CIMA
Operational Level – Paper E1
ENTERPRISE OPERATIONS
(REVISION SUMMARIES)

Chapter

1

Organisations

Key summary of chapter

Private sector organisations

Sub-sectors of the economy not directly controlled by the government or state e.g. private business and households.

Examples

- Private businesses e.g. self employed sole traders or partnerships.
- Companies (corporations) e.g. separate legal identity with limited liability for shareholders (owners).
- Private banks and building societies.
- Non-governmental organisations e.g. trade unions, charities, clubs etc.

Public organisations

Sub-sectors of an economy, or organisations, owned and directly controlled by the state or government.

Examples

- Local authorities.
- State owned industries e.g. the UK post office.
- Public corporations e.g. the British Broadcasting Company (BBC).

Characteristics of public organisations

- Ultimately accountable to government.
- Goals and guidelines determined by government.
- Not-for-profit motive (NPO).
- Funded by the general public e.g. through taxation.

Privatisation and Nationalisation

Privatisation

Privatisation is the conversion of a state owned and controlled organisation to private sector ownership and control e.g. by the sale of shares in a public organisation to the general public.

Nationalisation

Nationalisation is the act by a government of taking private assets, businesses or industries into state ownership and control for public benefit.

Multinational Companies (MNC)

A multinational corporation (MNC) can also be referred to as a transnational corporation (TNC) and a multinational enterprise (MNE). A global or international organisation which has production or service facilities in more than one country.

Emerging markets

An emerging market (or emerging economy) is a country in the early stages of development and often receptive to foreign investment. Emerging markets have very high growth rates in national product and yield enormous market potential. Examples of emerging markets include China and India considered to be two of the largest, also Mexico and Brazil, these nation's social or business activities are in the process of rapid economic growth and industrialisation. There are approximately 30 emerging markets in the world today.

Emerging market multinationals e.g. Korea's Samsung

Emerging market multinationals are changing the rules of the game, firms from developing countries are able to develop global competitive advantage, surviving local competition from their own unprotected economies and beating western multinationals.

The rise of emerging markets signals the greatest shift in global economic power since the industrial revolution. Emerging market economies are set not only to emerge, but also dominate the economic future of the world. Domestic companies from such countries as Brazil, Russia, India, Egypt and South Africa are successfully making progress in international trade and in every imaginable industry sector.

Characteristics of emerging multinationals

- Recognised as a global leader
- Has global presence
- Competitive in price, quality, technology design and management
- Can be benchmarked against the biggest and best in the world.

Business process outsourcing (BPO)

A form of outsourcing, the contracting of operations and responsibilities of a specific business function (process) to a third-party service provider. Commonly referred to as ‗back office outsourcing' because it involves the outsourcing of internal business functions e.g. finance, human resource management, legal, information technology, even the ‗offshore outsourcing' of call centers by companies today.

Benefits of BPO

- ✓ Economies of scale
- ✓ Reduces the complexity of internal management
- ✓ Management can focus on its core competencies
- ✓ Greater flexibility of using the outsourcer
- ✓ Increase speed, improve efficiency and cut cost

Limitations of BPO

- ✘ Loss of strategic control
- ✘ Organisation more vulnerable due to over reliance
- ✘ Loss of competitive advantage
- ✘ Internal redundancy
- ✘ Risk to the security of information
- ✘ Failure of outsourcer to meet service levels

Offshore outsourcing

Offshore outsourcing is BPO contracted outside the company's country. Examples from the UK and US, have included overseas development of information technology e.g. programming or software development, customer call centers, processing insurance claims, and even research and development. In either case the process is performed in another country to where the product or service is actually developed or manufactured.

Offshoring is a similar term used when a process is performed in another country, but instead of a third party used, the process is provided by a foreign subsidiary.

Mintzbergs component structure of an organisation

Henry Mintzberg identified **5 structural components** to the make up or design of an organisation, these consist of the essential building blocks for coordination and control mechanisms of an organisation.

