



## **UNIT 3 BUSINESS MANAGEMENT SUMMARY NOTES FOR THE VCAA EXAMS**

# TYPES OF BUSINESSES

Types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises, and government business enterprises

## Business

→ An entity involved in the provision of goods and services to consumers.

## Sole Trader

→ Owned and operated by one person, who is responsible for all aspects of the business.

◆ Has unlimited liability (can lose personal assets when the business is in debt)

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• Simple to set up and operate</li><li>• Inexpensive to set up</li><li>• Owner in full control of business and assets</li><li>• Owner gets to keep all profits</li><li>• No tax on profits, only on personal income</li><li>• No partner disputes</li></ul>	<ul style="list-style-type: none"><li>• Unlimited liability</li><li>• Have to come up with ideas on their own</li><li>• Business ends when owner dies</li><li>• Difficult to raise finances for expansion</li><li>• Burden of management</li><li>• Difficult to operate if sick</li><li>• Need to carry all losses</li></ul>

## Partnership

→ A business structure that involves between 2 and 20 people who run a business together.

◆ Each partner is liable for their share of the business.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• Low startup costs</li><li>• Less expensive than a company</li><li>• Shared responsibility and workload</li><li>• Pooled funds and talent</li><li>• Minimal government regulation</li><li>• No taxes on business profits, only on personal income</li><li>• If one partner dies the business can keep going</li></ul>	<ul style="list-style-type: none"><li>• Personal unlimited liability</li><li>• Liability for all debts, including partner's debts, even before the business has begun</li><li>• Possibility of disputes</li><li>• Divided loyalty/decision-making power</li></ul>

## Private Limited Company

→ A business with between **2 and 50 private shareholders**

- ◆ Often a small business such as an independent retailer, legal firms, etc.

### FEATURES

- Is a separate legal identity
- Has limited liability compared to other structures
- More complex structure to start and run
- More expensive to start up than other structures
- Requires owner to understand and comply with all obligations under the Corporations Act 2001
- Must be registered for GST if the annual GST turnover is \$75,000 or more
- An annual company tax return must be lodged with the ATO
  - This is because the profit earned goes to and is “owned” by the company itself

## Public Listed Company

→ A company that has shareholders who own the company and directors who run it.

- ◆ The company is listed on the **Australian Stock Exchange** where **members of the public** can invest in shares.

### FEATURES

- Is a separate legal entity
- Has limited liability
- Unlimited number of shareholders, as it is on the ASX
- Requires owners to understand and comply with all obligations under the Corporations Act 2001
- Business operations are controlled by directors, but owned by shareholders.
  - Means that the money the company owns belongs to the “company”
- Requires an annual company tax return to be lodged with the ATO

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Easier to attract public finance</li> <li>• Greater spread of risk</li> <li>• Easy transfer of ownership</li> <li>• Growth potential</li> <li>• Limited liability</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive to set up</li> <li>• Double taxation (company and personal)</li> <li>• Requirement to publish an annual report of audited accounts</li> <li>• Too much growth could result in inefficiencies</li> </ul>

### Social Enterprise

→ A business with the objective of fulfilling a social need

- ◆ Exist to benefit society rather than owners
- ◆ Run like a business and don't rely on donations as their main source of income

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Can open up new markets, as the social enterprise may meet a need that commercial businesses choose not to</li> <li>• Meeting a social need can have a positive effect on profit and market share.</li> </ul>	<ul style="list-style-type: none"> <li>• It can be hard to find finance to start the business.</li> <li>• Significant operating costs <ul style="list-style-type: none"> <li>○ Social enterprises often take on costs that conventional businesses do not</li> </ul> </li> <li>• Can be difficult to focus on both social and financial objectives</li> </ul>

### Government Business Enterprise

→ A Commonwealth entity (owned by the government) that operates under general business principles and aims to make a profit.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Can operate with some independence from the government</li> <li>• Able to carry out government policies delivering community services in areas where private sector businesses hesitate to invest</li> <li>• Provision of healthy competition to businesses operating in the private sector which can lead to lower prices in markets where GBEs compete</li> </ul>	<ul style="list-style-type: none"> <li>• Political interference in the day-to-day operation of the GBE</li> <li>• Inefficiencies caused by excessive regulation or rigid conformity to rules from government</li> <li>• There can be less accountability, resulting in less productivity and negative attitude amongst staff</li> <li>• Management can be less effective than that of the private sector.</li> </ul>

## Private Sector

→ Operated by private individuals or shareholders:

- ◆ Sole Trader
- ◆ Partnership
- ◆ Private/Public Companies
- ◆ Social Enterprise

## Public Sector

→ Operated by the government:

- ◆ Government Business Enterprise

# BUSINESS OBJECTIVES

**Business objectives including to make a profit, to increase market share, to fulfill a market/social need, and to meet shareholder expectations**

## Objectives

→ Business objectives are a desired goal, outcome or specific result that a business intends to achieve.

→ The five main business objectives are:

- ◆ To make a profit
- ◆ To increase market share
- ◆ To fulfill a market need
- ◆ To fulfill a social need
- ◆ To meet shareholder expectations

## To make a profit

→ Profit is the surplus remaining after total costs are deducted from total revenue.

$$\text{Revenue} - \text{Expenses} = \text{Profit}$$

## To increase market share

→ Market share is the percentage of total industry sales that the business in question receives.

## To fulfill a market need

- Many business' purpose is to fulfill some sort of market need.
- A business may exist to meet customer expectations or provide a good/service that is not otherwise available to a market.

*E.g. A small general store may have the objective of meeting the needs of a local community whereas larger food retail businesses (McDonalds) might neglect/struggle to meet the need.*

### To fulfill a social need

- To meet a social need is to benefit the community through the actions of business
  - ◆ Involves the production and/or selling of goods and services for the purpose of profit but to reinvest back into the community.

*E.g. focusing on the environment, minimising waste, recycling, donating a percentage of the business' profit to a charity.*

**Thankyou Water** founded in 2007 by Daniel Flynn donates profits from selling bottled water, body care and food products to ensure safe water, hygiene and sanitation and food security programs in over 16 countries.



### To meet shareholder expectations

- Shareholders' expectations are:
  - Voting rights at AGM
  - Capital gain (increase value of their shares)
  - Better return on their dividend (percentage of profits returned to shareholders)
- These relate to **public listed companies** as they are listed on the ASX.

# STAKEHOLDERS + CSR

Characteristics of stakeholders of businesses including their interests, potential conflicts between stakeholders, and corporate social responsibility considerations.

## Stakeholders

- A stakeholder is a person or group of people who have a vested interest in a business.

## Stakeholder Interests

### Shareholders

- They are partial owners in the business
- Want the organisation they have invested in to be profitable so that they receive the best form of investment (dividends)

### Management

- Have the responsibility of running a successful business
- Must endeavour to satisfy as many stakeholder expectations as possible while making sure that their business position (job) is secure

### Unions

- Represent employees in the workplace
- Attempt to negotiate better pay and working conditions for employees
- Work to prevent anything that diminishes employee rights, safety or conditions

### Employees

- Want to be valued, paid fairly trained, treated equally and have job security
  - ◆ If employees are satisfied they will be more motivated at work

### Suppliers

- Provide materials that are used in the organisation's production process
- Many organisations expect that their suppliers act ethically and socially responsible

### Members of the community

- Expect organisations to demonstrate corporate social responsibility
  - ◆ Show concern for the environment whilst minimising unemployment rates

### Potential conflict between stakeholders

Employees and Shareholders	Employees require safe working conditions and fair wages, but this will reduce the business' profit and dividends shareholders receive.
Management and Members of the community	Management might decide to cut costs by neglecting maintenance, which could possibly put members of the community in danger.
Management and Customers	Management could attempt to maintain profit and a high dividend to satisfy shareholders by raising prices, but this will upset customers who expect fair prices.
Suppliers and Members of the community	Suppliers expect to be paid fairly and promptly, but they might reduce prices by using unethical/socially irresponsible practices which can upset members of the community.
Management and Suppliers	Management wishes to keep costs down to maximise profit, but suppliers providing ethical and socially responsible materials charge higher prices to cover their costs.

