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Management Innovation

Question 1

a) Supernatant

0	(200,000)
1	-180,000
2	-140,000
3	-80,000
→ 4	-20,000
→ 5	+140,000

Payback =

$$60,000 \div 12 = 5000$$

$$20,000 \div 5000 = 4$$

4 years 4 months

Fuge H1

0	(200,000)
1	-120,000
2	-60,000
→ 3	0
4	+40,000
5	+80,000

Payback =

3 years exactly

Centre H

0	(200,000)
1	-140,000
2	-80,000
→ 3	-20,000
→ 4	+60,000
5	+100,000

Payback =

$$60,000 \div 12 = 5000$$

$$20,000 \div 5000 = 4$$

3 years 4 months

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b) Supernatant

			Discount Factor 10%	
0	(200,000)	x	1	= (200,000)
1	20,000	x	0.9091	= 18,182
2	40,000	x	0.8264	= 33,056
3	60,000	x	0.7513	= 45,078
4	60,000	x	0.6830	= 40,980
5	60,000	x	0.6210	= 37,260

Total income = £174,556

Total profit/returns = 174,556 - 200,000
= £-25,444

Fuge 41

10%

0	(200,000)	x	1	= (200,000)
1	80,000	x	0.9091	= 72,728
2	60,000	x	0.8264	= 49,584
3	60,000	x	0.7513	= 45,078
4	40,000	x	0.6830	= 27,320
5	40,000	x	0.6210	= 24,840

Total income = £219,550

Total profit = 219,550 - 200,000
= £19,550

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Centre 4

10%

0	(200,000)	$\times 1$	= (200,000)
1	60,000	$\times 0.9091$	= 54,546
2	60,000	$\times 0.8264$	= 49,584
3	60,000	$\times 0.7513$	= 45,078
4	60,000	$\times 0.6830$	= 40,980
5	60,000	$\times 0.6210$	= 37,260

Total income = £227,448

Total profit = 227,448 - 200,000
= £27,448

c) I believe Centre 4 is the best option for the company's project as it has the best capital return ~~of~~ over the 5 year period and the most consistent return per annum.

d) • Motives for investment such as change in technology and a need to grow the business in order to stay competitive should be considered.

• Business confidence - such as capacity levels versus predicted capacity levels and profits before versus predicted profits after investment should be considered.

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Question 2

Why change is needed:

- Resource efficiency and effectiveness, the new system will allow the business to make better use of resources they already have
- In order to remain competitive with rival businesses
- To keep up with new customer demands and needs
- Technological advancements can help increase the businesses productivity
- The old system may be coming to the end of its useful life span
- To ensure that staffing levels have a good mix of expertise ensuring the business has an appropriate number of employees able to operate at the required level of competency
- Need to change
- Shareholders require change in ethical and environmental approaches

In order to ensure the change will take place smoothly I will take the 3 following steps:

- Level 1 - Make your case
- Make sure people affected know the reason for change
 - Present the change using language/terms they understand
 - Find multiple ways to make your case as people take information in different ways!

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Level 2 - Remove as much fear as possible

- Emphasize what is in it for them
- People need to believe the change will benefit them in some way
- Get those affected involved engaged in the process as people tend to support things they are involved in
- Be honest. If a change will effect someone let them know

Level 3 - Rebuild damaged relationships

- Take responsibility for things that may have led to current tense situations
- Keep commitments. Show you are trustworthy
- Find ways to spend time together with those affected so that they know you and your team
- Allow yourself to be influenced by the people that resist you

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Question 3

Some of the factors needed to be considered are the reasons for resistance to change by the technicians and operators.

- Resistance to change can be active or passive, overt or covert, individual or organised, aggressive or timid and sometimes totally justified.
- Sadly most significant changes fail to meet the expectations of those involved. Therefore it is essential the targets set out are met.
- Management can be unreasonable sometimes in its expectations / timescale for the given change ~~to~~ so it is important not to forget the process it went through when deciding to make the change.
- Must not allow for too much complacency takes place in management as ~~per~~ you cannot assume people will willingly follow the proposed changes.
- Sufficient resources must be generated in order to carry out the changes effectively.
- There must not be a lack of honesty and integrity.
- Those involved should be rewarded for their efforts, failure to deliver these rewards may result in failure to successfully change.
- Must remain focused on what the goal is and not become side-tracked.
- Must ensure that all relevant information for the change is communicated effectively.

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I will use my knowledge of McGregor's theory X and theory Y to help manage the project successfully.

Theory X assumes that the majority (both managers and team members) of employees dislike their job and struggle in their day to day tasks. This results in management tending to think that employees need to be prompted, rewarded or sometimes punished in order to create a more motivated team of employees. Theory X tends to be very number driven.

At organisations where McGregor's theory X is used as their management approach often employed to achieve their goals and ensure team members are performing as required.

Managers regularly have to intervene to ensure work is completed.

McGregor's theory X as a whole has fallen out of favour with most ~~companies~~ modern day companies, however some very large companies do find themselves having to apply the approach due to the number of people they employ and because they are deadline orientated.

Theory Y employs a more optimistic, positive approach to management. Management place greater responsibilities upon employees encouraging them and installing confidence in what they are doing is right. Theory Y encourages the development of skills and progression at work.

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Theory Y has generally become more popular as a leadership approach with companies and employees in recent years as it allows workers to pursue the desires and create a more meaningful career.

In this project I will be using McGregor's Theory Y as an approach to leading the project as I believe it to be superior to McGregor's theory X. This is because it gives workers and all other those involved in the project greater motivation resulting in them stay interested/engaged in the project for its duration.