01-09-14 HD 39087

Appendix A: ASSIGNMENT COVER SHEET

REGENT Business School

71%

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I hereby confirm that the assignment submitted herein is my own original work.

Signature of Student:.. ....Date:...1 September...2014...............................

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QUESTION 1

1.1

Organic growth is the type of growth which is achieved through companies own activities. This is achieved through the company's internal own management efficiency. Whereas the inorganic growth is the type of growth that is achieved through mergers, acquisitions and takeovers. In this type of growth the company acquires a technology of another company in order to enhance its competitive advantage and growth rate (Rao, 2010: 82-83).

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Simply put the organic growth is when the business decides to expand with the help of the business' core-competencies sales, whilst the inorganic growth the expansion is achieved through mergers and acquisitions (M&A). Organic growth is referred to as the internal growth whereas the inorganic growth is referred to as the external growth (Rao, 2010: 82-83).

In organic growth the business choose to build their in-house competencies, invest to create competitive advantage, differentiate and innovate in the product or service line. Whilst on the other hand on inorganic growth companies choose to leverage upon the market, revenue and products of other companies (Rao, 2010: 83).

An example of a company pursing organic growth is apple by developing its trend setting products like i-pods. On the other hand an example of inorganic growth is google through the acquisition of WhatsApp.

1.2

According to Kotler and Keller (2012: 256) niche market is a narrowly defined group of customers seeking a distinctive mix of benefits within a segment. Niche market is usually identified by dividing a segment into sub segments. Usually a niche market is willing to pay a premium price to the firm that best suffices its needs.

One of the characteristics of the niche market is their small size but with high profitability as the customers are not intermediated by the price they pay. An example of the niche markets within the automotive industry is the segment that does not mind to pay for cars like Ferrari sport cars.

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1.3

According to Ansoff's product/market matrix the business attempts to grow organically depending whether it uses new or existing products in new or existing markets as shown in figure 1 below (Whalley, 2010:63). Kotler and Keller (2012: 256) defines these processes as market penetration, market development, product development and diversification.

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Figure 1: Ansoff's Matrix

According to Kotler and Keller (2012: 65) market penetration strategy is exercised when the company considers to gain more market share with its current products in their current markets through greater marketing efforts. This strategy is widely used alone and in combination with other strategies.

This strategy includes increasing the number of salesperson, increasing advertising expenditures, offering extensive sales promotion items or increasing publicity efforts (David, 2005: 167). Market penetration strategy can be more effective when current markets are not saturated with a particular product or service. Secondly when the rate of usage to present customers can be increased significantly.

Thirdly it can be implemented when the market shares of major competitors have been declining while total industry sales have been increasing (David, 2005: 167). It is also applicable when increased economies of scale provide major competitive advantages. Lastly it is applicable when correlation between rand sales and sales marketing expenditures historically has been high.

In mature markets the companies engage in market penetration use advertising in order to influence customer's brand choice and increase their reputation (David, 2005: 167). This way of advertising helps the company to attract more customers thereby taking the customers away from the competitor thereby increasing their market share (Hill and Jones, 2009: 209-210).

For example if Sasol chemicals considers to sell more of its petrol to Gauteng motorists which it is currently selling. Market development strategy is when company decides to sell its current products in a new market, i.e. geographic markets that it has never participated before (Kotler and Keller, 2012: 65). For IMI when they acquired an entity in Brazil presented a market development as they were expanding in the developing markets.

This strategy is reliant upon the company using its strong brand name it has developed in the current market to compete in the new market. When King Burger decided to come and open its stores in the South African hamburger market this was a market development strategy as it participated outside its traditional market.

According to David (2005:168) market development strategy can effective when there are available reliable, inexpensive and good quality new distribution channels. When a company is very strong and successful at what it does. Thirdly when there are available new untapped or unsaturated market. This in more applicable when the developed companies from developed economies seek to expand in the less developed and growth economies like Africa and South America.

Market development is also applicable when an entity's basic industry is becoming rapidly global in scope (David, 2005: 168). Most entities that have excess production capacity in their home countries usually follow this strategy. Lastly when the entity has the available capital and human resources to manage expanded operations.

Kotler and Keller (2012: 65) states that product development strategy is when a company develops new products of potential interests to its current markets. The new products can replace the existing products. Product development strategy is vital in maintaining product differentiation and building market share. Most companies use this strategy to fine tune and improve their business model (Hill et al., 2009: 210).

