

Business Management Revision Notes

Unit 3 AOS 1: LSOs in Context

- Determine what we eat, drink, wear, where we live, type of work we have and the knowledge and education we value.

Characteristics of LSOs/Variations in LSOs

- **Corporations (companies)**
 - Aim to make a profit or add to net assets (financial worth)
 - May be **private** (up to 50 shareholders), **public** (subject unlimited shareholders by floating on the ASX) or **Govt.** owned (GBEs)
- **Government Departments**
 - Aim to provide a **high level of service within a specified field**. Exist at all three levels of govt. The idea of service includes **some implementation of social and political objectives**.
- **Charities and foundations**
 - Referred to as NGOs (non-govt. orgs.) Aim to provide goods, services or funds to **alleviate specific social problems or for the broader benefit of the community**.
- Public-private partnerships (PPP) involve state govt. avoid burrowing for infrastructure projects by offering private corporations a deal with potential long-term returns eg. Toll roads.
- No standard definition of LSOs. Generally employ over 200 people, generate substantial revenue and total assets worth \$200 million.

Economic Contributions of LSOs

- **Positive** contributions of LSOs:
 - **Provide employment**
 - **Develop Australia's industrial base**

LSOs are typical carriers of state-of-the-art technology, work practices and management ideas. Because of their scale and R&D capacity, LSOs have a large impact on society.

- **Stimulate infrastructure growth**
 - **Earn export income**
- **Negative** contributions of LSOs:
 - Downsize staff leading to **higher unemployment rates**
 - **Outsource jobs to other countries**, leading to higher unemployment and money not going to Australia but other countries
 - Cause great **damage to the environment** and related cleaning costs through negative externalities in production
- **Economics of scale:** Lower costs per unit of output as a result of operating on a larger scale.

Environments of LSOs

- **Internal environment**
 - Management has most control over. Includes staff, structures and policies.
 - Management can make decisions and have some certainty over predicted outcomes.

- **External environment**
 - More challenging for management and is complex and dynamic. Prevents and offers opportunities for success.
 - Made up of operating environment (directly impacts the LSO, m'tment have some influence) and;
 - Macro environment (m'tment has no control, although it directly affects performance).

- Factors of **operating environment:**

- **Customers**

Customer **satisfaction** is central to success. Both profit and NFP LSOs need to stay in touch with **tastes, values** and **needs** and provide quality at a **competitive price**.

- **Suppliers**

- LSOs need **reliable** suppliers of all necessary inputs.
- Trend towards **outsourcing** core activities.
- Businesses need **sources of finance** (credit). Eg. Banks

- **Competitors**

- Always potential for new competitors to emerge.
- Globalization further increasing competition.

- **Special Interest Groups**

- **Trade Unions** represent 20% of Aus. workforce. Interests often expressed through peak orgs. such as the ACTU.
- **Consumer Groups** concerned in pricing, advertising, packaging and safety.
- **Special Issue Groups** such as orgs. for the homeless, anti-gambling/smoking. Exert pressure in some industries.

- Factors of **macro environment:**

- **Economic conditions** such as:

- Consumer spending
- Unemployment levels
- Inflation
- Wage rates
- Business investment
- Interest rates
- Foreign exchange rates

- **Legal-political conditions**

LSOs operate within a complex framework of laws made by all levels of govt. and continue to change and evolve Eg. Carbon Tax.

- **Technological factors**

- Always potential for new competitors to emerge.
- Globalization further increasing competition.

- **Education and training conditions**

Producers of all sorts need to **utilize new technology** to their advantage. Failure to do so condemns LSO to **uncompetitive position**. Eg. E-commerce used in both B2B and B2C.

- **Society attitudes**

LSOs must take into account society's attitudes and values - what's considered 'right' and 'wrong.' Constrains and offers opportunities. Society's **prevailing attitudes influence corporate life** Eg. acceptable products, internal employment practices and equal opportunity.

Organizational Performance

- Organizational performance consists of two important dimensions:

- **Effectiveness**

Refers to LSOs ability to formulate and achieve the **right** objectives. 'Doing the right things.'

- **Efficiency**

Refers to the use of resources in achieving objectives. 'Doing things right.'

- Performance indicators provide **precise** and **measurable data** to **evaluate performance** and **improvement**.

- They are used for **benchmarking** (measuring LSO input against the standards set in an industry in order to compare quality and performance). They can be:
 - **Industrial relations**
 - Hours lost due to industrial action
 - Growth in productivity
 - Value of production lost due to industrial action
 - **Safety**
 - Level of OH&S knowledge
 - Rate of injuries/accidents
 - Number of safety breaches
 - **Financial performance**
 - Net profit/loss
 - Budget analysis
 - Average debt collection period
 - Growth in market share
 - **Environment**
 - Rate of spills/omissions
 - Level of wastage
 - Expenditure on environmental improvement

Stakeholders and Ethics

- **Stakeholders** are individuals, groups or other LSOs who have an interest/stake in how a business **operates**. They include:
 - **Owners/shareholders** receive profit/loss and have large stake in the performance of a business. Look for dividends (income) and rising share price.
 - **Managers** to direct the company on behalf of its owners.
 - **Investors/lenders**: strong business performance makes invested funds (and returns on those) secure for lenders.
 - **Employees**
 - **Suppliers** have financial stake in continuing viability.
 - **Customers**
 - **Governments**: successful LSOs provide jobs and generate wealth, adding to taxation revenue.
 - **Local community** provides employment and is trained by the LSO.
 - **International community**
- Potential of **tension** and **conflict** b/w **stakeholders** dues to **differentiating views and interests** Eg. Pay wages b/w employees and managers and b/w managers and customers over value for money.
- **Ethics** are moral standards and principles that **guide people's decisions and actions**. Modern business ethics are expected to include a sense of **social responsibility** – that is a concern for society at large.
- **Triple bottom line** refers to the financial, social and environmental effects of an LSOs policies and actions that determine its viability as a sustainable LSO.

Unit 3 AOS 2: Internal Environment of LSOs

- The role of managers within an LSO is to **coordinate the various inputs** to achieve the LSO's objectives.
- In all LSOs, managers will operate at **different levels** and the **roles, level of responsibility** and **accountability** given to managers is called the **management structure**.
- M'ment structure may be based on **vertical specialization** or **horizontal specialization**.

- **Vertical specialization** refers to the **hierarchy of formal authority and decision-making power** within the LSO (**chain of command**).

LEVEL	SPECIALISED ROLE
Top M'ment	Strategic planning – monitoring the whole LSO
Middle M'ment	Operational planning – supervision of lower m'ment.
Lower M'ment	Front-line planning – supervision of operations.
Operations	Work/functions

- **Horizontal specialization** uses **departmentation** as the basis of its structure. Managers oversee a department to ensure the LSO's objectives are achieved.
- **Departments** also called **divisions, branches** or **sections**, can be organized on the basis of:
 - **Function**

Staff are organized in sections based on functions, such as **production, HRM, finance** etc.

Strengths:

- Specialization in each function of area. Expertise = higher productivity.
- Issues resolved within function area.
- Sideways career pathways
- Efficient use of resources

Weaknesses:

- Only works if functions **communicate**
- Lack of flexibility and cooperation due bureaucratic nature
- A narrow departmental focus as opposed to a broad organisation wide focus
 - **Division**

Staff is organized in sections based on divisions such as **product, service, customers, geography (region)**, grouping each organizational function into a division.

Strengths:

- Specialists head small sections, allowing for best practice
- Encouraged cooperation
- Greater flexibility in adapting to environmental changes

Weaknesses:

- Potential to promote rivalry b/w divisions
- Reduced benefits of economies of scale as work may be duplicated
 - **Matrix**

Combines specialization by function and division. Arose in situations where neither model was appropriate. Staff is assigned to both a function department and project.

Strengths:

- Pooled expertise creates best possible environment for problem solving
- Flexibility – operations can be altered quickly to suit changing environment
- Enhanced decision making – expert project teams become critical source of info for m'ment

Weaknesses:

- Undermine authority
- Staffing issues when projects finish

Corporate Culture

- Defined as the **learned and shared way of life of a group of people or society**. It includes **values, customs** and **rituals**.
- Aspects of CC may be evident:
 - **Official CC**

Values and beliefs expressed as **written statements** and **slogans**. May be more for PR purposes and may not reflect the real culture.

- **Real CC**

Unofficial (and unwritten) culture of an LSO may be evident through **contact** or **employment** within the LSO. Indicators:

- Management style

- Staff morale
 - Physical environment
 - Standard of dress
 - Relations b/w m'ment and staff
 - Degree of cooperation b/w departments
- It is m'ment's responsibility to **develop and maintain the culture desired** within the LSO. This can be done by:
 - Setting an example
 - Recruitment and training
 - Effective communication of desire culture
 - Recognition and reward suitable behavior
 - Managers are becoming increasingly aware of the **importance of CC** and look for ways to create a **positive atmosphere** in the workplace. This can result in:
 - Better staff retention rates
 - EOC status
 - Greater productivity and success

Key Management Roles

- M'ment's responsibility is to achieve objectives. In doing this, it will perform a number of roles (**POLC**) that are interrelated and form a **continuous cycle**.