Strategic apex – Centralised supervision and control of the business (strategic level managers). **'the force of strategic direction'**.
Middle line – The middle layer of hierarchy (middle line or tactical level managers). **'the force for concentration'**
Operating core – Staff directly to provide the organisations product or service. **'the force for proficiency'**
Techno structure – Another layer of administration and planning whose key task is to standardise. **'the force for efficiency'**
Support staff – Supports the different activities of the organisation. **'the force for learning'**

Culture

Culture

"The way we do things around here"

ó It is essential to retain a strong corporate culture, otherwise the business can drift apart and become confused and lost in directionô

Alan Sugar (Amstrad)

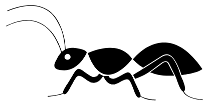
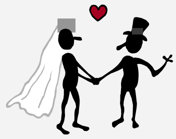
Culture

- Beliefs, attitudes and values
- Customs
- Norms of behaviour
- Symbols or symbolic behaviour

Tools to influence culture

- Mission statements
- Reward
- Punishment
- Recruitment
- Inductions and staff handbooks
- Training and development
- Socialisation devices
- Rituals, symbols or slogans

Charles Handy and Roger Harrison's four organisational cultures

Charles Handy	**Zeus** The god representing power	**Apollo** The god representing bureaucracy	**Athena** The goddess of getting things done	**Dionysus** The god of existential culture
Roger Harrison	**Power** culture	**Role** culture	**Task** culture	**Person** culture
Symbol				
Examples	Informal, small organisation/ owner-managed company.	Formal, large organisation or large complex divisional structure. The large scale modern organisation.	Teamwork and project centred work environments. Small-team culture or large project teams and matrix structure..	Small partnership/ owner-managed company/ large óworker cooperativeô
Characteristics	Creative, flexible and dynamic. Adaptive to environmental change.	Bureaucratic, efficient and highly specialised, óa place for everything and everything in its place.ô	Flexible team culture and working practices to achieve project goals.	Two or more founders/owner-manager directors, coexist to share resources, skills and achieve synergy.

Cross cultural management

Cross cultural management is about culture. Human races come from different cultural backgrounds, a way of doing things in one culture may not be the same as other cultures.

When a cultural background meets and interacts with another cultural background, this is cross-cultural management, it studies on a psychological level, the different norms, attitudes and behaviour of individuals from particular cultures.

Influences on national cultures

- Religion
- Language
- National customs, values and traditions
- Social norms
- Level of nationalism
- Levels of education
- Work attitudes and ethics
- Levels of commitment and motivation
- Punctuality
- Standards of conduct and morality.

Hofstede's key dimensions 'stereotypes' of national culture

Hofstede's dimensions of national culture

- **Power distance.** Extent to which people accept inequality of power.
- **Uncertainty avoidance.** Tolerance towards uncertainty or ambiguity.
- **Individualism /collectivism.** óCollectivismô strong affiliation towards one another e.g. strong and cohesive groups. óIndividualismô, individuals are expected to take care of themselves e.g. a strong need for individual success.
- **Masculinity/femininity.** Men's ómasculineô values e.g. very assertive and competitive, are relatively different from women's ófeminineô values e.g. modest and caring. Masculinity is a culture with a strong need for achievement, assertiveness and materiality. Femininity is a culture where relationships, modesty and quality of life are considered more important.
- **Long-Term Orientation.** Long Term Orientation e.g. perseverance, verses Short Term Orientation e.g. protection of reputation and traditions.

The 5 dimensions of culture can help management determine

- Leadership style
- Motivation incentives
- Organisational structure
- The degree of rules and procedures required

Country and political risk

Country risk

The financial or other risks of changes in the business environment of a country e.g. changes in the political, ethical, legal, market or economic environment. Such examples include introduction of trade barriers, regulatory changes to employment or competition law, or outbreak of war.

Country risk can also be referred to as political risk, however country risk is a more general term, for the diversity of environmental factors that can influence an organisation other than those which are just political.