David (2005:1680) states this strategy involves improving and refining the products through intensive research and development. According to Hill et al. (2009:210) this kind of strategy can be as vicious as a price war as it is costly and can contribute to the increasing cost structure dramatically. For example if Regent Business School (RBS) would develop a Doctor of Business Administration (DBA) targeting the current MBA students and those that have completed their MBA degrees this would be a product development initiative.

According to David (2005: 168 -169) the following are conducive to implement the product development strategy:

- When an organization competes in a high growth industry
- Secondly when an organisation has especially strong research and development capabilities.
- When major competitors offer better quality products at comparable prices
- When an organization competes in an industry that is characterised by rapid technological developments

- When the organization has successful products that are in the maturity stage of the product life cycle

Lastly diversification strategy is when an organisation develops new products for new markets. That is the organisation has never participated in this market before and the products are totally new to the organisation. This strategy makes sense when there are good opportunities exists outside the current market. The company must have a right mix of business strengths to succeed (Kotler and Keller, 2012: 66).

It is important that the industry that the organisation is looking at must be highly attractive and promise high returns. An example diversification would be Sasol chemicals deciding to enter the property market, i.e. have their own property portfolio. (Kotler and Keller, 2012: 67). Diversification strategy involves three type of strategies which are concentric, horizontal and conglomerate (David, 2005: 169).

Concentric diversification is an entity adds new but related products or services. An example of this strategy would be when an automotive manufacturer like BMW acquire a tire manufacturing company. This strategy is related when a company competes in a slow growth industry. It is also relevant when new but related products could be offered at highly competitive prices. Also when the sales can be enhanced by adding new but related products (David, 2005: 171).

When a company adds new but unrelated products for the present customers, it is engage in horizontal diversification. This is mostly adopted when an organization competes in a highly competitive and no growth industry. Conglomerate diversification is when a company is adding new unrelated products to the new customers. This strategy is mostly exercised when the company's present products are saturated.

This strategy is also applicable when the company's basic industry is experiencing declining annual sales and profits. It is also applicable when the company has the opportunity to purchase an unrelated business that is an attractive investment opportunity. Lastly when there exists financial synergy between the acquired and the acquiring firm (David, 2005: 171).

As for IMI, organic growth has been achieved through innovation, new product development, and market development by seeking opportunities in a variety of emerging markets. Organic growth through innovative products at IMI has been achieved by focusing investment in new product development, as well as sales and increasing exposure to the higher growth emerging markets.

As it is mentioned in the case study their Severe Service division experienced growth in emerging economies such as Argentina. According to Hill and Jones (2009: 91) innovation refers to the act of creating new products and resources. Through innovation, IMIs' Pan American Energy eliminated high vibration and poor fluid control in its water injection control valves and pumps.

This resulted in the mitigation of expensive shutdowns and maintenance costs. With regards to new product development IMI developed an environmental friendly solar electricity using steam powered turbines that can supply up to 200 000 people. IMI also engineered valves to control the flow of steam, thereby eliminating the emission of greenhouse gases and improve efficiency. The Beverage Disperse division engineered a premium juice dispensing unit for McDonalds.

1.4

Generally the benefits of acquisitions are the reduction of competition as the company being acquired would have been competing with the acquiring company. Through acquisition the acquiring company acquires new products / services in the acquired company thereby allowing the acquiring company participate in new

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markets. It also provides the acquiring company with the global reach, i.e. access to new customer base and new geographic locations (Rao, 2010: 85).

According to Rao (2010: 85) new marketing channels are established through acquisitions. The economies of scale are achieved over a period of time. The time to market is reduced tremendously which gives the acquiring a significant competitive advantage. Acquisitions ensure management accountability and easy growth opportunities. Acquisition is also advantageous in making better use of the existing sales force. Through acquisitions the resources are able to move from one activity to the other. Take overs are avoid gestation periods and problems involved in new projects. They provide chance of survival and alternatives to the disinvestment strategy.

Lastly the acquisitions result in a fresh breath of management skills which gives (Rao, 2010: 86-87). Acquisitions are a good way to enter the markets or industries that are protected by high barriers to entry. They are less risky than internal new ventures primarily because they involve less commercial uncertainty (Hill et al., 2009: 355).