Planning

Involves **determining the direction** of the LSO and **clearly expressing objectives**. Levels of planning:

- **Front-line Planning**
 - Performed by **lower level m'ment**
 - Involves **day-to-day operations** and are of a **practical or technical nature**
Eg. Staff rosters
 - Set by higher levels of m'ment, performed by supervisors etc.
- **Operational Planning**
 - Performed by **middle m'ment**
 - **Details how the LSO's corporate plan is achieved**
 - **1 – 2 years**
- **Strategic Planning**
 - Performed by **top level m'ment**
 - Determines the long-term direction of the LSO and how it seeks to manage resources and business operations
 - Must consider macro factors
 - **3 – 5 years**
- **5 stages of planning (SADIM)**
 1. **Setting** objectives (or modifying existing ones)
 2. **Analyzing** present situation and future opportunities (**SWOT analysis**)
 3. **Developing** and evaluation alternatives
 4. **Implementing** the plan
 5. **Monitoring** and reviewing results (referring back to stage one, giving the planning process a cyclical nature), (KPIs)

Organizing

The process of **coordinating available resources** into set **processes or procedures** to achieve objectives. May include human, productive (machinery and equipment) or financial resources or raw materials.

Leading

The process of **influencing staff** to work in such a way that tasks are performed to the **best of their ability**. Good leaders:

- Set examples and earn employee's respect
- Listens to the opinions and ideas of others
- Understands technical aspects of the business/industry
- Avoids jargon
- Is flexible
- Delegates tasks to suitable employees
- Three distinct **qualities essential to leadership**:
 - **Interpersonal**: liaising or dealing with people.
 - **Informational**: gathering and communicating information.
 - **Decision-making**: to **solve problems** or **take opportunities**

Controlling

The process of **establishing ways to compare actual performance with planned performance**. Also known as monitoring. Aspects needed to be controlled:

- **Material resources: plant and equipment**, control may be allocated to **lower m'tment**. Eg, maintenance of stock levels.
- **Financial resources**: Responsibility of **department managers (middle)** who are provided with a budget.
- **Human resources**: Employees – all have different experience, expertise, education and training. Allocation of tasks should be based on capabilities and KPIs should be established.
- Controlling involves:
 - **Establishing** performance **standards** (benchmarks)
 - **Determining methods of measuring performance**
 - **Measuring performance**
 - **Comparing** actual performance with standards
 - **Taking corrective action** when necessary
 - **Reviewing** performance standards

Policy Development

- Given the size, complexity and culture of an LSO, it is important that **basic expectations** regarding **behavior** and **conduct** of all employees is clearly **established** and **communicated**. To enable this to occur a **set of policies** must be developed and implemented.
- Policies are **written statements** of the procedures and processes, rules and regulations, responsibilities and strategies that LSOs **follow**.
- Policies will be needed in a **number of areas** such as recruitment and selection, equal opportunity, promotion, health and safety etc.
- Policies will **reflect social, economic and ethical frameworks** within the LSO and must comply with **legislation**.
- Policies are brought about by **various pressures** such as legislation, existing problems, policy confusion etc.
- **Research** and **consultation** with **stakeholders** are carried out and **drafts are circulated** and **feedback** is given. The final policy is signed off by all parties and **distributed**.
- Policy development is certain to involve **top m'tment** with **employee involvement** becoming more common.
- A **simple policy development process**:
 1. Identify the problem or issue
 2. Research the environment
 3. Consult stakeholders
 4. Develop a policy.
 5. Draft the policy to be read by stakeholders.
 6. Revise the changes made.
 7. Approve and distribute the policy.
 8. Monitor the policy

9. Evaluate

Management Styles

- **Autocratic Style**

M'ment **TELLS** staff what decisions it has made.

- Centralization of power with m'ment
- All policy dictated by m'ment
- Little faith/trust in staff
- Perception that payment is sufficient reward and motivation for effort
- Perception of orders to be carried out without question

Advantages:

- Quick decision making
- Effective when employing low skilled workers

Disadvantages:

- No two-way communication = demotivation
- Staff don't feel valued = increased turnover

- **Persuasive Style**

M'ment **SELLS** decisions it has made to staff.

- Centralization of power with m'ment
- All policy dictated by m'ment
- Presentation of selected information to staff
- Encouraging a commitment to tasks by means of persuasive techniques
- Willingness to empathize with staff

Advantages:

- Quick decision-making
- Improved employee relations

Disadvantages:

- Communication is still top-down
- Employees still feel undervalued

- **Consultative Style**

M'ment **CONSULTS** staff before making decisions.

- Existence of com. Channels from staff to m'ment
- Encouragement of group discussion on policy before final determination
- Contact b/w staff and m'ment that assumes m'ment is a regular part of the group
- Objective and fact-based praise or criticism of work

Advantages:

- Healthier r/ship b/w staff and m'ment
- Employee input may be useful in decision making process
- M'ment still has final say

Disadvantages:

- Slower process (time-consuming)
- Can slow the implementation of necessary change
- Can be expensive

- **Participative Style**

M'ment **JOINS** staff to make group decisions.

- Decentralization of power within defined limits
- Goal setting and decision making by group
- Showing substantial faith and trust in staff
- Full participation by m'ment in group decisions
- Motivation based on staff feelings and worth, importance and achievement

Advantages:

- Wider variety of ideas presented

Disadvantages:

- Manager's role undermined
- Importance of structure can be undermined
- Risks losing direction
- Perceived lack of authority = insecurity amongst staff

- **Laissez-Faire Style**

From the French phrase 'to leave alone.'

- Employees assume almost complete control/responsibility
- M'ment sets objectives but staff take responsibility to achieve them
- M'ment has no real role of power

Advantages:

- Nurses creativity
- Employees feel sense of ownership over the LSO

Disadvantages:

- Focus of LSO's objectives may be lost
- Loss of control by m'ment

- **Situational Approach**

The choice of the best m'ment style depends on the **situation**. Each situation involves:

- The manager (skills and values)
- The subordinates (characteristics, skills, values)
- The task
- Environmental constraints (time, available resources etc.)

Also known as a **contingency approach**.

Advantages:

- Promotes m'ment flexibility and development
- Encourages managers to be aware of changing needs
- LSOs benefit from most appropriate style

Disadvantages:

- Objectives may not be achieved as m'ment may not select most appropriate style
- Use of different styles creates uncertainty for employees

Is more realistic than other styles that imply people **only operate in one way**.

Management Skills

- **Communication**

Is the **transmission of information** to one or more persons, in a way that **ensures the recipient/s understands the message**. Can occur by:

- **One-to-one personal communication**
 - **Advantage** of generating **enthusiasm**
 - **Disadvantage** of not allowing adequate time for receivers to process information
- **Written communication**
 - **Advantage** of containing copies for further reference
 - **Disadvantage** of compromise of response time
- **Electronic networks**
 - **Advantage** of having clear efficiency advantages (SMS, email etc.)
 - **Disadvantage** of over-reliance may not be suitable because of informal nature
- **Committees**
 - **Advantage** of providing a com. Channel that can make informed and effective decisions
 - **Disadvantage** of tending to produce compromises rather than decisive outcomes
- **Conferences**
- **Networks**
 - Can be **formal** or **informal (grapevine)**

- **Noise** in communication blocks or distorts messages. It can arise from:

- Physical distractions Eg. Unsuitable location
- Ineffective/unsuitable technology
- The words used (different interpretations)
- Receiver's view of sender Eg. Because of the latter's standing in the LSO
- Cultural differences

- Ways to lower **noise**:
 - Planning suitable time and place
 - Trialing com. Technology in advance
 - Using simple and clear com.
 - Attempting to stimulate interest and maintain attention
 - Seeking feedback from receiver (reiteration)
 - Being a good, alert listener
 - Being aware of presentation, including non-verbal communication
 - Showing sensitivity to the situation and concerns of the receiver

- **Negotiation**

A combination of discussion and bargaining among the negotiating parties aims to produce an outcome satisfactory to all involved (win-win). The key is to avoid taking a fixed position too earlier in the process. The negotiating process requires skills in:

- Setting a positive and sociable atmosphere
- Clear expression of objectives and general feelings
- Assessing differences among the party's positions
- Sorting out different interpretations of the facts
- Linking issues to what is already agreed
- Dealing with conflict and stress
- Knowing when, and what is gained from compromise
- Follow up discussions if necessary
- Ensuring all parties are clear to what has been agreed

- **Time management**

The personal process of **managing the tasks** needed to be completed in the available time. TM requires a systematic approach and self-discipline to stick to the system. TM involves:

- Setting tasks to be done
- Delegating tasks
- Establishing priorities
- Allocating time to tasks
- Building deadlines
- Periodically reviewing the plan in operation

Time wasting factors include:

- Poor com.
- A culture where 'crisis' upsets established plans
- Delayed, incomplete or inaccurate information
- Unnecessarily slow/poorly planned decision making or meetings
- Insufficient staff to complete task

- **Delegation**

- Transfer of **authority** and **responsibility** from the manager to an employee to carry out certain tasks
- Degree to which managers delegate will represent m'tment style
- Employees may have skills and ideas to contribute to the task
- Involves a number of skills:
 - Analyzing the job and understanding what power is being given
 - Setting performance standards
 - Setting deadlines and checking performance
 - Selecting appropriate people to delegate to
 - Providing clear direction and support
 - Providing feedback
- Some tasks should **not** be delegated, like **strategic planning** or **high-risk** tasks. Delegated tasks **should be low risk** or **repetitive**.

