# Making Australia's Telstra Nimble

Case duration (Min): **45-60**

Strategic Management (SM)

**Change management**

**Australia**

**Case summary:**

A key focus of this case is the trigger for change. Students will consider different types of change and how change is accomplished at a high level.

Performance relates to organizational purpose (mission); reflects achievements relative to the resources used by the organization (how well the organization manages its resources) and must be considered within the environment in which the organization does its work (adaptability). Organizational performance must integrate the concepts of "effectiveness" and "efficiency." That is, the organization must be able to meet its goals (effectiveness) and to do so with an acceptable outlay of resources (efficiency). The organization must be able to develop and implement strategies which will ensure performance over extended periods of time. In summary, the performance of organizations can be considered in three broad areas: performance in activities which support the mission (effectiveness), performance in relation to the resources available (efficiency), and performance in relation to long-term viability or sustainability (ongoing relevance). However, it is worth remembering that organizational performance is a broad construct and may include productivity (quantity and effort), employee satisfaction (the extent to which workers are satisfied with their work and conditions), client or customer satisfaction and quality dimensions. This case examines change at Telstra, an Australian telecommunications and media company, formerly state-owned triggered by poor performance.

**Learning objectives:**

Describe the main theoretical foundations of change management
Understand the role of leaders, managers and change agents in the change process

## Case problem:

Strategy (how the organization will compete and use its resources and scope: the 'what' and the 'where') and Improving operational effectiveness ('how' work activities are undertaken) are necessary part of management. Through change management, managers may continuously align their organizations with the external environment and generate sustainable superior performance.

## Company

Telecom Services - Domestic

### Telstra

http://telstra.com

Telstra is an Australian telecommunications and media company, formerly state-owned. Telstra is the largest provider of local and long distance telephone services offering a full range of services and compete in all telecommunications markets throughout Australia; and has expanded into international markets (http://www.telstra-international.co.uk/ or http://telstraglobal.com/about). Formerly Telecom Australia, the company was renamed in 1993 to Telstra. The company has traded domestically and internationally under the Telstra brand, even after privatisation in 2006. The company serves its millions of customers with less than 50,000 employees. In the financial year ended 30 June, 2008 sales revenue was A$24.7 billion and reported EBIT A$6.2 billion. The company is one of Australia's top 10 listed companies, and a Fortune 500 company.

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:
1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.
Consider attempting the case study as a group exercise; you could form a study group with fellow students.
3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.
Discuss questions and answers with other students.
4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

| Title/ Media type | URL/ Media description |
|---|---|
| Making Australia's Telstra Nimble | http://feedroom.businessweek.com/?fr_story=84f33861722f9e55bbf8439ac894272008fb6af2&rf=bm |
| **Film** | Sol Trujillo talks with Senior Editor Diane Brady about the challenges in turning Australia's Telstra from a poor performing public-sector telecom into a nimble, diversified player.

Historically, the company had been losing market share since deregulation and the advent of competition some ten years ago. Costs were rising greater than revenues.

A new CEO was brought in to transform the company from government to market led. Through his leadership and vision, providing areas of focus, the company undertook rapid transformational changes particularly in the areas of strategy, culture and infrastructure (technology and processes). As a consequence, the company is now enjoying rapid growth. |

**NOTES:**

# Case study questions...

| | Action | Pre/During/After class |
|---|---|---|
| **1** | **TYPES OF CHANGE**<br>How would you classify the changes described by the CEO at Telstra (emergent, episodic, continuous etc) ? | During |
| **2** | **READINESS FOR AND POTENTIAL RESISTANCE TO CHANGE AT TELSTRA**<br>Discuss the readiness for and potential resistance to change at Telstra during the period in question | During |

**1** **TYPES OF CHANGE**

How would you classify the changes described by the CEO at Telstra (emergent, episodic, continuous etc) ?

# Answers...

**READINESS FOR CHANGE**

a predisposition, perhaps even an impatience, to welcome and embrace change. Where readiness is high, management may be able to implement change without too many problems. Where readiness is low, however, some preparatory work may be required to increase readiness among those affected.

**RESISTANCE TO CHANGE**

an inability, or an unwillingness, to discuss or to accept organizational changes that are perceived in some way to be damaging or threatening to the individual.

**RESISTANCE TO CHANGE**

the desire not to pursue change

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## Question/ Answer

**1   Types of change**

How would you classify the changes described by the CEO at Telstra (emergent, episodic, continuous etc) ?

**Continuous Change** - organizational changes that tend to be ongoing, evolving, and cumulative
**Emergent change** – a view that Organisational change is a continuous process of experimentation and adaptation achieved through many small to medium sized incremental changes
**Episodic Change** - organizational changes that tend to be infrequent, discontinuous, and intentional
**Organizational change** - the alteration of organizational components (such as the mission, strategy, goals, structure, processes, systems, technology and people) to improve the effectiveness or efficiency of the organization.
**Strategic change** is a term used to describe organizational redesign or refocusing that is major, radical, 'frame-breaking' or 'mould-breaking' or 'paradigmatic' in its nature and implications. The term 'strategic' denotes scale, magnitude or depth. Deciding whether change is strategic or not depends on specific organizational circumstances.
**Transactional change** - are changes to components of the organization such as the structure, systems and processes.
**Transformational change** is a fundamental change impacting upon the whole organization (the leader, mission, strategy and culture).