For IMI the benefits of acquisitions are the strengthening of the market share as IMI normally acquire companies that are leaders in their respective fields and those that are complementary to its existing business. When IMI acquired Zimmermann & Jansen in 2010 and Remosa in 2012, this action put them as the leader in custom engineered valve and control solutions for critical in plant processes.

As these companies operated in power and generation and oil & gas industries, this allowed Remosa a strong competitive advantage. IMI acquisition of InterAtiva in 2012 enabled them to establish customer relationship in Brazil thereby increasing its customer base and presence in this emerging market

The drawbacks of acquisitions

One common drawback of acquisitions is the neglecting of the interests of the minority shareholders. Acquisitions are detrimental to society and the industry as they result in monopoly and concentration of economic power. They do not create any real assets to the society. More often the professionalization of management is replaced by money power (Rao, 2010: 87).

According to Hill et al. (2009: 355) acquisition fail to add value for the acquiring company and often end up dissipating value. They destroy the value in the sense that companies often experience difficulties when trying to integrate different organizational structures and cultures. Secondly companies overestimate the potential economic benefits from an acquisition. In most cases acquisitions tend to be expensive and lastly companies do not tend to screen their acquisition targets carefully (Hill et al., 2009: 356 – 356).

1.5

The effectiveness of the growth strategy is evaluated through the companies growing profits, revenue and assets. For IMI their growth strategy was effective as it satisfied the major efficiency measures of effective growth which are growing strategy, revenue and assets. It is mentioned on the case study that their annual results showed a 3% (up to £2.19 million) growth in revenue in 2012.

It is also stated that Remosa and InterAtiva acquisitions boosted revenue up to 20%. Their results also showed a strong growth in emerging markets with up to 14% organic growth. IMI acquisition of InterAtiva in 2012 enabled them to establish customer relationship in Brazil thereby increasing its customer base and presence in this emerging market

1.6

When you grow on your own it is easier to control the growth to the level that you require. This is based on the fact that you know the breath of your company. Unlike in an inorganic growth where the newly expanded company might be difficult to control. The management of a newly formed company might be difficult to control. In an inorganic growth, the direction might be changing from your original strategy meaning that there is a new learning curve (Galbraith and Kathes, 2007: 173-174).

It is always difficulty in an inorganic growth to integrate different organizational structures and cultures. Setting up a management structure after the acquisition can be proved to be cumbersome and very politically and this process alone could consume a lot of time and divert the focus of the management thereby delaying the objectives of the newly merged company (Galbraith and Kathes, 2007: 175).

Whilst on the other hand growing internally is much easier as the employees knows the culture and might be part and parcel of the growth strategy whether being innovative growth strategy or product development strategy or the market development strategy.

Galbraith and Kathes (2007: 178) state that growing through external growth might not fit easily to the current business model and might even cannibalise the existing products or markets. With organic growth the company's management is able to share the same or common vision and being able to deliver that common vision. Customers that grow through organic growth are able to measure their success on financial metrics.

In addition to this they are able to measure their success through customer satisfaction metrics, product quality metrics, logistics and supply chain metrics. Through organic growth companies are able to exercise discipline and focus on growth strategies. Organizational efficiency is part of the core fundamentals of the business which enables the company to unique value propositions (Anonymous, 2014: 1-2).

It worth note taking that both forms of strategies offer benefits and draw backs in their own way. It is imperative therefore that the company engage in an organic growth only in those areas that it does them best. Whilst the company must use inorganic in those areas that it expertise and competitive advantage (Anonymous, 2014: 3)

QUESTION 2

Patterson (2010: 40) describes the bureaucratic process in an organization as the process that is designed to process large amounts of work quickly and efficiently. According to Patterson (2010: 40) this process works best when there are no problems and exceptions to the process. The process accomplishes efficiency and speed by analysing tasks, establishing responsibilities, defining jobs and creating workflows that quickly move through the organisation.

According to the bureaucratic process the work must be performed in the same way all the times without any variables. Any exceptions to the normal process create hiccups in the system and further reduces the productivity of the organisation. This process is highly rational, has no flexibility at all, highly standardized, authority driven and lack personal interaction. The model is highly regarded for processing work for large and complex entities (Patterson, 2010: 40).