- **Decision-making and problem solving**

Decision-making involves making choices among possible course of action. **Problem solving** consists of making a series of decisions.

DODDSE approach to decision making:

1. **Define the objective**
2. **Outline the facts**
3. **Decide the cause/s of the problem**
4. **Develop solutions**
5. **Select preferred alternative and implement it**
6. **Evaluate the effectiveness of the solution**

- **Stress management**

A set of techniques and programs intended to help people deal more effectively with stress in their lives by analyzing the specific stressors and taking positive actions to minimize their effects.

- A little bit of stress is a healthy motivator
- People suffer from distress when the demands of society are beyond their ability to cope
- M'ment need to be mindful of the stress they place on staff and do their best to keep employees relaxed.
- Stress can manifest physically through symptoms of high blood pressure, blurred vision and lower immunity

- **Emotional Intelligence (EQ)**

- A m'ment skill that can be taught and improved.
- Is about how people handle their emotions and their r/ships.
- Ability to use self-restraint can compassion when dealing with others
- Mastery of the EQ has 4 levels:
 - Perceptions of own problems and the ability to communicate these to others
 - Perception and empathy with other people's emotions
 - Capacity to assimilate emotional information into thought
 - Capacity to regulate and manage your own and other's emotions

Ethical and Social Responsibility Management (ESM) for Internal Environment

- When a person is behaving ethically, their decision-making and actions show a concern for morality and personal principles.
- **Ethical dilemma** is a situation where any decision isn't totally ethical.
- **Common-sense guidelines** for m'ment:
 - **Obey the law**
 - **Tell the truth**
 - **Show respect for people**
 - **Treat people as you would want to be treated**
 - **Above all, do no harm** (natural environment and human r/ships)
 - **Practice participation**
 - **Always act when you have responsibility**

3: The Operations Management Function

The Operations Function and the Business

- The activities involved in the **actual production of goods or services** are known as **operations**.
- The task of operations is to **transform inputs into goods or services** that have value. Operations is the **core activity** of an LSO.
- There is an important **link** b/w an LSO's operations and its **objectives**. Without operations, there is no product/service. The LSO's overall business strategy for achieving objectives will include **strategic planning in operations**.
- **Goods** are characterized by:

- Generally permanent
 - Tangible (can be seen)
 - Need storage
 - Consumption is separate from production
 - Little contact with consumer
 - Normally many activities in production process
- **Services** are characterized by:
 - Impermanent
 - Generally provided at the point of purchase
 - Dependent on client participation
 - Intangible (cannot be touched)
 - Some application of economies of scale
- Examples of **goods**: cars, food, computer equipment
- Examples of **services**: education, personal services, health.
- Very few LSOs are **only producers of goods or only services**. They are a **combination of both** Eg. Buying a new car with a service warranty.

Characteristics of Operations Management Within LSOs (Manufacturing and Service)

- Operations managers draw on the same range of skills as managers in general.
- The **function of the operations m'tment** is to coordinate the transformation of inputs into desired goods and services. Managers must undertake **POLC** for the efficient running of a **production process**.
 - **Planning** – Determine objectives of the operation and how to achieve them
 - **Organizing** – Organize staff to facilitate the production process
 - **Leading** – Investigate new processes to complete tasks
 - **Controlling** – Control the quality of the product
- The operations manager may be known by other titles: materials/factory/quality/production manager or supply officer.
- Operations managers are **accountable** to both **top m'tment** and to **customers or clients**.
- Operations managers have to **make** or at least **be involved in decisions at strategic level** as well as **operational or front line levels**.
- **Strategic decisions** closely linked to operations:
 - **Mix of goods and services**
 - **Overall design of facilities**
 - **Where production will take place**
 - **How quality will be achieved and maintained**
 - **Marketing of what is produced**
- Operations has to **work closely** with other **departments** in an LSO.
- The **main concerns** of OMs is **productivity**. Increasing output from a quantity of inputs increases an LSOs competitiveness.
- **Productivity** refers to an LSOs **level of ability to achieve objectives/tasks**.
- **Productivity ratio** is the formula used to measure efficiency. It is: **units of output/per 1 unit of input**.
- **Business competitiveness is the ability of an LSO to sell products against other businesses in a given market**.
- In manufacturing, increases of **productivity** have come from **mechanization, robotics and automation** and other **technical innovations**.
- In **service industries**, productivity increases have come from **advances in IT, HRM, organisation of work, communications and customer service strategies**.
- **KPIs** used for measuring productivity:
 - **Budget analysis**
 - **Energy consumption per unit of output**

- **Defective units of output per units sold**
- **Productivity: shows how well inputs and processes are managed**
- **Level of waste**

Key Elements of an Operations System

- There are 3 key elements of an operations system. Coordinating each of these is a management activity performed by OM. They are:
 - **INPUTS:**
 - **Human skills and efforts**
 - **Raw materials** (water, trees, metals, oil, electricity).
 - **Facilities** (factories, office buildings, hospitals)
 - **Machinery and equipment**
 - **PROCESSES** include **transformation** or **conversion activities** such as cutting and forming metal, plastic molding, medical operations, stats analysis etc. **Developments in technology are constantly changing the processes available to LSOs** in their search for greater efficiency in operations.
 - **OUTPUTS** are goods and services (including ideas) usually for sale.
- **Operations system** for the production of a DVD player:

INPUTS	PROCESSES	OUTPUTS
Plant facility Equipment Plastic Electrical parts Paper Power/fuel Labor	Assembly Testing Packaging Dispatch	DVD Player (instructions, warranty)

ESM in Operations

- Typical ESM issues in the **INPUT** element:
 - Supply of inputs from ethical and socially responsible suppliers
 - Fair dealing with suppliers
 - Environmentally sustainable
 - Energy as an input
 - Staff-friendly facilities and technology
- Typical ESM issues in the **PROCESS** element:
 - Use of labor
 - OH&S
 - Respect for the exclusive rights of other parties
 - Disposal of waste materials
 - Customer relations
- Typical ESM issues in the **OUTPUT** element:
 - Benefit to society
 - Product safety and customer health
 - Product reliability
 - Sensitivity to the community
 - Product marketing

Strategies to Optimize Operations

- **Facilities Design and Layout**

Facilities are the **plant** (factories, office buildings) and **equipment** (computers, trucks) needed to carry out operations. **Facilities facilitate operations.**

LSOs must plan the design and layout of operations for **efficient production**. The best available physical resources should be **selected** and **arranged** in the best way for the purposes of the producer.

Facilities design and layout is a **challenging task** because of its **complexity** and **technical nature**. Operations facilities are **expensive** and are constructed to be **permanent** – decisions are critical to the operational efficiency and **long-term success**.

The **geographic location** is sometimes a give, but it maybe a fundamental issue in deciding facilities planning. Location has implications for:

- Distance from input suppliers
- Distance from markets
- Community and environmental impact
- Supply of employees
- Education and training opportunities for employees
- Future expansion at the site

The **planning** of facilities for either manufacturing or service production involves **5 steps**:

1. **Product selection – Decide the goods and services to be manufactured**
 - Strategic decision for top m'tment.
 - This step should result in clear **product definition** (precise documentation of all features of the product and necessary inputs)
2. **Volume – Decide the volume to be produced**
 - Difficult step as it depends on forecasting sales
 - LSOs should attempt to build flexibility into production capacity plans
3. **Activities – Plan the details of production**
 - Detailed specification of physical facilities and human skills and effort needed
 - M'tment needs to realistically plan for other activities/threats in production
4. **Space – Decide the amount of space needed for operations**
 - Should have adequate space for workers, equipment and materials and the possibility for future expansion
5. **Layout – Decide the best layout for operations**
 - **Layout is the arrangement of facilities and workstations in the transformation process.** Key aspects to considered when deciding layout:
 - Size of goods
 - Type of service
 - Volume of production
 - Security needs
 - Staff needs
 - OH&S requirements
 - Flexibility of use
 - The **3** basic operations layouts are:
 - **Process layout**

Equipment and workstations are **grouped according to function**. This is suitable when a facility produces a **variety of products/services** through **many different processes**. Eg, department stores: shoes, jewelry etc. Hospitals, warehouse.