### Corporate Social Responsibility

- CSR are the obligations a business has above and beyond its legal responsibilities to the wellbeing of its stakeholders, society and the environment.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• Builds a positive brand reputation by going above and beyond legal requirements</li><li>• Employees motivated because they're contributing positively to the environment</li></ul>	<ul style="list-style-type: none"><li>• Costly for the business, may impact on profit</li><li>• Time consuming as there is less focus on the business' core activities, more on giving back to the community</li></ul>



# AREAS OF MANAGEMENT RESPONSIBILITY

The areas of management responsibility including operations, finance, human resources, sales and marketing, and technology support, and how each area contributes to the achievement of business objectives.

## S.H.O.F.T

- mnemonic to remember the areas of operations management
- (Sales and marketing, Human resources, Operations, Finance, Technology support)

### Sales and Marketing

- Concerned with connecting the goods and services produced with their end consumers.
  - ◆ Activities include determining product features, pricing, promotion, distribution, customer service and after sales support.

**Examples:** Promoting the product, such as through the use of billboards, advertising campaigns, etc.

**Example 2:** Determining the right price for the business' product.

### Human Resources (Employees)

- Concerned with managing employees and all aspects of their working relationship with the business.
  - ◆ Activities include the recruitment, selection, training, motivation and ultimate termination of employees as well as employment terms of conditions and labour laws.

**Example 2:** Managing workers who leave the business (retirement, redundancy, resignation or dismissal).

### Operations

- Concerned with controlling the day-to-day activities in converting inputs to outputs for the production of goods/services.
  - ◆ Activities include ordering and sourcing stock, minimising stock, ensuring quality meets customer expectations, redesigning the sequence of production, etc.

**Example:** An operations manager might introduce a quality strategy to improve the competitiveness of a business product.

Quality control, which is the use of inspections at various points in the production process, could be used to minimise waste and defects and ensure that the product meets certain standards.

## Finance

- Concerned with controlling the activities in receiving and spending money within the business.
  - ◆ Activities include budgeting, financial planning, managing day-to-day payments and receipts, and auditing the business accounts.

**Example:** Accountants will, for example, produce balance sheets that show the value of the assets, liabilities and owner's equity (proprietorship) at a certain point in time. This represents the business' financial position.

**Example 2:** Financial management is concerned with how a business funds its activities. It is very important that the business is able to manage all of its borrowings and to use the types of borrowings that best meet its needs.

## Technology Support

- Concerned with providing employees and customers with user-friendly assistance for individuals having technical problems with electronic devices.
  - ◆ Activities include troubleshooting computer problems, office phones, website crashes, PowerPoint presentation problems, etc.
- This area of management is very important, as many businesses today have computerised part or all of their operations.
  - ◆ Therefore many business' achievement of business objectives relies heavily on the successful integration of technology throughout the business.
  - ◆ The technology support area is responsible for the installation and maintenance of this technology.

# MANAGEMENT STYLES

Management styles including autocratic, persuasive, consultative, participative and laissez-faire.

The appropriateness of management styles in relation to the nature of task, time, experience of employees and manager preference.

## Management Style

→ Refers to the behaviour and attitude of the manager.

### 3 Key Features

- Control (centralised (manager) or decentralised)
- Decision-making (manager, employee or both)
- Communication (one-way or two-way)

## Autocratic

- One where the manager tells staff what decisions have been made.
- Useful in a time of crisis or emergency.

**Control:** Centralised

**Decision-making:** Manager makes decisions alone

**Communication:** Top-down from manager to staff (two-way)

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• Manager retains all the control</li><li>• Time is used efficiently as there is no discussion/consultation</li><li>• There is little uncertainty because direction, communication and procedures are clearly defined</li><li>• Good when you need a task done quickly or in a time of crisis</li></ul>	<ul style="list-style-type: none"><li>• No employee input = increased resentment</li><li>• Decisions can't be enhanced because no ideas have been heard</li><li>• Lack of opportunity for employee development</li><li>• Employees aren't empowered</li><li>• No responsibility given to lower level staff<ul style="list-style-type: none"><li>◦ Leads to decreased job satisfaction, impacts on absenteeism and staff turnover</li></ul></li></ul>

### Persuasive

→ One where the manager attempts to sell decisions made. Justifies their decisions.

**Control:** Centralised

**Decision-making:** Manager makes decisions and persuades employees of their merit

**Communication:** Top-down from manager to staff (employees don't provide input)

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>Managers can gain some trust and support through persuasion</li><li>Employee morale may be higher than autocratic</li><li>Very quick, effective and clear decision making</li></ul>	<ul style="list-style-type: none"><li>Communication remains one way, so still no opportunity to enhance decision-making and build trust and rapport with employees</li><li>Employees remain frustrated, because they are denied full participation in the decision-making process</li></ul>

### Consultative

→ One where the manager seeks input from employees before making decisions.

→ Most effective when a new operating procedure is to be introduced or some business change implemented.

**Control:** Centralised (but employees are considered)

**Decision-making:** Manager makes the decisions but seeks the opinions of employees

**Communication:** Two-way between managers and staff

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>Asking for suggestions broadens the pool of ideas so decision-making is enhanced</li><li>Seeking employee input boosts their satisfaction and motivation levels</li></ul>	<ul style="list-style-type: none"><li>The time taken to consult can slow down the decision making process</li><li>Some employee suggestions may be ignored which could cause resentment</li></ul>

## Participative

- One where the manager unites with staff to make decisions together.
- Most effective when a business is operating in an environment undergoing rapid change.

**Control:** Decentralised (shared control between manager and staff)

**Decision-making:** Manager and staff make decisions together

**Communication:** Two-way between manager and staff

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• Recognises the skills and abilities of employees and empowers them to make decisions</li><li>• Teamwork and group decision-making should lead to the optimum final decision</li></ul>	<ul style="list-style-type: none"><li>• Can be very time consuming to take in and discuss everyone's views</li><li>• May cause conflict if suggestions are disregarded</li></ul>

## Laissez-Faire

- One where the employees assume total responsibility for, and control of, workplace operations.
- Most effective for creative work on research, with employees who are highly talented or qualified in the tasks to be performed and where minimal supervision and direction is required.

**Control:** Decentralised (manager has little or no control)

**Decision-making:** Employees solve problems with limited input from manager

**Communication:** Two-way, employees inform management of their decisions

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• Very trusting and empowering for employees<ul style="list-style-type: none"><li>◦ Given complete freedom and responsibility</li></ul></li><li>• Can be very creative with high degree of individual responsibility</li></ul>	<ul style="list-style-type: none"><li>• Can potentially lead to a loss of control, or conflicts between staff over directions.</li></ul>

## Appropriateness of management styles

- A manager must consider what management style will be most appropriate in different situations based on:
  - ☐ Nature of task - what type of task has to be completed?
  - ☐ Time - how much time is available?
  - ☐ Experience of employees - experienced/inexperienced workforce?
  - ☐ Manager preference - how does the manager prefer to manage?

# MANAGEMENT SKILLS

Management skills including communicating, delegating, planning, leading decision-making and interpersonal.

The relationship between management styles and management skills.