Change may take place in any part and at any level of the organization. When we think of organisational change, we may think of significant changes aimed at making the organisation more effective such as mergers, acquisitions, buyouts, downsizing, restructuring, the launch of new products, and the outsourcing of major organisational activities.  Examples of smaller (efficiency based) changes include: departmental reorganisations, the implementation of new technologies and systems. The primary needs for change derive from the need for alignment between the organizations' internal and external environments. First, we must begin with the external environment.  The organisation must constantly make attempts to understand customer needs and determine levels of satisfaction with products and services, relationships and other supply issues. The organisation must also consider the views of other stakeholders such as investors, and their views of the organisation.  In analysing the industry, the organisation will want to know where it ranks in the industry compared with its competitors; it will also want to know whether it has the right technology, people or other resources necessary to meet customer needs.  Having looked inside and outside the organisation, it must ask if they are still in the right business and doing the right things or whether there is a need for change.

If a need for change is identified (see next question) the organisation must also consider how ready it is for such change.  This will mean examining culture and then determining whether they are locked into particular ways of doing things. There are many types of change distinguished according to a variety of variables:

 Discontinuous versus continuous /Revolutionary (second-order) versus evolutionary (first order) - change may occur continuously in order to improve the organisation by modifying existing systems or may take place in a more radical and fundamental way (Revolutionary).  The phrase episodic change is used to group together organisational changes that tend to be infrequent, discontinuous and intentional.  Such changes arise as a result of the organisation's inability to respond to external environmental changes adequately.
    Planned versus unplanned - planned change is a deliberate, conscious decision to improve the organisation in some manner
    Organisational level: individual, group or total system - at the individual level, the focus of attention is on activities such as recruitment, replacement and displacement, training and development, coaching and counselling.  At the group level, the focus is on teambuilding and self-directed work units.  At the total system level, the emphasis is on organisational purpose, mission, strategy, structure of culture.

As a first step toward understanding organizational change, we must identify types of organizational change, (Nadler and Tushman 1989). They argue change can be considered in two dimensions. The first is the scope of the change — that is, subsystems of the organization versus the entire system. Changes which focus on individual components, with the goal of maintaining or regaining congruence, are incremental changes. For example, adapting reward systems to changing labour market conditions is an incremental change. Changes that address the whole organization, including strategy, are strategic changes. Incremental changes are made within the context, or frame, of the current set of organizational strategies and components. They do not address fundamental changes in the definition of the business, shifts of power, alterations in culture, and similar issues. Strategic changes alter that frame. The second dimension of change concerns the positioning of the change in relation to key external events. Some changes are clearly in response to an event or series of events. These are called relative (reactive) changes. Other changes are

## STRATEGIC CHANGE

a term used to describe organizational redesign or refocusing that is major, radical, 'frame-breaking' or 'mould-breaking' or 'paradigmatic' in its nature and implications. The term 'strategic' denotes scale, magnitude or depth. Deciding whether change is strategic or not depends on specific organizational circumstances.

## TRANSACTIONAL CHANGE

changes to components of the organization such as the structure, systems and processes

## TRANSFORMATIONAL CHANGE

a fundamental change impacting upon the whole organization (the leader, mission, strategy and culture)

## TRIGGER OF CHANGE

any 'disorganizing pressure', arising outside or inside the organization, indicating that current arrangements, systems, procedures, rules and other aspects of organization structure and process are no longer effective.

## CHANGE AGENT

A change agent is the individual or group that effects strategic change in an organisation

## CHANGE INITIATOR

The person (s) who identifies the need and vision for and champions the change

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initiated, not in response to events but in anticipation of external events that may occur. These are called anticipatory (proactive) changes. Four classes of change are the result:

• Tuning - proactive incremental change which seeks to increase efficiency
• Adaptation - non-fundamental reactive incremental change made in response to external events such as the actions of a competitor, changes in market needs or new technology
• Reorientation (frame-bending changes) - proactive strategic (fundamental) change - the emphasis on bringing about major change without a sharp break with the existing organization frame
• Re-creation (frame-breaking changes) - strategic change necessitated by external events, usually ones that threaten the very existence of the organization Such changes require a radical departure from the past and include shifts in senior leadership, values, strategy and culture

**2   Readiness for and potential resistance to change at Telstra**

Discuss the readiness for and potential resistance to change at Telstra during the period in question

Planned change is usually triggered by the failure of people to create continuously adaptive organizations. Thus, organizational change routinely occurs in the context of failure of some sort.

Readiness for change describes a predisposition, perhaps even an impatience, to welcome and embrace change. Where readiness is high, management may be able to implement change without too many problems. Where readiness is low, however, some preparatory work may be required to increase readiness among those affected.
Resistance to change is the desire not to pursue change.
On the one hand poor performance will provide a driver and reason for change whilst the established strong culture and way of doing things will create resistance.
Trigger of change - any 'disorganizing pressure', arising outside or inside the organization, indicating that current arrangements, systems, procedures, rules and other aspects of organization structure and process are no longer effective.

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## Case study references

Carnall, C. (2007) 'Managing Change in Organizations', Ed. 5. FT Prentice Hall.

Cole, G A. and Kelly, P P. (2011) 'Management Theory and Practice', Ed. 7. Cengage EMEA.

Kelly, P P. (2009) 'International Business and Management', Cengage Learning EMEA.