- **Product layout**

The facility is arranged so that equipment and workstations are **in line to provide a sequence of specialized tasks**. Suitable when **one standardized product** is being produced in large volumes Eg. Motor vehicle manufacturing.

- **Fixed-position layout**

Workers and equipment **come** to the product. Is used when it is **not feasible to move product** (size, dangerous composition, shape). Eg. Aircraft and ship manufacturing.

- **Materials Management**

Materials that must be managed:

- **Material inputs** (supplies, raw materials)
- **Work in progress** (unfinished goods)
- **Finished goods** (not yet delivered)
- **Spare parts for machinery and equipment**

MM is undertaken by OMs. It is the **planning, controlling and organizing** of an LSO's **inventory** of the four types of materials.

It aims to ensure the **right amount** of different types of inventory are available at the **right time** at the **right quality** when required by the production process.

For most businesses, the **cost of materials is significant (about half the total revenue)** therefore, poorly planned purchasing and managing of materials can jeopardize any possibility of healthy profits.

Materials planning process involves the following documentation:

- **Master Production Schedule**

The **MPS** is a **general guide** to operations that specifies **WHAT needs to be produced**, **what RESOURCES are required**, **HOW**, **WHEN** and **WHERE** production is to occur and **volume** of production.

- **Materials Requirements Plan**

Is a more **specific guide** to operations that specifies:

- Specific **materials** required
- **Exact quantities**
- Best times to **order** from suppliers
- Best **delivery** times

The **MRP** supports the **implementation** of the **MPS**.

Inventory control refers to the **m'ment of an LSO's stock of materials**. It is essential and has two dimensions:

- They **tie up business funds** for no return, as well as taking up **valuable warehouse space**
- An operations system cannot be allowed to **run out** of material inputs. **Delays or shutdowns** caused by shortages are very **costly**.

Inventory control takes two forms:

- **Physical control**
 - Storing stock
 - Security control
 - Physical movement of stock
 - Regular stocktakes
- **Accounting control**
 - Maintaining a secure accounting system
 - Regular comparisons b/w accounts and physical inventory
- **Just-In-Time (JIT)** is an approach to inventory control that involves the **delivery** of inputs just before their **time of use** in the production process.
 - **Advantages:**
 - Storage costs reduced
 - Reduces capital invested in idle stock
 - Less chance of stock being damaged or stolen in storage
 - **Disadvantages:**
 - Production schedules may be disrupted if deliveries are delayed
 - Freight and handling costs increase due to more frequent deliveries

Ford uses this approach

Supply chain refers to the **entire flow of materials** through the **network of suppliers, third party service providers** and **customers** associated with an LSO's operations process

Supply chain m'ment encompasses the m'ment of all activities involved in **sourcing**, **procuring**, **storing**, **processing** and **distributing** all materials in the supply chain.

- **Quality Management**

QM is the process of **maximizing the many characteristics of a product that assist in satisfying customer's needs**. By improving quality, a business can gain a **competitive edge** and improved customer **loyalty**. Heightened competition, **consumer protection laws** and **consumer groups** have driven LSOs to be more **quality-conscious**.

The **three forms** of QM are:

- **Quality Control (QC)**

QC is a process for **monitoring** the quality of goods **during its production or delivery**. The **4 steps** in QC are:

- **Establish performance standards or specifications**
- **Inspect output for performance**
 - Random sampling and analysis
 - Customer assessment
- **Compare actual performance with standards**
- **Take corrective action if necessary**

- **Quality Assurance (QA)**

QA consists of **certification assuring customers of exceptionally high quality standards**. Certification is given by an **independent organization**, such as **SAI Global**.

- **Total Quality Management (TQM)**

TQM is a m'ment philosophy that **promotes continuous improvement** of all processes, products and services of an LSO. It relies heavily on **statistical analysis** with little time for **guess work**. The **3 principles** for TQM are:

- **Continuous Improvement**

Focus on **small improvements** rather than innovations (big leaps) to achieve **competitive edge** and **long term improvement**.

- **Customer Focus**

Quality is customer-driven.

- **Employee Participation and Teamwork**

A **culture of quality** should be adopted to encourage every individual to take responsibility for maintaining quality.

- **New Technology**

Process technology is the term used to describe the technology used to **transform inputs into goods and services** Eg. Machinery, equipment, computer systems and work practices.

Advantages of using technology:

- Increases productivity
- Improvements in quality (minimization of human error)
- Reductions in productions costs
- Larger quantities of output
- Wider range of products (flexibility)
- New markets
- Improved customer service

Disadvantages of using technology:

- Substantial costs in initial purchase, maintenance, training and implementation
- Technology dates and quickly becomes obsolete
- May cause employee anxiety due to change in job designs
- Automation may result in job displacement and downsizing = job insecurity
- May result in deskilling

- The main types of technologies used in **manufacturing operations**:

- **Computer-aided design (CAD)**

Involves **product designers** and **engineers** working **with computers** to create products and modify specializations.

- **Computer-aided manufacturing (CAM)**

Computers are **used to design** and **control** the **production process** by directing machinery and equipment, and allows for it to be altered.

- **Robots**

Are computerized **work machines** that are programmed to do various **tasks**. While initial costs are high, they don't need **breaks or holidays**.

- **Flexible manufacturing systems (FMS)**

This technology is related to **CAM** but offers greater **flexibility** in the production process so that the **same production line** can handle **different** types of **inputs and products**.

- **Electronic data interchange (EDI)**

EDI is the computer-to-computer **exchange of business data** b/w LSOs. It can be purchase of inputs, inventory control, and accounting data.

- **Computer integrated manufacturing (CIM)**

CIM is a highly technical system that incorporates the use of **many technologies** into a **single integrated system**.

- **Customer relationship management systems (CRM)**
 - CRM uses the **internet** to **monitor and record consumer interests**
 - Develops **selling strategies** based on the data
 - Is a form of **B2C computer technology** that aims to **improve communication with customers**
 - **Benefits:**
 - Issues invoices and bills automatically
 - Produces quotes on jobs/projects automatically
 - Make customer appointments online and email confirmation
 - Customer reminders via SMS
 - Decreased reliance on paper documents
 - Manage inventories needed to meet demand
 - CRM **decreases costs of achieving customer service outcomes** and **increase revenue by providing quality service online**
 - CRM has provided **disappointments** and even **complete failure** for LSOs relying on a 'quick fix', as real issues involve the quality of a business' r/ships with customers
- **Mobile communications technology (third gen [3G])** is quickly turning **laptops and phones into mobile computers**. The 3G network offers mobile uses internet access and broadband speed.
- Individuals and teams at all levels within an LSO can become more **mobile** giving them **access to all computer resources, systems** and **applications**. This mobility can be put to use either **onsite** (within the LSO) or **further afield** (remote-site).
- **Problems** with technology:
 - **Cost** – Expensive to buy and needs to be updated very regularly.
 - **Training** – Employees need to be trained how to use new technology.
 - **Repairs** – Technology can break down easily, making it costly to repair as well as eating up time.

ESM in Operations

- NAB's corporate responsibility policies outline that it will lower costs by improving efficiency and minimize waste, as well as how it will work in an ethical and environmentally friendly manner.
- Ethical management is the application of moral standards to management behavior.
- Socially responsible management refers to the management's awareness of the social and environmental consequences of its actions.
- It can be costly to run an operations system ethically, but it also improves reputation and efficiency in the long run.
- Aspects of ethics and social responsibility that would concern an operations manager:
 1. *Managing inputs appropriately.*
 - Make sure there is no serious impact on the environment.
 - Keep waste to a minimum.
 2. *Managing suppliers appropriately.*
 - Follow guidelines on ethical and socially responsible behavior.
 - Not giving preferential treatment based on gifts or friendships.
 3. *Managing staff appropriately.*

- Make sure there are sufficient facilities that contribute to health and welfare.
- 4. *Managing the customer relationship appropriately.*
 - Goods are produced to a standard of quality.
 - Dangerously defective goods can be harmful.