Tools for analysing country risk

- **PEST or SLEPT** (social, legal, economic, political and technological).
- **Porter's 5-forces** (threat of new entrants, competitive rivalry, substitutes, bargaining power of suppliers and bargaining power of customers).
- **Porters Diamond** (favourable factor conditions, demand conditions, related and supporting industry and firm strategy, structure and rivalry).

Political risk

Political risk is the risk that political or government action will effect the position and value of an organisation. The financial or other risk that a nations government changes its policies and procedures e.g. potential loss arising from a change in government policy regarding trade barriers such as foreign exchange controls, tariffs or import quotas.

Examples of political risk within Countries

- Outbreak of national war, civil war, unrest or riot.
- Nationalisation of industries
- Enforcement of international trade barriers
- New regulations or legislation introduced
- Restrictions on dividends or expropriation of assets out of a country.
- Political instability

Ways an organisation can influence a government

- Political donations
- Employment of lobbyists
- Appointment of civil servants or politicians as internal directors
- Attendance at annual conferences or political meetings
- Good relations with government upheld
- Advertising or promotion to influence legislation change or sway public opinion
- Unite with pressure groups that have common aims to the organisation

Chapter

2

Corporate Responsibility and Ethics

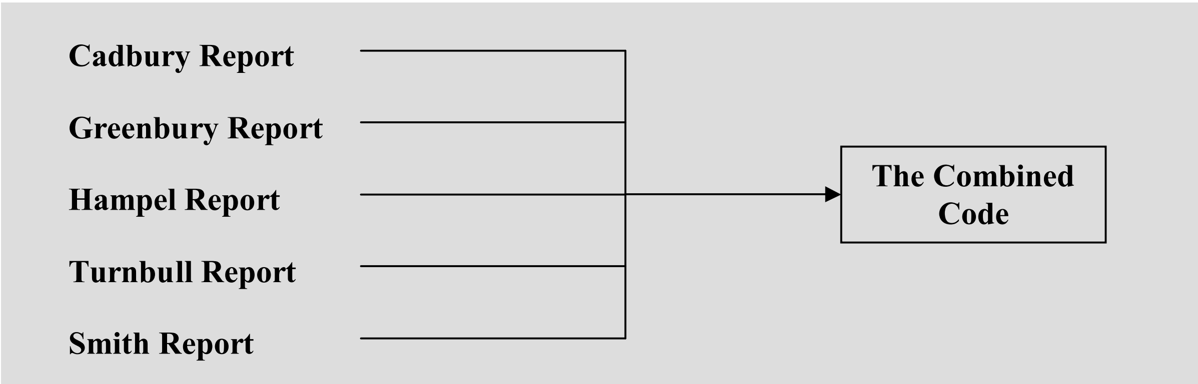
Key summary of chapter

Corporate Governance

ñThe corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals corporations and society"

(Sir Adrian Cadbury in 'Global Corporate Governance Forum' World Bank 2000)

UK corporate governance reporting and recommendations



Cadbury and Greenbury report recommendations

- Split chairman and chief executive role
- Regular and more formal meetings.
- Directors remuneration clearly shown within the published accounts
- Pay awards to be decided by a remuneration committee using non-executive directors only
- Establish an audit committee using non-executive directors only
- Every company should have at least 3 non-executives directors

The Hampel report incorporated the recommendations from both the Cadbury and Greenbury Committees as well as amendments from the London Stock Exchange, it was published as the Combined Code in June 1998.

Benefits of good corporate governance

- ✓ Greater fairness and openness of directors
- ✓ Greater public confidence in companies
- ✓ Reduced risk for investors and other stakeholders
- ✓ Lower risk of strong CEO domination
- ✓ Transparency, timely and clearer communication of information
- ✓ Improves performance and leadership by the board

International perspective on corporate governance

This is of paramount practical concern for policymakers, managers, accountants and others since they are affected by the regulatory regimes and changes of regulations on a daily basis in their working environment.