## Communication

- The ability to transfer information from a sender to receiver, as well as listen to feedback.
- Relates to the following management styles;
  - ◆ Autocratic
  - ◆ Persuasive
  - ◆ Participative
  - ◆ Consultative

## Delegation

- The transfer of authority and responsibility from a manager to an employee to carry out specific activities.
- Relates to the following management styles;
  - ◆ Laissez-faire
  - ◆ Participative
  - ◆ Consultative
  - ◆ Autocratic
  - ◆ Persuasive

## Planning

- The ability to define business objectives and decide upon the methods and strategies to achieve them.
  - ◆ Strategic - Long Term (2-5 years)
  - ◆ Tactical - Medium Term (1-2 years)
  - ◆ Operational - Short Term (Day-to-day)

### The Planning Process

- ☐ Set objectives (where the business is headed)
- ☐ Develop strategies (to achieve objectives)
- ☐ Implement strategy (put in place the best strategy)
- ☐ Monitor (set targets to meet and if unsuccessful, plan again)

## **Leading**

- The ability to influence and motivate people to work towards the achievement of business objectives.
- Relates to the following management styles;
  - ◆ Participative
  - ◆ Consultative
  - ◆ Laissez-faire
  - ◆ Autocratic
  - ◆ Persuasive

## **Decision-making**

- The ability to identify the options available and then choose the best specific course of action from the alternatives.
- Relates to all management styles except laissez-faire (from managerial perspective)

## **Interpersonal**

- The skills used to interact with others, and the ability to deal or liaise with people and build relationships with staff.
- Relates to the following management styles;
  - ◆ Persuasive
  - ◆ Consultative
  - ◆ Participative

# CORPORATE CULTURE

Corporate culture both official and real, and strategies for its development.

## Corporate Culture

- Corporate culture is the shared values, ideas, beliefs and expectations of the individuals in a business.
- A company's corporate culture may be identified from:
  - ◆ The way employees dress and behave
  - ◆ The language employees use and the way they treat each other and customers
  - ◆ The slogans and logos used
  - ◆ The rituals and the way they celebrate events
  - ◆ The company's policies

Handy Hint: VIBE - Values - Ideas - Beliefs - Expectations

## Official Corporate Culture

- The values and beliefs the company is **trying to convey to the public**.
- Observed in:
  - ◆ Mission statements
  - ◆ Logos
  - ◆ Slogans
- The official corporate culture a business tries to convey to the public does not always match the actual corporate culture present in the company.

## Real Corporate Culture

- The **actual values and beliefs present** in the company.
- Observed in:
  - ◆ Dress
  - ◆ Behaviour
  - ◆ The way employees and managers relate to each other



## **Strategies for developing corporate culture**

### **→ Rewards and recognition**

- ◆ Rewarding employees for demonstrating the correct values. Encourages employees to demonstrate these values.

### **→ Rituals/social gatherings**

- ◆ Establishing events to encourage employees to build relationships e.g. Friday night drinks or weekly morning teas.

### **→ Leading by example**

- ◆ Role modelling expected behaviour for others to follow

### **→ Bringing in customer service training**

### **→ Establishing policies to enforce the expected values**

### **→ Recruiting for those values when positions arise in the business**

# MANAGING EMPLOYEES

The relationship between managing employees and business objectives.

## Human Resources

- The effective management of the formal relationship between the employer and employee.
- A human resources manager coordinates all of the activities involved in acquiring, developing, maintaining and terminating employees from a business' human resources.
- When employees are managed well it leads to an increased likelihood of business objectives being achieved.
- Managing employees, the human resources manager needs to understand their needs/wants:
  - ◆ Getting paid and job security
  - ◆ Developing skills
  - ◆ Good terms and conditions
  - ◆ Enjoying their work

## Managing Employees

- The activities and tasks involved in getting the very best out of employees who are working for you:
  - ◆ Motivation
  - ◆ Training
  - ◆ Performance Management
  - ◆ Termination
  - ◆ Wages and conditions of work

### Manager Expectations

Employees work hard  
Employees are punctual and reliable  
Employees are loyal

### Employee Expectations

To get paid  
To have good working conditions  
To have job security

To enjoy their work  
To feel useful and like work is meaningful  
To have pride in their business

## Managing Employees and Business Objectives

### Motivation

- An employee's willingness to expend energy and effort in doing a task.

### Training

- Providing the skills and knowledge to an employee in order to do a particular job.

### Performance Management

- System used to improve organisational and individual performance through linking the objectives of each.
  - ◆ Can include analysing and assessing the way in which employees perform their job.

### Termination Management

- Decisions made by an employer or employee to end the employment contract and relationship.

**\*\*\*\* NEED TO KNOW HOW A HR MANAGER USING THESE STRATEGIES CAN LEAD TO THE ACHIEVEMENT OF BUSINESS OBJECTIVES\*\*\*\***

# MOTIVATIONAL THEORIES

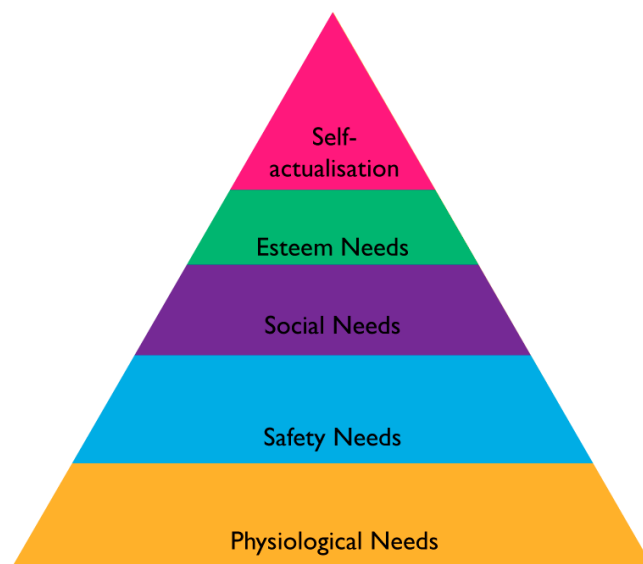
Key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke and Latham) and the Four Drive Theory (Lawrence and Nohria).

## Motivation

→ The willingness of a person to apply effort over a sustained period of time.

## Maslow's Hierarchy of Needs

- Assumes that people are motivated by their needs. These needs can be arranged according to their importance in a series of steps.
- Needs are arranged in a sequential order and in a hierarchy.
- Once one need has been met, the next need can be used to motivate.



## Key Features

- One need met at a time
- Hierarchy
- Motivated by needs
- Sequential steps

STRENGTHS	WEAKNESSES
<p>Maslow believed that both extrinsic and intrinsic factors motivate staff; both the lower and higher levels on the hierarchy will act as motivators</p> <p>As Maslow's theory is in a hierarchy, motivation is clearly defined. Once a level of need is satisfied, a person can progress to the next need which will then act as a motivator.</p>	<p>Maslow's assumes that we only have one need, but human behaviour may be in response to several needs; not just one at a time.</p> <p>Employees may be at a different level on the hierarchy, making it difficult to not only identify what level they're at, but also difficult to implement an appropriate strategy to help motivate them.</p>

## Locke and Latham's Goal Setting Theory

- Focuses on the process of setting and attaining goals.
- According to Locke and Latham, there are variables that can improve our chances of success:

- ◆ Goal commitment
- ◆ Performance feedback
- ◆ Task complexity
- ◆ Clarity



### **Goal Commitment**

In order to ensure the employee will actively pursue the goal they must be dedicated. Employees should be given the opportunity to provide input; this will serve as motivation for the. Use of participatory and consultative management styles are essential.

### **Performance Feedback**

An effective goal monitoring program should include opportunities for feedback to the employees. Feedback provides opportunities to offer recognition for progress achieved, to make adjustments to the goal if necessary, and to ensure expectations are clear and realistic.

### **Task Complexity**

The goal should be neither too easy nor too complex for the individual to achieve. It should be challenging, but should not overwhelm the employee.

Can provide employees with additional training so that they can complete the task and allows for genuine skill development.

### **Clarity**

Goals should be simple, clear and specific. Giving goals clarity means making them unambiguous and measurable.