Unit 4 AOS1: The Human Resource Management Function

Factors Involved in Managing Human Resources

- HRM is the m'tment of **human relationships** within an LSO. This involves a **series of activities** focused on **obtaining, training and maintaining** an efficient and effective workforce **capable of achieving objectives**.
- The **role** of the HR manager has been affected by **developments** and **trends** in **4 significant contexts**:
 - **Workplace attitudes**
 - Eg. Changes in employee expectations such as more workplace flexibility, greater recognition of work-life balance, awareness of human diversity.
 - **Developments in technology**
 - Implementation of new tech. impacts on staff in areas such as allocation of new work tasks, training and skill development and changes to corporate culture.
 - **Legislation**
 - Laws passed impact on LSOs in several HR areas including OH&S, employee relations and equal opportunity.
 - **ESM**
- HRM is responsible for:
 - **ESTABLISHING** employment involves the manager (or team) making decisions about taking action on:
 - **Planning and LSO's HR needs**
 - **Recruitment of staff**
 - **Selection of staff**
 - **MAINTAINING** involves decisions about taking action on:
 - **Induction of recruits**
 - **Incentive and motivation**
 - **Improving the work environment**
 - **Training**
 - **Career development**
 - **Quality of working r/ships**
 - **Employee relations/industrial relations**
 - **TERMINATING** involves decisions and taking action on:
 - **Retirement**
 - **Resignation**
 - **Redundancy/retrenchment**
 - **Dismissal**
- **4 indicators of effective HRM**:
 - **Good work performance**: Skilled and motivated employees achieve outcomes for the LSO.
 - **Job satisfaction among employees**: Employees are pleased with their work roles and employment arrangements.
 - **Low levels of absenteeism**
 - **Low levels of staff turnover**

Employee Expectations, Job Satisfaction and Motivation

- HRM are aware of **employee expectations**, one of which being **job satisfaction**. They are also aware of the need to **motivate** staff so that they will reach **maximum potential** thereby contributing to the achievement of objectives
- **Employee expectations** typically center on:
 - **Fair treatment by the employer**
 - **Steady employment**
 - **Good conditions of employment** (Eg. Pay and leave)
 - **A positive and safe workplace**
- **Employer expectations** include:
 - **Complete all reasonable tasks as required**
 - **Work in a safe and timely manner**
 - **Work effectively** both as individuals and as part of a team
 - **Display commitment** by being a **productive** and **punctual** member of staff
- **Job satisfaction** refers to the amount of satisfaction/how pleased a member of staff is with their **role** and **working environment**. It is affected by the **expectations brought to the job** and:
 - **The nature of the work**
 - **Remuneration (pay)**
 - **The way work is supervised**
 - **Quality of working relationships**
 - **Existence of career paths**
 - **Work/life balance**
- **Motivation** is what **drives** the individual employee to put effort into the job. Motivation **varies from person to person**. It can be affected by a number of **external factors** such as:
 - **Financial incentives**
 - **Opportunities for achievement**
 - **Recognition for what is achieved**
 - **Opportunities to hold responsible positions**
 - **Opportunities for advancement within the LSO**
 - **The work itself (pleasure in the job)**

Diversity Management

- **Diversity** in HRM refers to the **workplace mix of people** in terms of gender, race, sex, nationality and other characteristics
- The ways staff can differ can be arranged in **three groups** of characteristics:
 - **Personal (primary)**: age, gender, mental and physical ability, nationality, race, and sexual orientation.
 - **Personal (secondary)**: beliefs, education level, marital status, socio-economic status, and values.
 - **Organisation-related**: casual/part-time/full-time status, tenure, and position in hierarchy.
- **Globalization** of business has put LSOs in **ongoing contact** with a more diverse range of cultures. Australia is extremely **multicultural** and its businesses need to recognize the **extent of their diversity** and **develop HR strategies** for the effective management of diversity.
- **Advantages of DM**:
 - Improves **job satisfaction, motivation and performance**
 - **Reduces costs** associated with poor DM Eg. Poor communication, conflict, absenteeism, legal action, staff turnover etc.
 - Taps into the **skills, experience and ideas** of employees, resulting in **creativity and innovation**
 - Draws on **cross-cultural capabilities** within the LSO for the use externally, both in Australia and overseas.
- The **aim** of DM is to **maximize the contributions of all staff**.

- **Family-Friendly** work places are a type of DM because it **responds to the needs of a group** in the workforce.
- **FF strategies** recognize employees **don't leave family and personal lives at home** when they come to work. Family commitments stay with them; childcare, education, illness etc.
- FF LSOs typically **offer**:
 - **Family and parental leave**
 - **Childcare**: provide by the employer onsite, offsite, free or subsidized.
 - **Flexible working arrangements**

Theories of Motivation

- **Internal factors** affecting motivation (those unique to the individual):
 - **Desire to be successful**
 - **Aspirations to climb corporate ladder**
 - **A need to provide a secure environment for family**
 - **A desire to create recreational opportunities** Eg. Travel
 - **Opportunities for career advancement** through **training and succession planning**
 - **Clearly defined and obtainable objectives**
 - **A positive culture with open and honest communication**

- **Maslow's Hierarchy of Needs**

Abraham Maslow, a psychologist, believed employees have **needs** that must be satisfied by the LSO for an employee to be **motivated**. These needs are arranged in a **hierarchy in order of importance** – lower level needs must be satisfied before the individual can move to the next level of needs.

NEED	LIFE EXAMPLES	WORKPLACE EXAMPLES
5. Self-Actualization	Fulfillment, developing true potential.	Interesting jobs with creativity and self-development involved.
4. Esteem	Recognition, sense of competence.	Responsible tasks, professional recognition, promotion.
3. Social (belongingness)	Social interaction, sense of belonging.	Supportive m'tment, opportunities for teamwork.
2. Safety	Security (physical and emotional stability).	Job security, safe working conditions, freedom to unionize.
1. Basic Physical (physiological)	Food, water, air, shelter, sex.	Sufficient pay for survival, satisfactory working conditions.

- Maslow's theory identifies the need to **create an environment in which employees can fulfill their potential**. It also suggests that employees whose needs are unmet may leave the LSO and seek fulfillment elsewhere.
- Maslow's theory is **no more than a theory** - there is no evidence to support his idea.
- **Frederick Herzberg** drew on Maslow's theory of human needs and expanded it. He replaced a single hierarchy with **two sets of factors**. In Herzberg's theory **only the 2nd set** was really useful in **motivating** employees
 - **Maintenance factors ('hygiene')** have a tendency to cause **dissatisfaction**. They are **extrinsic to the job**:
 - Pay
 - Job security
 - Working conditions
 - Organizational rules and policies
 - Interpersonal r/ships in the workplace
 - **Motivational factors ('satisfiers')** can **create job satisfaction** and are **intrinsic to the job**:
 - Achievement

- The work itself
 - Recognition
 - Responsibility
 - Opportunities for advancement
- Herzberg's model reminds managers that some factors, which may seem positive, can have **little impact on performance**.
- **Edwin Locke's** motivational theory is not a **needs theory**, but rather a **goals theory**. He argued that satisfaction comes from **achieving defined goals**. He also argued the more challenging goals, the greater effort and satisfaction enjoyed by the staff.
- In Locke's view, goals should **not be crudely imposed**. For the theory to get results in modern workplaces, Locke says it should include:
 - **Participation by workers in setting goals**
 - **Guidance and advice for m'ment**
 - **M'ment feedback on performance**

The Employment Cycle

- The employment cycle is the stages that an employee **moves through over the period of the employment r/ship** with an LSO.

ESTABLISHMENT PHASE

- **Analyzing HR needs**

Determining HR needs is an **ongoing process** for HRM in LSOs. Staff, retire, resign, or are promoted; new positions are created as the business needs change.

HR planning includes **job analysis**, which results in **job descriptions** that lead to the make up of **job specifications**.

Job analysis is the process of **systematically examining a job** in order to identify its **major components** and the **type of skills** and **work experience** needed to fill it.

Job description is a **written description of a job**, including the **tasks and responsibilities** related to the job within the context of the LSO. It covers **job title, placement of the job within the LSO** and the **duties** involved.

Job specialization is a statement of **knowledge, competencies, experience** and **level of education** required to perform a particular job effectively.

Job design is an **analysis of the tasks** to be performed to **ensure they match objectives**.

Mistakes in this area are **costly** due to the large investment staff represent. The results of **poor planning** and **appointing unsuitable staff** can be **difficult** and **time consuming** to rectify.

- **Recruitment and selection**

Only takes place **after** HR needs have been **analyzed and planned**. Has **two steps**:

- **Communicating the existence of vacant position to potential applicants**
- **Making initial contact with applicant**

Typical methods of recruitment:

- **Internal** (within the LSO):
 - Email/intranet
 - Noticeboards
 - Memos
 - Newsletters
- **External**:
 - Ads in the media
 - Professional bodies/associations

- Trade Unions
 - Employment agencies
 - Schools, universities or TAFEs
 - Personal contacts/networking
 - Previous applicants for related positions
- **Selection** is choosing the **most suitable applicant** from the pool attracted in the recruitment process. It requires:
 - A **panel** to undertake the task
 - **Selection criteria** developed from job specifications
- The selection process involves **5 steps**:
 - **Screening/shortlisting applicants**, ensuring applicants meet selection criteria
 - **Interview applicants**. Concentrates on suitability of applicants in terms of job criteria and culture of the LSO
 - **Checking the background of applicants** involves contacting referees
 - **Conducting suitability tests and medical examinations** used to estimate future work performance
 - **Advertising applicants of the outcome**

- **Employer of Choice (EOC)**

EOC **attracts** and **retains** staff of a **higher caliber** than its competitors. An EOC does this by providing better **opportunities** and **rewards**.