Organisation for economic co-operation and development (OECD)

- Rights of shareholders e.g. one share equals one vote for all shareholders.
- Equitable treatment of shareholders e.g. protection of t minority interests..
- Equitable treatment of all stakeholders.
- Accurate and timely information for users of published information.

US, the Sarbanes-Oxley Act (2002)

- Legal requirement for all companies with a US listing.
- Attempts to address auditor independence and corporate governance issues.
- Places restrictions on the nature of non-audit services that can be performed by auditors. Audit committees must approve any allowed additional services.
- Audit committee members should be independent, and are responsible for the appointment, remuneration and overseeing of external auditors.
- Audit committee must establish rules for the protection of whistleblowers.

South Africa, the King Report (2002)

- Broader stakeholder approach to governance.
- Considers social, environmental, economic aspects of company activities (HIV/AIDS impact, black economic empowerment, equal opportunities and human capital development)
- Accountability and independence of the board emphasised more.
- Delegation did not diminish ultimate responsibility of the board.
- Board is responsible for risk management processes including internal audit.
- Openness to all stakeholders

Ethics and social responsibility

Corporate social responsibility (CSR) is concerned with being aware of the impact of actions on others, and to act in the best interests of society.

Ethics is concerned with rules or morals about the right behaviour and conduct, it is one part of CSR

Advice on how to be more ethical and socially responsible

- Good public relations.
- Protection of the ecological environment
- Control energy consumption, waste and emissions
- Recycle all packaging material
- Support charities and the local community
- Good conditions of work provided for employees
- Embody ethical culture through a mission statement and training.
- Set and publish aims and objectives to achieve greater CSR.

Ethics for members of CIMA

The CIMA Code of Ethics for Professional Accountants sets out the fundamental principles of professional behaviour that members and students are required to follow. Other accountancy bodies and professions such as the ACCA, ICAEW and AAT, have similar standards of behaviour and conduct.

Code of conduct for CIMA management accountants

- Integrity
- Objectivity
- Professional competence and due care
- Professional behaviour
- Quality to the client
- Confidentiality
- Serve the public interest

Code of conduct ensures

- A positive global image to CIMA
- Protection for public interest.
- Prevention and limitation of malpractice.
- Repeat business in the long-term for CIMA and CIMA members

Chapter

3

The International Economy

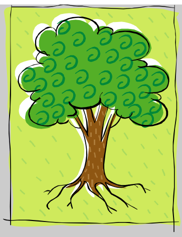
Key summary of chapter

A countries basic economic problem (scarcity and choice)

- What to produce
- How to produce
- Who to produce for.

Scarce resources or factors of production

Factors of production are the inputs or resources used to produce goods and services and vary from country to country. Factors of production are scarce resources e.g. limited supply.



Land

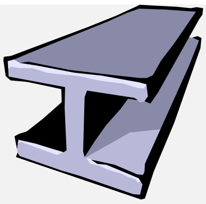
'A finite and naturally occurring resource'

- Mining and Oil
- Quarrying
- Timber
- Farming

Labour

'The human stock the economy has'

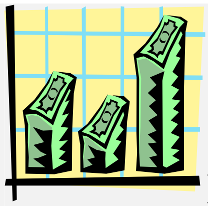
- Education
- Skills and training
- Population
- Demography



Capital

'Goods produced to produce other goods and services'

- Buildings
- Plant and machinery
- Increasing capital stock is necessary for economic growth



Enterprise

The 'Organising factor'

- Organiser of the ófactors of productionô
- Entrepreneurial spirit
- The reward for risk is profit

The primary, secondary and tertiary sectors of an economy

- **Primary sector** represents those organisations involved with the extraction of basic raw materials or ócommoditiesô.
- **Secondary sector** represents those organisations involved in the óprocessingô of basic materials extracted by the primary sector.
- **Tertiary (service) sector** represents those organisations involved in the provision of "intangible or invisible goods".