### **Key Features**

- Set one goal at a time
- Specific to individuals

STRENGTHS	WEAKNESSES
Manager has a clear way of measuring performance against goals Employees feel valued as the manager is spending time on their development May improve employer/employee relationship due to feedback	Time consuming; manager must discuss goals with each individual employee Difficult to align with overall business objectives Goals need to be set on an individual or team basis in order to be specific

## Four Drive Theory (Lawrence and Nohria)

- Theory that identified four basic motivational drives - to acquire, bond, comprehend and defend.
- Suggests that employees are motivated by these four drives.
- Multiple drives can be met at once, and in no particular order.

### **Acquire**

An individual's desire to acquire goods and services in life.

E.g. bonuses, pay increases, etc.

### **Bond**

An individual's desire to form long-term relationships

E.g. social interactions, team-building activities

### **Comprehend (also referred to as 'Learn')**

An individual's desire to continually learn new things.

E.g. training, mentors, job sharing, career advancement

### **Defend**

An individual's desire to defend themselves and the business.

E.g. defending employee's position, or pride in values + beliefs of business

### **Key Features**

- Four drives
- Not in sequential order
- Multiple can be met at once

STRENGTHS	WEAKNESSES
Many strategies may be simple and inexpensive to set up and implement, such as creating a supportive environment (drive to bond)  Drives do not have to be met in sequential order.  Very powerful by meeting more than one drive at a time	Difficult to measure employee performance as this will be dependent on which drive is met.  The manager may find it difficult to create a work environment that satisfies all 4 drives.

### Comparison of the three motivational theories

	Locke + Latham and Maslow's	Maslow's and Lawrence + Nohria	Lawrence + Nohria and Locke + Latham
<b>Similarities</b>	<p>Locke and Latham's goal setting is similar to Maslow's self-actualisation level being achieved.</p> <p>Both motivate employees</p> <p>One goal at a time, one need at a time</p>	<p>Both involve the pursuit of satisfaction (needs and drives)</p> <p>Both motivate employees</p>	<p>Achievement in fulfilling goal setting can be linked to the drive to acquire.</p> <p>Both motivate employees.</p>
<b>Differences</b>	<p>GS is one person's goal at a time, Maslow's can have multiple people's needs met at once.</p> <p>Goal vs need</p>	<p>5 needs, 4 drives</p> <p>One at a time vs multiple at once</p> <p>Hierarchy vs no hierarchy</p>	<p>One goal at a time vs multiple drives at once</p> <p>Goals vs drives</p>

# MOTIVATION STRATEGIES

Motivation strategies including performance related pay, career advancement, investment in training, support and sanction

Advantages and disadvantages of motivation strategies and their effect on short and long term employee motivation.

## Performance Related Pay

- Performance related pay is a financial reward to employees whose work is considered to have reached or gone beyond a certain standard.
  - ◆ E.g. pay increases, bonuses, commissions, incentives
- The motivation is directed towards the performance that earns the employee the reward
  - ◆ Setting of performance objectives is vital

ADVANTAGES	DISADVANTAGES
Very goal focused  If correctly set, objective can be very powerful and motivating	Becomes very competitive and conflicting/selfish  Hard to focus on team goals  Lose focus of broader objectives  One part of the business may be pitted against another  Only works if employees are motivated by pay (not likely to work in a social enterprise)

## Career Advancement

- The prospect and opportunity of developing your career through being promoted or taking on new roles within the business.
- This can motivate employees to perform well and acquire new skills and knowledge.

ADVANTAGES	DISADVANTAGES
Very focused on personal goals  Employee may develop broader skill and knowledge base which may help with long term opportunities  Can provide a means of retaining a valuable employee	Employees may have to compete for a position, creating rivalries and conflict  Hard to focus on team goals  Can be demotivating if career advancement opportunities are not available



## Investment in Training

→ The business pays for training programs to develop employees' skills and knowledge to make them more effective in their role.

◆ Either on-the-job or off-the-job training

ADVANTAGES	DISADVANTAGES
Can be targeted towards business objectives  Often leads to productivity gains and quality improvements  Can allow for the team to train together to develop group cohesion and synergy	Can be financially expensive, especially for off-the-job training.  If an employee leaves, they take your investment with them

## Support

→ This involves the manager meeting with the employee and verbally instilling belief and aspiration in the employee and mentoring them to help overcome problems and seize opportunities.

ADVANTAGES	DISADVANTAGES
Employee feels valued and respected by the business  Manager gets to be directly involved with motivational focus  Can develop employer-employee relationship  Generally cheaper than training investment  The feeling of self-worth in the employee may transition benefits to other aspects of the business  Becomes cultural (whole business benefits)	May involve a lot of management's time meeting with and supporting individual employees.  May take a long time to see the benefits develop.

## Sanction

→ Sanction refers to punishments for failure to meet or comply with a business objective.

- ◆ E.g. pay penalty, lost promotional opportunity, requirement to redo task, etc.

ADVANTAGES	DISADVANTAGES
Can be very powerful for employees motivated by fear  Can lead to focused and hopefully predictable responses from employees	Does not support employees to make mistakes, learn and develop  - Learning organisation/growth mindset  Very short-term immediate focus  Builds long-term resistance or employees may leave the business  Builds a negative, fearful culture

## Short and Long Term Effects of Motivation Strategies

	Short-term	Long-term
<b>Performance related pay</b>	Very power-driven by incentive  Immediate motivation to achieve and succeed	May reach plateau as reach comfortable level sufficient for them  Employees may leave the business as they're worn out from trying to reach objectives
<b>Career advancement</b>	Very driven and motivated to be promoted  Immediate motivation  Employees may give up if they don't achieve promotion	Creates a culture of self-interest and takes focus away from the whole business
<b>Investment in training</b>	Increased employee morale as feel valued and recognised  Productivity and performance should directly increase	Builds skills, knowledge and capabilities of staff
<b>Support</b>	Employee morale is up as they feel valued and supported	Increase in positive culture within the workplace
<b>Sanction</b>	Fast motivation for employees to meet targets and perform well	Lead to an increase in resentment and fear  Negative culture not wanting to embrace new opportunities

# TRAINING OPTIONS

Training options including on-the-job and off-the-job training  
The advantages and disadvantages of each training option

## On-the-job Training

→ On-the-job training is learning from existing employees at the workplace on how to perform the job more efficiently and effectively than before.

◆ E.g. coaching, mentoring, job rotation, job shadowing

ADVANTAGES	DISADVANTAGES
<p>Reduced costs compared to off-the-job</p> <p>Learn specific skills/knowledge directly related to the job</p> <p>Learn the tricks of the trade from years of firsthand experience</p> <p>Motivational for coach/mentor to be valued</p> <p>Producing goods/services while learning adds to the business production</p>	<p>May produce sub-standard production in the short-term</p> <p>May learn bad tricks/shortcuts from existing employees which are against the business' policies</p> <p>Unlikely to learn broader skills or knowledge</p> <p>Unlikely to develop networks with other businesses</p> <p>Dependent on having employees capable of teaching others</p>

## Off-the-job Training

→ Off-the-job training is learning away from the business from professionals as to how the employee can perform their job more efficiently and effectively than before.

◆ E.g. conferences, lectures, workshops, online tutorials, role-plays, etc.

ADVANTAGES	DISADVANTAGES
<p>Less likely to be distracted by work environment/colleagues</p> <p>Develops employee morale to be selected for off-site training</p> <p>May develop broader social networks</p> <p>May return with accredited qualifications</p>	<p>Increased cost of training programs</p> <p>Employee absence from work</p> <p>When returning to work it may be difficult to integrate skills</p> <p>Team employees may continue old practices in defiance of new approaches</p> <p>Organisational inertia from long-term employees</p>

# PERFORMANCE MANAGEMENT STRATEGIES

Performance management strategies to achieve both business and employee objectives, including management by objectives, appraisals, self-evaluation and employee observation.

