularly, online courses could be a challenge for business schools as they are expected to redefine their teaching innovation while still delivering skills needed in a global workplace. Nevertheless, online courses give students more flexibility in their learning processes (Tomei, 2016). Business schools are recommended to use a hybrid model: lecturers upload all contents similarly with in-taught classes, provide a weekend face-to-face class and facilitate students with group discussion (Thormann and Zimmerman, 2012). Thus, business schools could still utilise their existing resources for developing students' skills online.

Conclusion

In conclusion, globalisation has transformed the way business schools educate their future graduates. Article 1 demonstrates how governments act in different countries to intervene multinational businesses. Article 2 explains how ICTs affect global business operations and how job skills could be very competitive in a global extent. In summary, the results of globalisation cited in article 1 and article 2 are connected to article 3; business schools should equip their students with the skills needed for handling changes in a global business setting. Therefore, business schools need to modify their education system. The education system can be improved through providing study abroad and student exchange programmes, English skills support for international students, non-academic activities as well as online courses. By doing so, business schools would be able to internationalise themselves while simultaneously preparing their future graduates with more diverse skills to succeed in a global job market and a multicultural business environment.

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