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Characteristics of Bureaucracy

Specialization through a systematic division of labour with clear job definitions and individual authority limited to the sphere of work responsibilities. Hierarchical structure with each lower office under the control and supervision of a higher office. Coordination and control through rules and standard operating procedures. Standardization employment rules and norms (Grant, 2011: 180).

Separation of management and ownership. Separation of jobs and people where the organization is defined by positions and their associated responsibilities and authority not buy individuals there is no ownership of the position by the individual. Rational legal authority based on belief in the legality of enacted rules and the right of those elevated to authority under such rules to issue commands (Grant, 2011: 180).

Formalization in writing of administrative acts, decisions and rules (Grant, 2011: 180). It attempts to minimize most of the traits that characterises human beings and their interactions, i.e. creativity, personality, variations and emotion.

Good Process

According to Thompson, Peteraf Gamble and Strickland (2012: 393) a well-designed organizational structure is one in which the various parts (e.g., decision-making rights, communication patterns) are aligned with one another and also matched to the requirements of the strategy.

In a good process people are free to innovate, they are empowered, the structure is fluid and chaotic although there is a line of control. Unlike in bureaucracy where the process is ridged and people are not allowed to be proactive, in this system people are required or forced to follow a protocol, it is like military, there is a standard way of doing things and people are expected to follow this.

Strategy Implementation

The nature of the organizational strategy influences the nature and the choice of structure. It is imperative that the organizational structure must influence and support its strategy if the desired results are to be achieved. For example if the strategy is stability oriented then the choice of structure should be based on the premise that there is going to be little significant change occurring within the organization (Shermerhorn, 2006:245 – 246).

This also means that the operations and plans can be programmed and implemented routinely. To best support this strategic structure approach, the organization's structure must be well defined and predictable. On the other hand when strategy is growth oriented the situation as a whole becomes more complex, fluid and uncertain (Shermerhorn, 2006:245 – 246).

In this case the operations objectives would include the needs for innovation and flexible responses to changing competition in the environment. Operations and plans are more likely to consider change over time. In the scenario the most likely structure is one that can facilitate and support inevitable modifications. The structure then would require more decentralization as found in the adaptive organizations using more organic design alternatives (Shermerhorn, 2006:245 – 246).

According to David (2005: 250) the reason why strategy implementation depends on the structure is that structure dictates how resource will be allocated. For example if the organization structure is based on customer groups, then resources will be allocated in that manner.

CONCLUSION

A key aspect of an organisation's configuration is the ability to integrate the knowledge and activities of different parts of an organisation (both horizontally and vertically) and with other organisations particularly within the value chain. Structures and processes are an important part of this, however, there are basic issues too around how both internal and external relationships are built and maintained, especially in ways that are fluid enough to respond to an uncertain environment.

QUESTION 3

Johnson, Scholes and Whittington (2010:9) assert that strategy determines the direction and scope of an organization over the long term, and they say that it should determine how resources should be configured to meet the needs of markets and stakeholders. On the other hand Cuccureddu (2014: 2) defines strategy as a crafted, designed response to a specific and important challenge.

This core challenge is forever unique to each situation and every situation which makes it difficult that it can be super imposed from one scenario to the other. That is why companies need to realise that strategy changes over time, as the business changes over time and the strategy that worked 2 years back might be totally irrelevant to the present situations or to the company's customers or even to the company itself (Cuccureddu, 2014: 3).

Hence the company from time to time they need to get the insights of the industry in which they are operating. According to Lynch (2000: 25) the first core element and the first phase of strategy is the strategy analysis. During strategy analysis the company conducts extensive an analysis of the environment through research. This analysis involves analysis of the resources available inside the organisation.

This goes to say that a good strategy is based on an insight which according to Anonymous 2, (2009: 1) is a thought, fact, combination of facts, data and/or analysis of data that induces meaning and furthers understanding of a situation or issue that has the potential of benefiting the business or re-directing the thinking about that situation or issue which then in turn has the potential of benefiting the business.

Through an insight-based strategy; an organization is able to adapt and execute its planning, human resources, communication, propositions, KPI's and marketing goals that fit the organization. This in turn creates a better output that leads to cost-efficiencies as the right things are done the right way and the evidence/facts support the effectiveness and relevancy of strategic programs (Cuccureddu, 2014:2). By incorporating insights into a company's starting position with an outlook on the future, the company is abler to develop and explore alternative ways to succeed. This also gives the company a room to ultimately decide on which alternatives to pursue. With the strategy selected, the company needs to create an action plan and reallocate resources to deliver it.