## Management by Objectives (MBO)

- A participative approach whereby employees' performance is measured based on the clearly defined objectives they're working towards.
- These objectives are agreed upon by both management and employees.
  - ◆ Links to goal-setting theory
- Manager will meet with employees individually to set objectives
  - ◆ These objectives are aligned with business objectives.
- This goal setting process is beneficial for the employee and can motivate them because:
  - ◆ They're involved in goal setting and therefore understand their responsibilities and what is expected of them.
  - ◆ Improved relationship between manager and employees.
  - ◆ Performance is measured against those objectives (very driven to achieve them)

STRENGTHS	WEAKNESSES
Can be aligned with business objectives Employees feel valued as they are involved in the goal-setting process	Time consuming to meet with employees and set goals If employees are not motivated to achieve goals then this will not be beneficial for the business

## Performance Appraisals

- Measures an employee's performance against set standards.
  - ◆ Identifies strengths and weaknesses
  - ◆ Management can implement a plan for improvement
- Give an insight into an individual's performance, identifies strengths and weaknesses which can be used to implement a plan to improve.
- Measuring performance in a standardised way allows for comparison against employees.
- Good at finding comparisons between employees
  - ◆ Can then implement training

STRENGTHS	WEAKNESSES
Can identify strengths and weaknesses Standardised (can compare employees)	Time consuming Needs to be done consistently to ensure an accurate measurement (could be outliers)

### Self-Evaluation

→ Self-assessment of their performance related to the objectives which they are working towards.

◆ E.g. self-rating quiz

STRENGTHS	WEAKNESSES
Not as time-consuming to complete	Takes employees away from their daily tasks, reduces productivity Employee may not record their performance accurately

### Employee Observation

→ An objective perspective on the performance of an employee by having an employee observed and recorded performing their role.

→ Employee's performance is evaluated and assessed by watching them in action.

→ Can be done with or without the employee's knowledge.

◆ Multiple viewpoints eliminates bias

# TERMINATION MANAGEMENT

Termination management including: retirement, redundancy, resignation, dismissal, entitlement, transition issues

## Retirement

- Retirement occurs when an employee decides to permanently leave the paid workforce.
- It is a voluntary method of termination.
- There is no set age for retirement in Australia.
  - ◆ However the qualifying age for the Age Pension is currently 65.5 years, so around that age a lot of people will retire.

## Redundancy

- Redundancy is the termination of employment by an employer because the job no longer needs to be done or needs fewer people to perform that job.
- Redundancy can be voluntary or involuntary
- Redundancy usually happens when the business:
  - ◆ Doesn't need an employee's role to be completed anymore
  - ◆ Goes bankrupt
  - ◆ Introduces new technology
  - ◆ Slows down due to lower sales or production
  - ◆ Relocates interstate or overseas
  - ◆ Restructures or reorganises because a merger or takeover happens

## Resignation

- Voluntary termination that occurs when an employee chooses to leave the business usually to go to another job.
- A period of notice usually needs to be given to the employer.
- An exit interview is a good strategy to determine if there are underlying causes for the resignation.
  - ◆ An exit interview allows a business to identify underlying issues, and then address these to prevent further resignations.
  - ◆ Can also ask the employee who is resigning for ways to improve the business and then potentially implement them.

## **Dismissal**

- Dismissal is the termination of employment by an employer against the will of an employee.
  - ◆ Usually for unsatisfactory work performance or illegal behaviour.
- Dismissal is an involuntary method of termination.
- Termination of the contract of employment needs to be done in a correct, fair and lawful manner.

## **Unfair dismissal**

- Unfair dismissal is when an employee is dismissed from their job in a harsh, unjust or unreasonable manner.
  - ◆ The Fair Work Commission decides on cases of unfair dismissal.
- This occurs when an employer dismisses an employee for discriminatory reasons such as:
  - ◆ Absence from work due to illness or injury
  - ◆ Either belonging or not belonging to a trade union
  - ◆ Race, colour, sex, sexual preference, age, disability, marital status, pregnancy, religion, political opinion, or nationality.

## **Entitlements**

When an employee is terminated, they are entitled to the following:

- Remuneration (wages) still owing
- Accrued Annual Leave
- Long service leave entitlements (if entitled to these)

If an employee has been made redundant, they are also entitled to:

- Severance pay
  - ◆ The amount the employee receives is based on their continuous service with their employer.

## **Outplacement Services**

- Counselling
- Skills development
- Interview techniques
- Job search
- Resume writing tips

### Assistance in transition

- Superannuation
- Pension entitlements
- Lifestyle planning
- Farewell parties/speeches

ADVANTAGES	DISADVANTAGES
Strong message sent to staff and shows the remaining employees that they're valued.  Employees leave with good will and this can translate into a positive customer reputation.	Additional costs  Time consuming

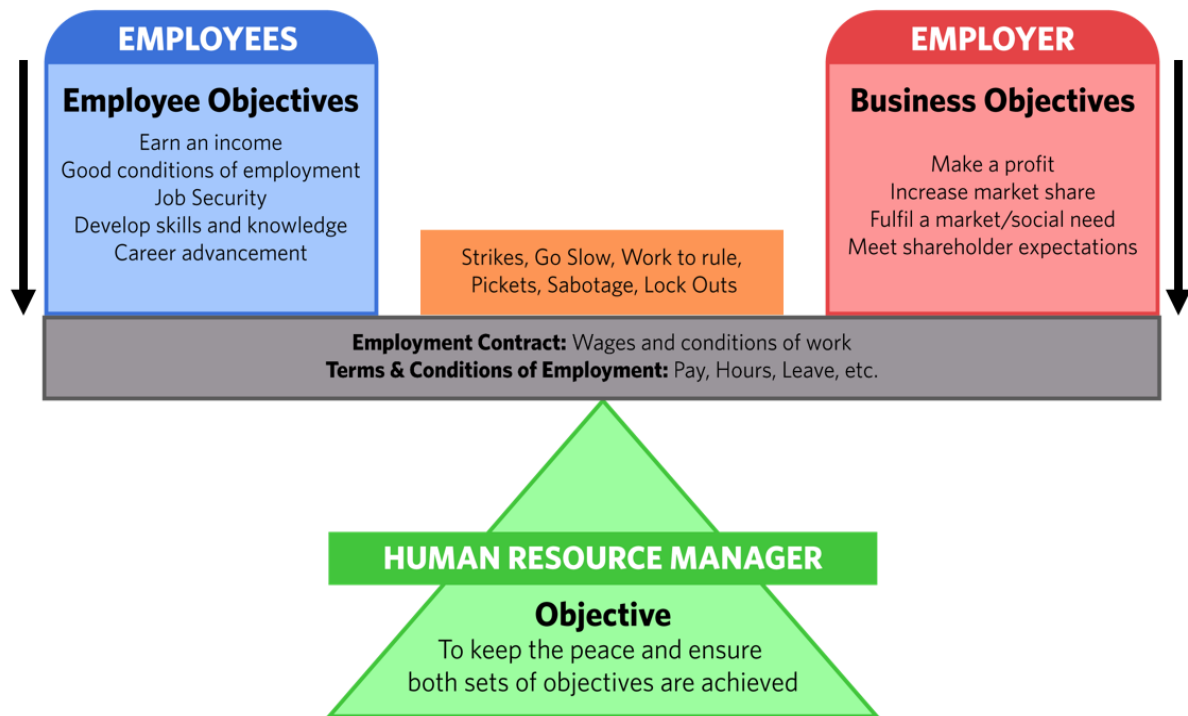
### Employees leaving the business

ADVANTAGES	DISADVANTAGES
Culling of non-productive employees can lead to a potential increase in overall business productivity  Reduction in costs (wages and overheads)  Removing employees undertaking serious misconduct who could potentially damage the reputation of the business	Loss of talent  Decline in morale  Breakdown of effective team  Increased pressure on performance of remaining staff



# WORKPLACE RELATIONS

The roles of participants in the workplace including: human resource managers, employees, employer associations, unions and the Fair Work Commission.