Economic systems

Different economic systems exist to choose what and how goods and services will be produced with the finite resources of the economy (country) has.

- **Centrally planned (command) economy** e.g. economy run by public sector such as central and local government.
- **Free market economy** e.g. private firms and individuals driven by self-interest choose what goods and services are produced and who they will be distributed to.
- **Mixed economy** e.g. a combination of a centrally planned and free market economy.. All countries today including the UK are a mixture of public and private sector.

Transition economies

A transitional economy is an economy which is changing from a centrally planned (command) economy to a free market economy. Transition economies undergo transformational change through economic liberalisation policies. The former socialist economies like Eastern and Central Europe and the former USSR are good examples of transition economies, and other countries can be included from Asia and Africa.

The International Monetary Fund (IMF) ingredients of the transition process

- Liberalisation
- Macroeconomic stabilisation
- Restructuring and privatisation
- Legal and institutional reform

Economic growth

Gross Domestic Product (GDP) or national income statistics or accounts are produced quarterly and yearly within the UK in order to measure the percentage rise or fall in the value of goods and services produced over time by the UK economy e.g. the measurement economic activity. These accounts are normally adjusted for inflation in order to get a better comparison from one year to year to another in órealô rather than ónominalô (money) terms. Economic growth is a term we normally use when referring to an increase in national income from one time period to another

Factors which create economic growth

- Monetary policy e.g. a cut in interest rates.
- Business adopts more efficient technology or production methods.
- Education and training.
- Tax incentives or subsidies to households and business.
- Liberalisation of the economy.
- Population growth.
- Change in demography of skills within the population.

Advantages of economic growth

- ✓ Increased ómaterialô living standards of the population.
- ✓ More goods and services created ómaterial wealthô per head of population
- ✓ The economic success of a country is determined its national income statistics.
- ✓ Greater efficiency and productivity allows greater competitiveness abroad.
- ✓ More taxation revenue for the government.

Disadvantages of economic growth

- ✗ Pollution and global warming.
- ✗ More congestion and noise leading to a more stressful way of life.
- ✗ Stress of a faster pace of life and longer working hours.
- ✗ Depletion of the worldôs natural resources e.g. oil, trees, fish and precious metals.

Supply side policies

A supply side policy is any government policy which aims to improve the efficiency and performance of markets. Such policies stimulate greater efficiency and productivity from the public and private sector helping to increase the national output of the economy and create higher economic growth.

Policies to liberalise the labour market e.g. increase the incentive for individuals to work harder and create greater efficiency and productivity within the labour market.

- Tax incentives
- Reduction in welfare payments
- Reduction in bargaining power of trade unions
- Incentives for greater education and training
- Abolish minimum wage legislation
- Job centres and relocation expenses directly funded by government

Policies to increase competition and improve efficiency.

- Deregulation and privatisation
- Encourage business initiative and entrepreneurial ideas
- Competition policy and legislation
- Regulation of industries

Policies to encourage more firms to invest in new technology and improve efficiency

- Tax incentives or government grants for business investment
- Tax incentives or government grants for high unemployment regions

Demand side policies

Monetary policy

Policies by a central bank e.g. the Bank of England, within the UK, to influence the money supply, cost of money (interest rate) or exchange rate in order to affect the level of aggregate demand or price level within an economy.

- **Money supply** is physical notes and coins in circulation, also credit creation by the banking sector e.g. via credit cards, overdraft facilities or loans.
- **Interest rates** have been set by the Bank of England in the UK since 1997.

The following components below will be affected by a change in interest rates.

Household Expenditure (Consumption)

- The cost of borrowing to finance goods and services.
- Variable mortgage repayments influence disposable income to spend on goods and services.
- Savings (or interest related investments) influence disposable income to spend on goods and services.

Business Investment

- Capital investment e.g. long-term investment affected by the cost of finance.

Exports

- Interest rates impact upon the exchange rate and therefore national account balance of the country.