An insight based strategy also leads the company to an increased competitiveness and addictiveness to the ever changing environment. The better understanding of both the method and how optimize the strategy-creation, most entities are able to increase the odds that the strategies they create will outdo the competitors (Bradley and Dawson, 2013:2).

Imagination can be defined as the process by which one produces visions or images of something not present to human senses and that has never been perceived in reality before (Gasior-Niemiec, Kuklinski and Lamentowics, 2008:78). These visions stimulates new solutions to the problems that one might want to solve. During strategy making, imagination can be extremely advantageous as it helps to identify hidden assets of an organization's own and hidden weakness of their competitors.

According to Gilbert (2010: 27) believes that strategy making requires imagination and originality to think beyond existing products and markets. He further asserts that focusing on skills and competence creation could be less effective in certain environments and that inclusion of creative and challenging forms of imagination can prove to be a winner.

As demonstrated above, creating strategy should not be a rigid, box-checking exercise. It is a journey that begins with gaining insights that can be shaped into good strategies using imagination and of course carrying out the strategy. This then involves formulating and then implementing strategies (Parnell, 2005: 3).

As the prime aim in implementing strategy is to deliver the mission and objective of the organization this means that resources will have to be allocated to support this task as new product lines must be developed and reorganization be allowed to occur and attempts at cultural change must be made if necessary (Kiefer and Constable, 2013:140).

Successful implementation of strategy involves communicating the strategies to all key decision- making managers, developing and communicating planning premises. It is paramount for the executives to ensure that the company is prepared and willing to act on a strategy once it is adopted because if implementation is allowed to drag then one may find that the process consists of hurried efforts that skip one or more of the essentials resulting in flawed strategies (Weihrich and Koontz, 2002: 183-185).

It is imperative then to understand strategy is a combination of the research process supported by the figures, facts and opinions. This research process is also based on thoughts and imaginations which inspire creativity and propels innovation. That is why in most organisations that there are very few people that involved in crafting the strategy.

This is done in order to minimise vast differing thoughts that could delay even the very same process of strategy development. Without the willingness and the drive to implement the strategy even the very brilliant developed strategy is meaningless. Hence the top management of the organisation must be proactive and occupy the front row during implementation.

Extensive communication and buy in is very critical during implementation otherwise the strategy can fail even before it takes off.

QUESTION 4

Organizational diagnosis is define as a collaborative and continuous process that collects the data about the total system and sub-system, culture and other targets of interest. The Organizational Diagnosis practitioner collects relevant information, organise it, and feed this data back to the client system in such a way as to build commitment, energy and direction for action planning (Jones and Brazzel, 2006:193).

It seeks ways to bridge the gaps between what has gone wrong and what needs to be achieved in the future It seeks to analyse the challenges within an organisation and learning new patterns of behaviour. The diagnosis can focus on the overall issues facing the organization or on specific aspects such as organizational culture or on even diversity (Finney, 2008: 64).

Organizational Diagnosis is often the first step taken in a broader organizational change attempt. It can be considered as a special branch of organizational research leading to a set of statements about design options and recommendations for change. Organizational Diagnosis gives managers useful information that represents a basis for informed and competent decision-making and organizational development and change.

Diagnosis can provide feedback to organizational members and have a critical role in assessing employee's attitudes, training needs, and motivating organizational members so that they constitute an important research tool in developing and maintaining effective organizations.

This process can also foster and increase connectivity between different stakeholders so that diverse views within an organization be brought to the surface and meaningful dialogues can begin to unfold (Jones and Brazzel, 2006:193).

This process can also help to equalise imbalances in power and help contain people's uneasiness about change. It is most helpful for determining ways to change the culture, as it can point out which units to target the change to. The results of such a diagnosis usually lead to a statement about the functioning of the organization. Recommendations meant to improve organizational effectiveness and efficiency are also drawn from such a diagnosis (Cameron and Quinn, 2011:35).

CONCLUSION

It is imperative that the organisation from time to time evaluates itself, especially its strategy in order to determine whether the strategy is still relevant to the organisation. Secondly organisational diagnosis will help the organisation to determine whether it is still relevant to the industry and the markets it serves.