## Employees

→ The role of the employee includes to:

- ◆ Perform duties with proper care and diligence
- ◆ Follow safety procedures
- ◆ Obey a lawful, reasonable order within the terms of the contract of employment
- ◆ Serve faithfully
- ◆ Account for all money or property received
- ◆ Not to misuse confidential information acquired while at work

## Unions

- A union is an organisation formed to represent and protect the rights of employees in a particular industry.
- Each workplace will have a union representative who can provide advice, contract bargaining and united action.

## Employers

→ Employers' roles are to ensure:

- ◆ Employees' pay and working conditions meet national minimum standards
- ◆ Provide a safe and healthy working place
- ◆ Comply with legal regulations
- ◆ Provide appropriate training for employees

## Employer Associations

→ Employer associations are groups of employers who unite to promote their common interests as well as to share information, advice, and support for each other.

### Example

*If a manager wanted to implement an automated production line, they may communicate with their respective employer association, where they will receive advice from other managers who have already implemented an automated production line into their business, thus making it easier for them to implement it into their own business after receiving advice and information from their employer association.*

## Human Resource Managers

→ Human resource managers are involved with the ongoing management of the employer-employee relationship.

→ Their role includes:

- ◆ Negotiating with employees and/or their representatives on issues of pay and working conditions
- ◆ Act as a mediating group between the interests of employers and employees
- ◆ Develop grievance procedures to solve disputes calmly and consistently
- ◆ Ensuring that legal minimums for wages, conditions and safety are met
- ◆ Maintaining positive working conditions so that the opportunities for disputes to arise are reduced

## Fair Work Commission

→ The Fair Work Commission is Australia's national workplace relations tribunal.

→ It is an independent body with power to carry out a range of functions including:

- ◆ Providing a safety net of minimum conditions, including minimum wages in awards
- ◆ Facilitating good faith bargaining and making enterprise agreements
- ◆ Dealing with applications in relation to unfair dismissal
- ◆ Regulating how industrial action is taken
- ◆ Resolving a range of workplace disputes through conciliation, mediation, and in some cases public tribunal hearings

# AWARDS AND AGREEMENTS

## Awards and agreements as methods of determining wages and conditions of work

### Awards and Agreements

- Modern awards and enterprise agreements contain minimum entitlements for wages and conditions of employment.
- Some employees are not covered by an award or agreement.
  - ◆ For these employees, a national minimum wage order provides a safety net of minimum wages (\$719.20 a week).
- The National Employment Standards are minimum standards for conditions of employment that awards and agreements cannot be below.



### Modern Awards

- Awards provide pay rates and conditions of employment for a particular industry or occupation.
- The Fair Work Commission is responsible for setting, maintaining and reviewing these awards.

STRENGTHS	WEAKNESSES
Wage equality and transparency across industry Stability and predictability in negotiation process Employees can be represented by people skilled in negotiating, including unions	Less flexible to needs of individual businesses Hard to build in individualised productivity incentives Some strong unions can exert lots of influence No incentive for local employer-employee relations

## Enterprise Agreements

- Agreements are contracts made at a business/enterprise level between employers and employees about terms and conditions of employment.
- Agreements are made via enterprise bargaining and are approved by the Fair Work Commission
- Agreements can be tailored to meet the needs of a particular business.
- An agreement must leave employees better off when compared to the relevant award or awards.
- Enterprise agreements are made for all employees within a business.
- Individual agreements are made for a specific employee within a business.
- The Fair Work Commission can provide information on the process of making enterprise agreements, as well as assess and approve agreements.
  - ◆ Can also deal with disputes that occur about the terms of agreements.
- **Enterprise bargaining** is the negotiation of a contract between the employer and employee/group of employees.

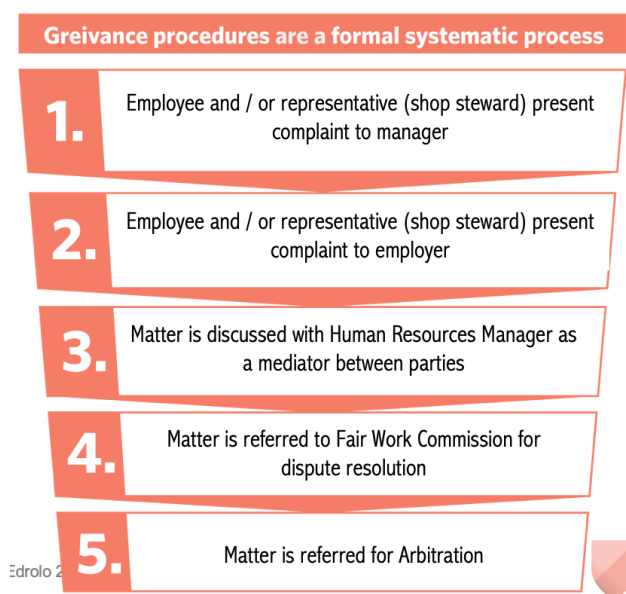
STRENGTHS	WEAKNESSES
More flexible to the needs of individual businesses	Less wage equality and transparency across industry
Easier to build in individual productivity incentives	Less collective employer strength in bargaining
Large incentive for good employer-employee relations	Expensive for the business
Great for recruitment as can attract a large pool of quality applicants	Time consuming due to negotiation

# DISPUTE RESOLUTION PROCESSES

An overview of the dispute resolution process including: grievance procedures, mediation and arbitration

## Grievance Procedures

- A formal systematic process determined by a business that is used for resolving workplace disputes.
- Can be used by a business to address complaints made by employees, suppliers, customers, etc.



## Mediation

- Mediation is where an independent third party (the mediator) facilitates discussion between the parties and assists them in reaching their own resolution.
- This process is NOT legally binding.

STRENGTHS	WEAKNESSES
<p>Both parties should be satisfied as they have come to their own agreement</p> <p>Very informal process and won't put pressure on parties</p>	<p>One side may be overpowering</p> <p>Not legally binding (can't be enforced)</p> <p>Mediator is not an expert in dispute resolution (<i>HRM is though</i>)</p> <p>Time consuming</p>

## Arbitration

- Arbitration is where an independent third party listens to both sides of a dispute and then makes a legally binding decision based on the arguments presented.
- This is legally binding on both parties.
- The Fair Work Commission in its role as an independent tribunal, will arrange an arbitration hearing, which is conducted along similar lines to a court case. The Commissioner will listen to each party make their case, and will make a legally binding order as to how it must be resolved.

STRENGTHS	WEAKNESSES
Legally binding (can be enforced) The FWC is an expert at resolving disputes More time efficient than mediation	It's a win/lose scenario and unlikely that both parties will be satisfied.  Can potentially damage the employer/employee relationship

# OPERATIONS MANAGEMENT

## The relationship between operations management and business objectives




### Operations Management

- Operations management is the coordination of resources within a business to achieve the efficient and effective output of finished goods and services
  - ◆ Essentially managing day-to-day activities
- Operations is crucial in a business reaching their objectives.
- Managing operations well can lead to increased productivity, quality, availability of goods and services and a competitive advantage.
  - ◆ E.g. technology, quality strategies, minimising waste, materials management
- **Productivity** is the ratio of outputs produced compared to the inputs required.
  - ◆  $\text{Outputs/inputs} = \text{productivity level}$
- **Business competitiveness** is the ability for one business to outperform its rivals, known as a competitive advantage.
- **Availability** is important to ensure that customers are able to purchase a good or service when they desire it.
- **Quality** is the ability for a good or service to meet or exceed customer expectations.

Objective	Operations management
Aim to increase production	Investment in technology
Aim to reduce money tied up in stock	Materials management (Just in Time)
Aim to reduce wastage	Waste minimisation strategies (lean management)
Aim to ensure output meets customers' needs	Quality strategies (quality control)

# KEY ELEMENTS OF AN OPERATIONS SYSTEMS

Key elements of an operations system including: inputs, processes, outputs.