EOC status is **achieved** in **two broad ways**:

- **Improving LSO's reputation as an employer**
- **Offering well-targeted opportunities and rewards**

Opportunities and **rewards** offered by EOCs include:

- Better **salary packages**
- **Working conditions** that assist **work/life balance**
- Opportunities for **training and career development**
- Generous **relocation payments**
- Better **equipment and advancement technology** for knowledge workers
- Recognition in the form of **corporate kindness** Eg. Movie/sport tickets
- Improved **future employment opportunities**

- **Labor Market Trends**

- **Increased casual and part time employees**

Doubled since 1984. Has flexibility advantages for m'ment Eg. Casual employees save **annual leave costs** and **terminate** employment without notice.

- **A developing skills shortage**

Growth of Australian workforces is slowing – businesses will find retaining quality staff more **difficult** as labor markets tightens (excess demand for labor for supply of labor)

- **New generation employees**

Gen Y have different **values** to other Gens. Eg. **Diminished respect for authority** and **keenness to take on challenges**.

- **An ageing workforce**

Baby Boomers reaching retirement age. Govt. and businesses developing strategies to keep older workers.

- **ESM issues at establishment stage**

- **Honesty in recruitment**: shouldn't attract staff by making unmet promises
- **Concern for people** and the challenges they face in life
- **Diversity in selection**: M'ment must avoid stereotyping
- **Provision for casuels**: are a vulnerable section of the workforce – m'ment shouldn't exploit them
- **Induction**: different styles of learning to suit new staff during induction

- **Empowerment of staff:** Keeping staff informed of developments that may affect the workplace and encourage participation in decision-making.

MAINTENANCE PHASE

Involves **managing employees** in such a way that their services are **retained** by the LSO. It begins as soon as an employee is employed. It will also involve:

- **Training and development**

Training begins with **induction**, which aims to **familiarize** a new member with the LSO and its environment. The program can be **informal** or **highly structured**. It should include the LSO's **facilities, layout, key personnel, rules** and **procedures**. It should also attempt to **describe the culture**.

Without ongoing training and development, skills may become outdated.

Employees who do not update their skills on the job may find themselves out of that job and in a **poor position in the changing labor market**.

There is **no one best way of training staff** The application of the following principles will make for more effective training:

- **Attention to the level of motivation for training**
- **Allowing for individual differences among the type of training offered**
- **Linking training to evaluation of performance (training what is needed)**
- **Giving feedback on progress**
- **Reinforcing advances made**
- **Evaluating the training program**
- **Types of training:**
 - On/off job
 - Induction
 - OH&S
 - Customer service
 - Technical competency
- **Methods of training:**
 - DVD presentation
 - E-training (online)
 - Mentoring
 - Job rotation
 - Simulation (Eg. Role-plays)
- **Benefits of effective training:**
 - Improved productivity
 - More flexible workforce
 - Increased workplace innovation
 - Increased job satisfaction
 - Few accidents and injuries

- **Performance Management**

PM refers to a **strategic and integrated approach to organizational success by improving the performance of employees**.

It is **strategic** because it **emphasizes long-term objectives** and is **integrated** because it is **linked to other functions of the LSO**.

PM converts LSO objectives into targets for departments, teams and individuals, M'ment uses KPIs and reviews to evaluate performance and find ways to make improvements.

Reasons for performance reviews:

- **Feedback** – providing staff with clear indication of their performance and recognition for their work
- **Remuneration** – Eg. Performance based pay systems

- **Promotion** – Identifying suitable candidates
- **Training needs**
- **Improvement**
- **Goal review**
- **Necessary records** – to justify m'ment actions such as dismissal, demotion etc.

Good performance review must **avoid**:

- **Personal bias**
- **The halo effect**
- **Unclear standards of performance**
- **The activity trap**

Good performance review should **incorporate**:

- **A systematic approach to review**
- **Clear goals**
- **Emphasis on productivity improvement**
- **Emphasis on continuing development**
- **Support staff** in the form of training and other methods

Types of review:

- **Interview**
- **Checklist**
- **Essay**
- **360 degree feedback**
- **Monitoring** – ongoing, formal checks of performance

- **Reward Management**

To be able to attract and motivate staff suitable employees, LSOs must offer **appropriate awards**. Rewards may be both **financial and non-financial**.

- **Financial rewards** are of a monetary nature such as pay, bonuses, profit sharing etc.
- **Non-financial rewards** are those of a non-monetary and more **intrinsic** nature, such as the work itself, increased responsibility/challenges, positive feedback etc.

Rewards should be based on **quantifiable performance indicators**. PM runs parallel to reward and recognition, and **informs training needs**. All these contribute to performance.

- **ESM issues at maintenance phase:**
 - **Fair pay**
 - **Work environment** – Should have adequate facilities for work tasks and other needs of staff
 - **Job security**
 - **Employee relations**
 - **Allocation of tasks and resources** 'no favoritism'
 - **Access to ongoing training**
 - **OH&S**
 - **Superannuation**
 - **Performance review and rewards** must show respect to **all** staff. Rewards must be **fair**.
 - **Medical and psychological testing**
 - **Confidentiality**
 - **Off-the-job behavior**

TERMINATION PHASE

At some stage, the employment r/ship will be **terminated**. It is important this stage is managed appropriately. HRM need to **knowledge of the various awards and agreements** under which people are **employed**. Managers need a knowledge of the **law relating to unfair dismissal**.

Termination instigated by the **employee** will be either:

- **Retirement**

The decision of the employee to **cease paid employment**. Usually by the age of 55 to 65 although recent trends suggest earlier retirement has occurred in recent decades. HR action should include:

- Monitoring when people are due for retirement
- Consultation about suitable retirement date
- Provision of pre-retirement counseling and training (Eg. On matters such as super, pensions, health, investments etc.)

- **Resignation**

Is the **voluntary decision of an employee to end the employment r/ship**. Resignations can contain important **messages for m'ment** and point to areas for action. HR functions in relation to resignation include:

- Monitoring staff turnover
- Conducting exit interviews to identify reasons for leaving
- Analyzing reasons for resignation

Termination instigated by the **employer** will be either:

- **Dismissal**

Is the action of the employer to terminate the employment r/ship because of **poor work performance or unacceptable behavior**. The legal framework of unfair dismissal covers this m'ment act.

- **Redundancy/retrenchment**

Results from a person being **surplus to the LSO's need for staff**. Surplus workers are referred to as **redundant**. Retrenchment of staff has to be **considered in the context of long-term business strategy**; Eg. Decisions made with a view to future business growth/decline. If staff downsizing is essential, retrenchment can sometimes be **avoided** by relying on **natural attrition** in the **medium term** (i.e. termination due to retirement or resignation). HR tasks related to this include:

- **Planning HR needs to avoid involuntary redundancies**
- **Offering retirement incentives and voluntary departure packages**
- **Negotiating redundancy agreements with trade unions**
- **Locating job transfer**
- **Addressing morale issues among continuing staff**

ESM issues at termination phase:

- **Sensitivity at termination** – the service of the departed should be recognized
- **Retirement** – HR should provide assistance to staff retiring. M'ment needs to be **alert** to approaching retirements and plan **in advance**. Eg. Counseling
- **Resignation** – conducting exit interviews to **uncover ethical issues**
- **Dismissal** – Should be used as a last resort. M'ment must **allow time for work performance to improve**.
- **Retrenchment** – ESM **avoids** it by early (long-term) **planning** of staffing needs. If unavoidable, HR should do what it can to **reduce hardship** for those redundant.

Employee Relations

- **ER refers to the r/ship b/w employers and employees and how they work together to establish the conditions under which people are employed**
- **Conflict** occurs when there are **different views b/w employees and employers as to how profits from productive effort should be shared**.
- HRM need a **good knowledge of laws and current practices in ER**.

Relationship Between Business Objectives and Strategy in ER

- For m'ment, the aim of good ER is to have **employees accept its plans** and be **more willing to accept continual change and development** within the LSO.

