

START

1 **State** two internal factors which might lead to the need for change in an organisation.

2 **State** two external factors which might lead to the need for change in an organisation.

3 **Explain** the main threat to Brookfields' survival and success.

10 It was estimated at the end of 2017 that 2.9 million people worked in retailing in the UK. **Calculate** the percentage of those employees whose jobs were put at risk by store closures in nine months in 2018.

## BUSINESS PROFILE

### Impact of change

#### Brookfields Department Stores

High street retailing faces huge pressure from the shift to online retailing. Brookfields is a chain of department stores which had closed two of its stores and planned to close ten more. Its main rivals admitted that they would make almost no profit in the first half of the year. Across the UK's high streets in 2018, nearly 1,200 shops closed in nine months, putting 25,000 jobs at risk.

Shareholders in Brookfields want the business to try new store ideas which will bring customers back for an experience they can't get online. "We have to make shopping fun again, and make sure that every shopping trip is memorable" said Brookfields boss Katie Brooker. She is a former Amazon executive who moved to Brookfields two years ago. She added "We are managing costs carefully, and looking after all our stakeholders. In each store we employ about 400 people and help bring customers to the town centre. But interest rates on our loans are too high and the banks have to help us; if they do so, both parties will benefit."

She complained about the burden for high street stores of local business rates, which are higher than rates paid by online businesses. "Brookfields paid £80m in business rates last year, five times more than our biggest online competitor."



4 **What is the difference** between a stakeholder and a shareholder?

9 **Explain** what Brooker means when she says this about high interest rates on loans: "the banks have to help us; if they do so, both parties will benefit."

5 **Explain** why each of these is a stakeholder in Brookfields:

- a Owners
- b Lenders
- c Customers

8 Practise your numerical skills: **Calculate** how much Brookfields' biggest online competitor paid in business rates last year. **Explain** why this is a problem for Brookfields.

7 **Explain** how Katie Brooker, as a former executive at Amazon, might be particularly helpful in planning for change at Brookfields?

6 **State** three other stakeholders in Brookfields which are referred to in the text.

# PRINCIPLES OF MANAGEMENT SUGGESTED ANSWERS

**1** Growth or decline of the business; new technology; need for new skills; need for better cash flow; poor leadership; change of management; industrial action/poor industrial relations.

**2** New/changed competition; globalisation; new/different raw materials; action from pressure groups; media interest; changes in the labour market; changes in legislation; changes in economic conditions; inflation/deflation; changes in interest rates or currency exchange rates.

**3** Brookfields has a chain of 'high street' department stores. The shift to online shopping means that 'physical' high street stores have fewer sales. For example, around 1,200 shops have closed in nine months, and Brookfields has closed two stores and plans to close ten more.

**10** 25,000 jobs were put at risk

$$\frac{25,000}{2,900,000} \times 100 = 0.86\%$$

**9** If the interest rate remains too high, Brookfields may go out of business in which case the banks will never have their loans repaid.

If the rate is reduced, Brookfields are more likely to be able to remain in business and also to repay the loans.

**8** "Brookfields paid £80m in business rates last year, five times more than our biggest online competitor."

Therefore the biggest online competitor paid £80m / 5 = £16million.

This means that the competitors have much lower costs, and can offer more competitive prices.

**7** She has an insight into online retailing which may be very useful as Brookfields seek to compete with online retailers more strongly.

**6** Managers, employees, competitors, local government (for business rates).

## EXTENSION ACTIVITY

Now you have checked your answers to the consolidation questions, complete the extension activity below.

### 1 Identify the reasons for change at Brookfields Department Stores.

**2** Brookfields needs to change if it is to survive. Katie Brooker believes "making the shopping experience fun and memorable will be key." Imagine you are part of the leadership team for Brookfields. Write a report for your shareholders, recommending three strategies Brookfields could adopt to maximise sales in their High Street stores. Your report must also identify potential implications that each of your proposed strategies will have on the HRM at Brookfields.

**4** A stakeholder is anyone who has an interest in the success of a business. A shareholder is a part-owner of a business, and so is one type of stakeholder.

**5 a** Owners: In sole traders, partnerships or limited companies, the profits belong to the owners of the business.

**b** Lenders: hope the business will make enough profit to easily repay the amount they have lent to them plus interest charges.

**c** Customers: hope for products of improving quality and lowest possible cost; provide businesses with their revenue.