INPUTS	PROCESSES	OUTPUTS
		

## Inputs

- Inputs are all the resources required for producing a good or service.
- This can include:

- ◆ Human resources' skills and effort (employees)
- ◆ Raw materials
- ◆ Component parts
- ◆ Facilities/buildings
- ◆ Machinery/equipment
- ◆ Entrepreneurial ideas
- ◆ Time

## Processes

- The transformational stage where inputs are converted into outputs.
- This can include:

- ◆ Melting
- ◆ Mixing
- ◆ Blending
- ◆ Pouring
- ◆ Setting
- ◆ Checking
- ◆ Packaging

## Outputs

- Outputs are the final product presented to the customer as either a good or services.
- The output can either be to the final consumer, or to another business if the business is producing a component for another business.





	Inputs	Processes	Outputs
Sole trader – florist	Flowers, ribbon, florist, shop, till, entrepreneurship	Cutting, arranging, delivering	Good - Bouquet of flowers Service-Delivered flowers
Partnership-accounting firm	Computers, accountants, time,	Record keeping, checking, lodging return	Service- Completed tax return
Private limited company- VISY	Recycled paper, pulping machinery, factory, workers	Recycling, pulping, packaging	Good – Recycled paper
Public Listed Company- Qantas	Plane, pilot, airline crew, food, airport	Flying, serving food, providing entertainment	Service- Safe and enjoyable flight
Social enterprise- Thankyou	Bottles, water, marketing team, trucks	Bottling, delivering	Good- water bottle
Government enterprise – Australia post	Post, conveyor belts, delivery vans, postal workers	Sorting, delivering	Service- delivered letter

# CHARACTERISTICS OF OPERATIONS MANAGEMENT

Characteristics of operations management within both manufacturing and service businesses.

## Manufacturing Business

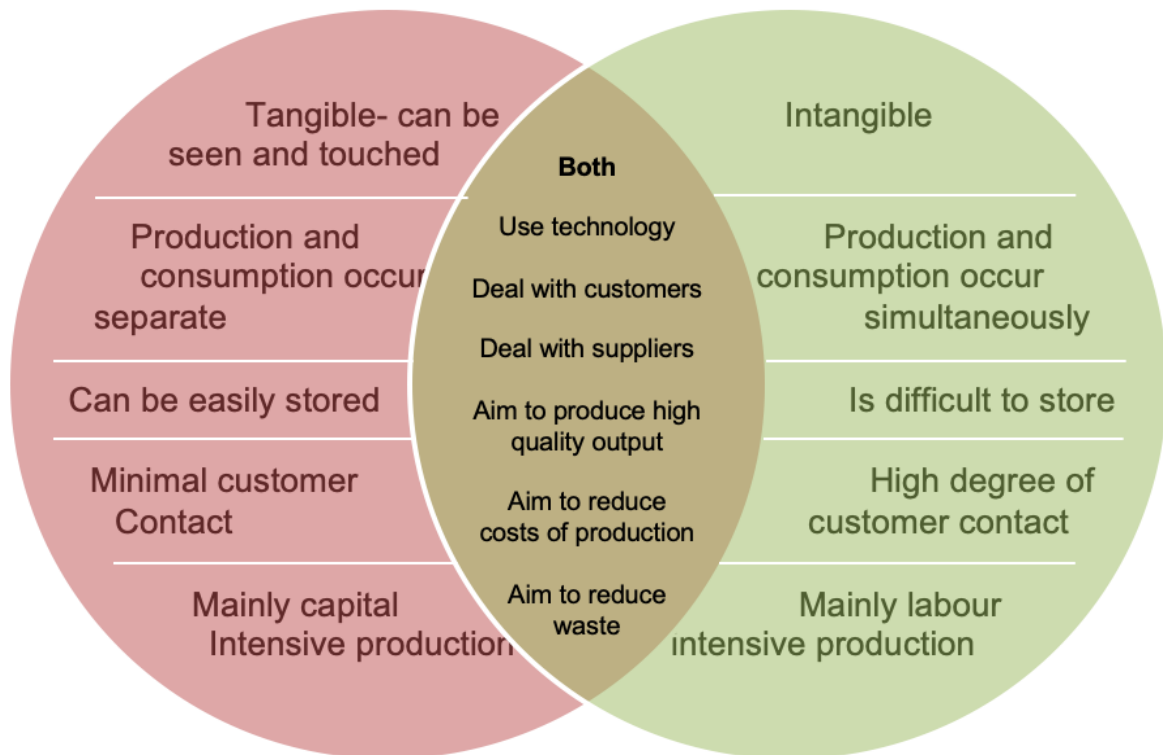
→ Manufacturing businesses undertake activities to create a tangible good.

Output	Goods
Tangibility	Tangible
Production - how	Production and consumption occur separately
Storability	Easily stored
Production - what	Can be standardised and mass-produced
Degree of customer contact	Minimal customer contact
Production technique	Mainly capital intensive production

## Service Businesses

→ Service businesses undertake activities to provide an intangible service.

Output	Goods
Tangibility	Intangible
Production - how	Production and consumption occur simultaneously
Storability	Difficult to store
Production - what	Often customised
Degree of customer contact	High degree of customer contact
Production technique	Mainly labour intensive production



# TECHNOLOGY STRATEGIES

Strategies to improve the efficiency and effectiveness of operations related to technological developments including the use of automated production lines, computer aided design, computer aided manufacturing techniques, and website development.

- **Efficiency** is how well a business uses its resources to create a product/achieve a goal.
- **Effectiveness** is the degree to which a task has been completed or a goal has been achieved.

## Automated Production Lines

- An automated production line is a process where raw materials enter and finished products leave with little to no human intervention.
- Automated production lines work generally in manufacturing industries where mass production of a standardised product is possible.
- Each station performs a specific operation in sequence, preferably with automatic transfer between each station.

STRENGTHS	WEAKNESSES
Productivity rates increase so cost per unit can fall E.g. increased production speed	Initially very expensive
Accuracy/precision increase in production	If system breaks down major suspension in production
Reduced wastage	Requires technical training
Reduction in human labour costs	Can lead to large scale redundancy
	When machines are installed production stops

## Computer Aided Design (CAD)

- Computer programs which improve the creation and editing of products in the design phase which allows for creation of 3D products.
- E.g. architects and engineers use CAD to draw and adjust 3D designs such as cars

### Computer Aided Manufacturing (CAM)

- This is a technique that involves the control of machinery and equipment through a computer to manufacture a tangible good.

STRENGTHS	WEAKNESSES
Productivity rates increase Allows for 24/7 production (CAM ONLY) Accuracy/precision increase Removes dangerous or repetitive tasks	Initially very expensive If system breaks down, major suspension to production Requires technical training Can lead to large scale redundancy

### Website Development

- Vital connecting point between customers and businesses.  
→ Enables businesses to communicate with customers and provide them with information.

STRENGTHS	WEAKNESSES
24/7 availability Labour costs reduced Easy access to customer feedback survey Saves costs	Initially expensive If website breaks down impact on production Requires technical training Can lead to large scale redundancy

# MATERIALS STRATEGIES

Strategies to improve the efficiency and effectiveness of operations related to materials including forecasting, master production schedule, materials requirement planning, and just in time.

## Importance of material management

- The operations manager must ensure materials arrive;
  - ◆ In the right place
  - ◆ At the right time
  - ◆ In the right quantities
  - ◆ With the desired quality
- If too much stock is ordered, the potential problems are:
  - ◆ Run out of storage
  - ◆ Stock can pass its used by date, go off and waste money
  - ◆ Money is tied up in stock
- If not enough stock is ordered, the potential problems are:
  - ◆ Production line grinds to a halt
  - ◆ Customer orders remain unfilled
  - ◆ Business reputation deteriorates

## Forecasting

- Forecasting involves predicting what materials will be required and in what quantities to meet operations' needs. This is done by analysing past data and trends.
- Looking at past data and trends to attempt to determine future requirements of production.
- The forecaster needs to consider supplier delivery times, price changes (exchange rates) and special customer demand times (Easter/Christmas).