- Good ER should fit in the **total business strategy**: it is vital in getting the LSO here it wants to go. ER **policies** should **reflect and support the overall strategy and long-term objectives**.
- Most staff complaints occur in the **allocation of tasks, discipline, promotion and termination**. M'ment should handle complaints in a way that does **not escalate** them, causing more **serious and formal grievances**.
- Complaints should be dealt by:
 - Treating the employee and complaint as being **important**
 - **Listening** carefully and getting all the facts
 - **Explaining reasons for decisions** to the employee
 - Taking a conscious effort to **fair** to all parties
- **Good ER should be based on:**
 - **The joint commitment of m'ment and employees to the objectives of the LSO.**

Strengthened by **employee-centered** styles with staff **participation** in decisions.

- **An organizational culture that values ethical behavior**
 - **Promoting and accepting change**
 - **Use of effective communication methods an EQ**
 - **Provision of good pay and working conditions as well as other awards**
 - **Maintaining good working r/ships b/w m'ment and union officials**
- Recent legislation has continued to **decentralize** the ER system, bringing m'ment of ER **closer to organization m'ment, HRM** in particular
 - All managerial skills are relevant for HR managers. They also need a **clear view of how their ER activity relates to the long-term business strategy**.
 - LSOs benefit from **harmonious** and **productive r/ships** b/w workers and m'ment. Poor employee morale and industrial unrest hinder productivity and business competitiveness.

Centralized v Decentralized Approach to ER

- Centralized system = central tribunals decided the **wages** and **employment conditions** of **all** employees. These were formalized by **awards** for particular occupations.
- Awards were determined for particular **occupations**, but later covered employees of particular **industries**.
- Awards were determined as a result of **unions** and **employer organizations** presenting **submissions** to the **Conciliation and Arbitration Commission**.
- Under current legislation, the main area of ER **still centralized** is the **determination of minimum wage**. This is determined each year by the **minimum wage panel of Fair Work Australia**.
- **Advantages** of centralized system:
 - **Equality for all workers**
 - **Governments have greater control over wage outcomes** and can maintain better control of the **economy**
 - **Industrial disputes** within individual businesses are **reduced** because awards cover entire industries
 - **Stability** and **predictability** are enhanced because one set of **rules and procedures** applies to **all industries** and LSOs.
- **Disadvantages** of centralized system:
 - **Less flexible system** Eg. Wages and conditions apply to LSOs in capital cities and small country businesses
 - Doesn't provide enough **opportunities for individual businesses to provide improvements in employment conditions in return for productivity gains**

- **Large unions** are favored as they have **money** and **resources** to **fund expensive legal cases** before industrial tribunals
- **Less incentive for participative approach** as decisions on wages and conditions are **not made within LSO**
- A **decentralized system** exists when **employees are able to negotiate agreements with employers at enterprise level**.
- Economics was the **driving force** for its change during the **1980s**. The Keating Labor Govt. considered centralized wage determination **reduced flexibility of businesses to adapt in an extremely competitive international environment**.
- It **allows businesses to change workplace practices to suit workplace needs** and **link productivity improvements** to wage increases as well as **empowering parties to resolve disputes themselves**.
- ALP supports **collective approach**, with an **award structure remaining as a safety net**.
- **Advantages** of a decentralized approach:
 - **Flexibility** to introduce employment conditions that take into account **individual characteristics** of each workplace.
 - **Greater communication** b/w employers/workers = improves staff **motivation**.
 - **Greater effort** and **contribution to productivity gains** of employees can be **rewarded**.
- **Disadvantages** of a decentralized approach:
 - Likely to be **greater inequality b/w skilled and unskilled workers' wages** as unskilled workers have less **bargaining power**
 - Govt. has **less control of wages** = **harder to manage economy**
 - Industrial disputes could go on for **longer** with **less involvement of centralized tribunals**.

Stakeholders Involved in ER

- **Employees** may be **represented** by (trade) **unions** such as **VSTA, AWU, TWU** etc. They are organizations **formed by employees** in an industry, trade or occupation to **represent them in negotiations** over working conditions
- **Unions** are **affiliated** with **state bodies** such as **VTAC** and Federal bodies such as the **ACTU** who **formulate and coordinate national union policies** and **represent union movement** in courts and tribunals in dealings with govts. And other orgs.
- **Employers** are **represented by employer associations** such as **MBA, ARA** etc. They assist and represent employers in a range of areas Eg. Demands from employees.
- **Employer associations** are **affiliated with peak bodies** such as **Vic. Chamber of Commerce and Industry (VECCI)** and **ACCI**. They perform a similar role to the **ACTU** does for employees.
- **Governments** are involved in ER:
 - **Legislation** – Fair Work Act 2009
 - **Employer** – Employs 1/3 of Australian workers
 - **Economic management**
 - **Administrator of govt. policy** on ER
 - **Represent Australia in an international area**

Recent Legislation and the Role of Fair Work Australia

- **Workplace Relations Act 1996**
This legislation **moved the system further towards individual bargaining** and away from central regulation.

The main features were:

- Simplification of traditional award system
- A system of Aus. Workplace Agreements (AWAs) generally outside the **scrutiny of Industrial Relations Commission (IRC)**
- A reduction in the role of the IRC
- Restrictions on union activity and encouragement of non-union bargaining agents

- **WorkChoices Amendment 2005**

Took a dramatic step further to **decentralize ER**. It altered the legal balance b/w bosses and workers that existed for a hundred years.

The main features were:

- Further demise of awards
- Collective bargaining discouraged
- Further downgrading of role of the IRC
- Cuts to unfair dismissal provisions
- Restrictions on trade union activity

- **Workplace Relations Amendment Act 2008**

Rudd Labor govt. passed legislation, **banning the making of AWAs**.

- **Fair Work Act 2009**

Continues the long-term trend to decentralization. It is based on enterprise level bargaining, with centralized **wage determination for minimum wage rates only**. The system aims to **promote collective bargaining** at enterprise level.

A legal '**safety net**' made by the Rudd Govt. contained **10 employment standards**:

- Max. 38 hours work a week, subject to negotiation
- Public holidays protected, depending on work
- Four weeks paid annual leave
- Ten days paid personal or carer leave
- A year of unpaid parental leave
- Extension of redundancy pay
- Long-service pay
- Up to 10 days paid leave for jury service
- A right to ask for flexible work
- A statement on workplace rights
- **Fair Work Australia replaces the IRC and the Aust. Fair Pay Commission**. The new federal body determines the **minimum wage each year**. It also **approves enterprise level agreements, mediating industrial disputes, unfair dismissal claims and inspecting complaints of workplace abuse**
- Currently, pay and conditions are determined by either:

- **Industrial Awards**

Workers in many industries are still covered by **old awards** and continue to be a point of reference in the **negotiation of collective and individual agreements** at the enterprise level.

- **Collective Agreements**

Also referred as **enterprise bargaining agreements (EBAs)**. They are negotiated by **groups of employees** at the enterprise level **with or without union involvement**.

- **Individual Agreements**

Individual contracts of employment made under common law. Have to meet the ten basic employment standards.

Unit 4 AOS 2: The Management of Change

- Organizational change **refers to the m'ment approach of shifting/transitioning individuals, teams and organizations from a current state to a desire future state. The process aims to help stakeholders accept and embrace change.**
- All LSOs **face the need to change** on a regular basis. Pressures for change may come **internally** or **externally**. The way LSOs **respond to change or pressures** will determine whether it remains **competitive** and **profitable**.
- **Poorly managed changes** can result in **employee resistance, tension, lost productivity** and **unmet objectives**

- **Internal environment** as a source of change:

- **Poor financial performance**

Eg. **Westfarmers Ltd.** takeover of poorly performing **Coles** in 2007 and implementing 5-year recovery process.

- **Need for innovation**

Needed to remain competitive. Often involves application of new tech. Eg. Operations, product range and design, customer service etc.

- **Staff participation for organization performance**

Changes in flatter org. structures accompanied by a cultural change to support employee participation.

- **Rapid growth**

As LSOs grow, structures and practices become **restrictive**.

- **Operating environment** as a source of change:

- **Competitive Markets**

The need to respond to changing markets is the **central source** of change in a business.

LSO's position in the market relies on:

- Customers and their preferences on range, price and quality
- Competition
- Sourcing of supplies and credit
- Activities of special interests groups

- **Trend to outsourcing**

Has become common in recent years. Functions outsourced include operations, HR, Marketing, IT, Accounting etc.

- **Macro environment** as a source of change:

- **Technological factors**

New developments in ICT and process technology are always becoming available and taken up by LSOs where they see **productivity gains**.

- **Society's attitudes**

Put pressure on LSOs to conform to **society's expectations** Eg. Heightened concern for the environment and renewed emphasis on ethics etc.

- **Employee relations framework**

Ongoing **decentralization** for the industrial relations system creates **new pressure** for LSOs. Changes to **legal-political conditions** surrounding ER have brought the action to **enterprise level**. LSOs' **responses can be found in ER policies and practices**.