Without diagnosis the organisation will never understand its strength and weaknesses and realise its opportunities and threats in the market it operates. Careful diagnosis will help the organisation to careful craft its plans and strategies so that it can remain relevant to the market.

QUESTION 5

5.1

Ritson (2013: 74) defines change management as the systematic approach which involves the application of knowledge, resources and tools to deal with the change. It is a coordinated structured period of transition from one scenario to another scenario which must be lasting for an organization. Change management is employed depending on how much risk would be associated with not doing so.

Sometimes when a lot of resistance is expected to a change and that would disturb the company operations if the change is unmanaged. Resistance to change is defined as the behaviours that are acted out by change recipients in order to slow down or terminate an intended organisational change (Hughes, 2011: 119).

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According to Hughes (2011: 119) the causes of resistance to change are substantive change in job, reduction in economic security or job displacement, psychological threat and disruption of social arrangements and lowering of status. Hoisington and Vaneswaran (2005: 91) further say that the fundamental reasons why individuals and organisations resist change is inertia.

Inertia occurs when people are scared of the outcomes that change will bring, i.e. they think that it will disrupt and slow down the current levels of performance. Secondly is the fact that resources are always limited which means there is never enough time or people to change what is being done today.

In organisations certain individuals feel that they have control over the way things currently operate, and they would prefer to maintain the status quo. Hence they assume that change will eliminate their power or influence Hoisington and Vaneswaran (2005: 91). Resistance to change sometimes is caused by social influence and social information processing.

This when other people resist due to the influence by others. People always feel uncomfortable about something that they do not know hence the unknown is always feared. This is based on the fact that people are uncomfortable in doing things differently or the impact the change might have on them (Hoisington and Vaneswaran 2005: 91).

5.2

Strategies mangers can utilise for managing resistance to change

It is essential for the mangers to clarify the importance and urgency for the need to change as this will put perspective to the rest of the organisations particularly the employees. During the process of change mangers must foster the appropriate level of involvement and commitment throughout the organisations (Hoisington and Vaneswaran, 2005: 91). This involves involving those that are against change to participate in the decision making process.

Not only

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Depending on the level of expertise of these participants their involvement can reduce drastically the resistance to change. Thereby obtaining commitment and increase the quality of the change decision (Robbins, 2005: 552). This must include the support by the top leadership. In order for the process of change to be effective there must be enough support and facilitation deployed to change throughout the organisation.

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During the change there will always individuals who will support the change and also those that will not support the change (Hoisington and Vaneswaran, 2005: 92). Enough time must be allowed for all that are involved to look at pros and cons of the change. The meaning and purpose of change must be communicated fully to all those that are involved (Rao and Kumar, 2010: 228).

It is therefore vital for the manger to identify and address individual differences in respective to change so that they do not influence those that in the process of adopting. This also include addressing the "what is it in for me" issues (Hoisington and Vaneswaran, 2005: 92). According to Robbins (2005:554) coercion which is the application of direct threats or force on the resisters of change can be used overcome resistance to change. Coercion can be used as of threats of transfer, loss of promotions, negative performance evaluation and poor letter of recommendations.

It is an easy way to gain the support of resisters but it can also backfire if the targets become aware that they are being tricked (Robbins, 2005: 554). Facilitation and support involves using techniques such as training, counselling and group discussions designed to mitigate fear and anxiety. This type of strategy is particularly relevant when the resistance is based on insecurity and adjustment problems.

For those changes that threaten employee aspirations and job security, facilitation and support might although it must be said that it will address the fundamental cause of resistance (Ritson, 2013: 75). Manipulation and co-option is an approach which relies on presenting partial or misleading information to the people resisting the change.

The main idea on co-option is by targeting those individuals that are resisting the change and buy them off by offering them positions of authority to help implement the changes. This strategy is quick and inexpensive, however it could present a problem in the future if the people involved realise that they were manipulated (Ritson, 2013: 75).

CONCLUSION

A well-managed change can bring about harmony within an organisation and can help to bring about stability within an organisation. It is therefore imperative that change agents within organisation meticulously plan and implement change in order to avoid any causalities. It is the duty of the top management to plan the change as the organisation can never stay stagnant in one position especially that the external environment and is forever changing.

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