STRENGTHS	WEAKNESSES
Can anticipate seasonal changes Can help to prevent over-ordering	Unexpected events Time-consuming Potentially expensive to purchase software to track stock quantities

### Master Production Schedule (MPS)

- MPS breaks down the whole production process into stages and determines exactly what is required, what needs to be produced and by when.
- MPS specifies:
  - ◆ Quantities and types of production
  - ◆ Quantities of inputs required to meet levels of output

### Materials Requirement Plan (MRP)

- An itemised list of materials that are required to meet the MPS.
- It assists in maximising productivity by:
  - ◆ Minimising inventory costs
  - ◆ Ensuring sufficient inputs are available to meet production requirements

STRENGTHS	WEAKNESSES
Helps determine very accurate ordering quantities and timings	Time consuming
Very clear to all staff of processes and their sequence	Hard to account for every situation (only effective for standardised products)
Very good for standardised production	Not very flexible (makes it difficult to adjust to changes in demand)
Easy for new staff to learn routine	

### Just In Time (JIT)

- Where supplies arrive just as they are needed for production, and finished products are immediately dispatched to consumers.
- Aims to avoid holding any stock (either as raw materials/finished goods)
- External factors (e.g. strikes) can impact on this system, and is therefore very dependent on suppliers.

STRENGTHS	WEAKNESSES
Elimination of all wastage	Reliant on suppliers
No raw material wastage	Requires business being able to match production of stock being delivered
Bare minimum cash tied up in raw materials	Expensive in the short term to buy software to track materials
No storage space required	Need to train employees to use tracking software
No idle machines	
Improve morale	

# QUALITY MANAGEMENT

Strategies to improve the efficiency and effectiveness of operations related to quality including quality control, quality assurance, and total quality management.

## Quality

- Quality is the level of excellence in a good or service, and its ability to meet customer expectations.
- If your product has a better quality than a rival then you will have a competitive advantage over them.

## Quality Control

- Quality control involves the use of a series of checks/inspections at different stages of the production process to ensure that goods and services meet standards.
- Quality control involves the “check and reject” principle.
- This is a reactive process as the aim is to detect and reject the faults AFTER they occur.

STRENGTHS	WEAKNESSES
Prevents poor quality goods or services reaching the customer  Employee performance should improve knowing that their work is being inspected	Reactive process and can be wasteful  Time consuming process

## Quality Assurance

- Quality assurance is a proactive process and aims to build quality into work processes and thereby avoid errors in the first place.
- Usually involves an external organisation (e.g. ISO9000 series) who is invited to the business to assess the processes of the business against its predetermined standards.
- Complying with the standards means the business receives certification which it can then use to promote to customers thereby ‘assuring’ them of a certain standard of quality.

STRENGTHS	WEAKNESSES
Great for marketing  Reduces wastage as it is a proactive process	Costly for the business to implement  Time consuming



## Total Quality Management (TQM)

- Total quality management is a holistic approach to quality where all employees are involved in the continuous pursuit of quality in everything they do.
  - ◆ The aim is to create zero defects
- There are three key principles behind TQM:
  - ◆ **Continuous Improvement**
  - ◆ Constantly striving to find ways to improve in all aspects of the business
  - ◆ **Customer Focus**
  - ◆ Find needs and wants of customers and ensure the process provides it
  - ◆ **Employee Participation**
  - ◆ Employees are empowered to contribute to improving quality such as working in quality circles (groups) to improve quality

STRENGTHS	WEAKNESSES
Zero defects	Requires a whole business cultural shift
Employee participation	Time consuming
Higher customer satisfaction	

# WASTE MINIMISATION

Strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including the principles of lean management

## Waste

- Waste is any resource which is discarded after use, or it is worthless, defective or of no use.
- Waste minimisation is the process of reducing the number of materials or goods discarded in the production process.

## Lean Management

- Lean management involves a systematic process for maximising customer value while reducing waste.
- Creates greater customer value while using fewer resources.

## Key Principles of Lean Management

### Pull

- Production is determined based on customer demand.

### Takt

- The speed in which manufacturing needs to take place.
- This can achieve a continuous workflow.

### One Piece Flow

- Focus on one piece (product) at a time.
- Greater focus on ensuring quality for customers.

### Zero Defects

- Any mistakes are fixed before moving through to the next stage of production.

STRENGTHS	WEAKNESSES
Reduced wastage Increased quality	Time consuming May be expensive to change processes (one piece flow)

# CSR IN OPERATIONS MANAGEMENT

Corporate social responsibility considerations in an operations system including the environment and sustainability of outputs, the amount of waste generated from processes, and production of inputs.

## Corporate Social Responsibility (CSR)

- Corporate social responsibility is a business' ability to go above and beyond legal requirements for the benefit of stakeholders, society and the environment.
- Does not include what is legally required by regulators.

## Triple Bottom Line

- Triple Bottom Line involves business measuring its performance based on three areas:
  - ◆ Economic performance (Profit)
  - ◆ Social performance (People)
  - ◆ Environmental performance (Planet)

## Examples of CSR in operations management

- The environmental sustainability of outputs
- Reducing a business' carbon footprint
- Ensuring the supply chain is also using a CSR approach
- Decreasing noise pollution from a factory
- Using only fair-trade ingredients
- Recycling used paper
- Using renewable energy
- Waste management
- Outplacement services

INPUTS	PROCESSES	OUTPUTS
Sourcing raw materials that are environmentally sustainable e.g. recyclable	Minimising carbon footprint	Quality of outputs are fit for purpose and meet customer expectations.
Use green energy options	Reusing and recycling resources	Honest marketing – not misleading or deceptive. Be truthful.
Purchase energy efficient equipment	Utilising green technologies	Packaging – minimise environmental impact e.g. recyclable bags.
Choose local suppliers (benefit the community and less travel costs)	Minimise/reduce resources needed	Non-harmful products – don't allow to reach consumer, could impact on community.
	Retain processing within Australia (employment)	
	Ethical treatment of employees (fair wage, safe working conditions, etc.)	

# GLOBAL CONSIDERATIONS

Global considerations in operations management including global sourcing of inputs, overseas manufacturing, global outsourcing, and an overview of supply chain management.

## Global sourcing of inputs

- A strategy where businesses source their inputs, such as raw materials, from countries outside its place of origin.
- Businesses may do this for:
  - ◆ Higher quality inputs
  - ◆ Cheaper materials
  - ◆ Cheaper labour
  - ◆ Lower taxes in other countries
- When global sourcing of materials occurs a number of issues need to be considered:
  - ◆ Shipping time
  - ◆ Exchange rates

## Overseas manufacture

- Overseas manufacturing is where part of the business' operations is completed by another business located in a different country.
- This involves the contracting out of a business process (e.g. payroll processing) and non-core functions (IT, call centre support) to another business.

STRENGTHS	WEAKNESSES
Access to cheaper production (cheaper labour rates, inputs, etc.)  Business not directly responsible for factory production  Works well with large volumes of simple assembly manufacture where delivery times are not too important	Can be very complicated to manage  Can lengthen delivery/supply times  Language barriers in dealing with suppliers

## Global Supply Chain Management

- Supply chain management is the process of managing the flow of materials from suppliers, through the operations system and to the end consumer.
- It involves understanding how businesses around the world are linked together.
- Businesses that make a supply chain are all 'linked together'. Therefore it is crucial that this chain is managed well.

	STRENGTHS	WEAKNESSES
INPUTS	Access to materials not occurring in the domestic country  Able to focus on producing high quality for end consumer	Can lengthen delivery/supply times  Risk of damage in shipping increases with distance
PROCESSES	Works well with large volumes of simple assembly manufacture where delivery times aren't too important  Access to new export markets	Lost jobs in domestic manufacturing  Can lengthen delivery/supply times  Risk of damage in shipping increases
OUTPUTS	Outsource tasks with lesser importance  Great for IT based services	Reliance on internet connections