Restraining and Driving Forces for Change

- Even when change is needed, LSOs find forces **driving change** and countered by **restraining forces**. They can have **external elements** but are mostly located **internally**.
- **Restraining forces:**
 - **Organisation Inertia**

A culture that **does not welcome/enthusied by change**. Don't wish to **exit comfort zone**.

- **Employees**
 - **Resist change** that **threaten job status**
 - Resist if they are worried they cannot **adapt to change**
- **Management**
 - Procrastinate; indecision or delayed decision making
 - Indecisive and put off making a **final decision, creating uncertainty**
 - **Employees lose confidence**
- **Time**
 - Resistance can occur if there is **not enough time for people to consider change**
 - Timing may be **poor**
- **Competitors**
- **Low productivity**
 - Changes will lead to some **disruption** to existing **operating systems** and **work patterns** whilst it is being **implemented**
- **Legislation**
 - May restrain **certain practices** and **procedures, disallowing change to occur**
- **Financial costs**
 - **New equipment**
 - **Redundancy payments**
 - **Retraining**
 - **Re-organizing layout**
 - **Recruiting new staff**
 - **Re-engineering operations/waste systems**
- **Driving forces:**
 - **Organisation culture** that **expects** and **embraces change**
 - **A workforce that trusts change process and leadership**
 - **Positive and capable m'ment**
 - **Financial reserves** (or sources of funds) to resource change process

Kotter's Theory of Change Management

1. Establish an urgency for change

Examine the current market opportunities/threats and analyze the competitive position to highlight them.

2. Form a powerful coalition

Establish a team of people to act as facilitators (change agents). Involves identifying key people who will ensure change is appropriate.

3. Create a vision

Provide a sense of direction to achieve a common objective. Result should justify effort and motivate staff.

4. Communicate the vision

Share the vision with those affected, using varying com. Channels. **Advantages must be explained to dispel fear.**

5. Remove obstacles

M'ment should give staff **confidence** and **encourage behavior** that supports change. Org. structures and practices that hinder change must be removed.

6. Create short term wins

M'ment needs to **build stages** into its plans, where **progress can be observed**. All involved should be recognized and rewarded, taking pride in their work.

7. Build on the change

Support **improvements** with resources. Remove/modify remaining structures and practices that further block progress **ensuring change is continuous and momentum remains.**

8. Anchor the change

Show the **connections b/w the new procedures and the success** of the LSO. The **aim** is to **promote a culture that fully supports the new behavior.**

Strategies for Effective Change Management

- **Low risk strategies:**

- **Communication**

Assumes if employees understand the change, they will accept it.

- **Participation**

Commitment to change obtained by involving employees in decisions in the change process. It is difficult to resist decisions you have been apart of making.

- **Support**

Includes **active listening** by m'ment to the problems of subordinates, training in new skills and monitoring distress levels.

- **Negotiation**

Deals or agreements made b/w m'ment and employees to **ensure support for change**. Involves identifying potential resistors and offering them incentives in return for support.

- **High risk strategies:**

- **Manipulation**

Influencing employees view by **selective use of facts** and **interpretation of events**. M'ment can also **start rumors** as a means of influencing change.

- **Threat**

Uses **direct threats** against those who resist change. Possible threats include **retrenchment, transfer, loss of promotion, demotion** or a **poor employment reference**.

The Role of Leadership in Change Management

- In relation to change, **leading is the most important and relevant role. (POLC)**
- Managers leading change require **hard work** and **research skills** to see **trends, opportunities and possible strategies** in managing change – Leaders have to be **persistent** and at times **courageous in implementing a strategy**. They must also be **convincing, motivating** and **inspiring to embracing change**.
- **Interpersonal qualities** needed to **communicate vision, build confidence and reassure** staff of change process, **listening to their concerns**.
- **Informational qualities** needed to **interpret and report progress and achievements** of the change process.
- **Decision-making qualities** needed to be **proactive** throughout the change process, see opportunities and make **hard decisions** as developments occur.
- **Seven essential behaviors of modern leaders:**
 - **Know your people**
 - **Insist on realism**
 - **Set clear goals and priorities**
 - **Follow through**
 - **Reward the 'doers'**
 - **Expand people's capabilities**
 - **Know yourself**

Internal Impact of Change

- **Check list** for the **internal impact of change:**
 - **Facilities and technology**
 - **Objectives**
 - **M'ment style**
 - **Recruitment and training**
 - **M'ment structures**
 - **Planning**
 - **Corporate culture**

- **Tasks**

These are the **8 targets** for change. It provides a checklist for **analyzing points where forces for change impact the LSO, developing m'ment responses** to the forces for change and **identifying KPIs** where **evaluation of m'ment's strategy can be based**.

- **Impact of change on HRM:**
 - Adjustments to HRM are necessary to **improve effectiveness** of changes made in other components.
 - **Recruitment and selection** must be altered to reflect the need for individuals who possess knowledge and skills required to **handle changing circumstances**.
 - **Termination procedures** needed in case of **redundancies**.
 - **Performance appraisals** and **rewards** must be used to **reinforce the new attitude and behaviors** to be enacted.
 - **Flexible working arrangements** needed to have **EOC status**.
 - **Clear vision of goals and objectives** need to be **communicated**.
- **Impact of change on Operations Management:**
 - LSOs **always seeking productivity gains** to **improve competitiveness**.
 - LSOs need to **refit** and **reorganize factories** to take advantage of new tech.
 - **Flexible manufacturing** allows **plants to be smaller, more specialized and closer to markets**.
 - **Emphasis on quality assurance, quality control and TQM**.

ESM of Change

- The **Triple Bottom Line**, or corporate social responsibility (CSR) is a concern for the condition of society at large. LSOs express CSR through:
 - **Productive activities that improve society**
 - **Limiting negative outcomes** of its own activities Eg. CO2 emissions.
 - **Supporting action on social issues** Eg. Foundations/charities.

Globalization

- Is the **expansion of businesses that carry out operations in different countries resulting in the internationalization of markets and increased foreign trade investment**.
- For Australian LSOs this can involve:
 - **Facing competition from overseas-owned orgs. in the domestic market**
 - **Supplying to overseas markets**
 - **Outsourcing non-core activities to overseas-owned orgs.** Eg. Telstra call centers in India, QANTAS having planes serviced overseas.
 - **Having goods manufactured by overseas-owned suppliers** Eg. Textiles
- Globalization issues impacting LSOs:
 - **Contact with different cultures and business customs**

Requires good preparation and sound knowledge of cultural differences in client cultures.

 - **Different currencies**
 - **Different legal and political systems**

LSOs must be aware of relevant laws and regulations that exist.

 - **New technology**

Trading internationally requires up to date technology.

 - **International recruitment**

LSOs may employ staff from different countries. Cultural differences must be considered.

 - **International social responsibility**

A global LSO must ensure it is a good corporate citizen. ESM issues are unique to countries.
- Globalization as a pressure for change:
 - **Suppliers**

Stock shortages may occur if overseas suppliers are **not reliable**. LSOs must ensure **ethical practices** extend to suppliers Eg. McDonalds and Woolworths source coffee from sustainable overseas suppliers.

- **Employees**

May need to work in different countries Eg. BHP Billiton transfers employees b/w countries when workers with particular expertise are needed. Employees with families may find this disruptive.

- **Customers**

LSO may need to develop different strategies for each country.

- **Trade unions**

Affected by an LSOs decision to operate globally. Concerns would involve the impact the change has in its members Eg. Clothing and textile industries exposed to competition from countries with low cost structures.

- **Competitors**

If competitors start to globalize, LSOs may need to develop strategies to compete, which may mean also moving globally to ensure sales increase.

- **Government policies**

LSOs affected by policies of govts. in both home and client country. This may be:

- Trade restrictions/barriers
- Taxation
- Exchange rates

- Main drivers of globalization:

- **Improvements in transport and communications technology**
- **Development of technology, increased tourism, labor mobility and growth of global media outlets**
- Changes in **public policies** Eg. More govts. Supporting free trade
- Businesses wanting to operate more **efficiently** and **effectively**. Strategic planning attempting to minimize costs and maximize benefits often has meant **operating globally**

- Benefits of globalization:

- Allows LSOs to **access markets around the world**
- **Improves standard of living** – having access to more good/services
- **Life expectancy, schooling increases, poverty decreases**
- **Improved environmental awareness**
- Allows LSOs to **take advantage of economies of scale**
- **Forces govts. To improve environmental controls and conditions**

- Costs of globalization:

- Some companies **ignore environmental impacts**
- Some countries **unable to capitalize on globalization, therefore experience further decreases in standard of living**
- Some companies **contribute to world poverty**
- **Competition from imports in some countries** (Eg. Clothing and textiles) cannot remain viable because of their lower costs
- **Trade unions fear lower wages and workplace conditions**
- **Entertainment/music industry dominated by America** = may mean an expansion of their culture at the expense of local cultures and values