Economic Liberalisation

Economic liberalisation normally refers to less government intervention, regulation and restriction within an economy, and greater participation of the private sector. Many developing countries in recent decades have further opened up their economies to foreign capital investment and international trade including China, Brazil and India. North Korea on the other hand is a good example of an economy which is closed to the rest of the world.

Examples of government liberalisation policies

- Full (or partial) privatisation of government institutions and assets.
- Labour market flexibility e.g. less regulation by government and trade unions.
- Lower tax rates for business and households.
- Less (or no) restrictions on the flow of foreign currency, capital and investment.
- Open capital markets and free international trade.

Economic nationalism

Economic nationalism is a term used to describe government policies that protect domestic consumption, labour and capital e.g. preference to support a country's own firms, industries, and workers, the discouragement of foreign ownership and competition.

Examples of economic nationalism policies

- Import tariffs (customs duties)
- Import quotas
- Embargo e.g. a zero quota.
- Government policy can favour and subsidise domestic producers
- Foreign exchange controls
- Bureaucratic rules and procedures
- Nationalisation of domestic industries
- Policy and regulations to prevent foreign control and ownership
- Devaluation of the countries exchange rate

National account balance (balance of payments)

The balance of payments is a financial or statistical record of all transactions that have occurred during the year, between the UK and the rest of the world.

The Balance of payments

Current account
- Trade in goods
- Trade in services
- Income
- Transfers

Capital account
Financial account
Net errors and omissions

Balance = Zero
Inflows = Outflows

Exchange rate markets

An exchange rate market is where buyers and sellers of a ócurrencyô e.g. dollars, euro, pounds etc, come into contact for the purpose of exchanging currencies. The price (value) of exchange, or exchange rate, will be determined by the law of supply and demand.

Persistent balance of payment deficits have a long-term impact of causing a devaluation or depreciation of an economies exchange rate (value). In the case of a long-term and persistent balance of payments deficit, a lower supply of foreign currency has flowed into the economy, than the supply of domestic currency going out in exchange. The forces of supply and demand will cause a fall in the value of an economies domestic currency on the exchange rate markets.

When an economies international exchange rate falls in value

- The balance of trade will often improve e.g. more visible goods and invisible services sold overseas due to become relatively more competitive. Exports become cheaper to sell overseas and foreign imports become more expensive to buy domestically.
- Inflationary pressure on the economy. The rising cost of importing good and services from overseas can lead to increasing cost of sales for businesses who import internationally. Given businesses need to maintain profit margin, rising costs will normally lead to rising prices.

Types of exchange rate system

- A **freely floating exchange rate** is when free market forces (demand and supply) determine an exchange rate for a currency, there is no regulation or intervention by a government or its central bank.
- **A fixed or semi-fixed exchange rate** is when a government or its central bank e.g. the Bank of England intervenes or regulates an exchange rate by using tools to influence demand or supply within the exchange rate market.

Reasons why a government fixes or regulates an exchange rate

- Anti-inflationary policies e.g. to prevent cost push inflation, the rising cost of foreign imports if the exchange rate were allowed to fall.
- To make the exchange rate more stable for greater stability and certainty of international trade.

Factors that can influence an exchange rate

- The level of imports and exports flowing through the balance of payments.
- Speculative investment by financial markets.
- Economic stability.
- Political stability.
- The domestic monetary policy of governments e.g. interest rates, foreign currency reserves, protectionism etc.

Chapter

4

Information Systems

Key summary of chapter

Information systems

Information

Data which has been processed in a meaningful way e.g. summarised, formatted, tabulated or filtered, so that it is understandable by its intended recipient.

Information system

A system of persons, data records and activities, manual or computerised, that process, collect and maintain information, to provide it to staff or other stakeholders.

The primary role of information systems is to support the business strategy and goals of the organisation. The business strategy and goals of the organisation should always be driving the information strategy of the organisation, never the other way around.

Characteristics of good information systems

A Accurate
C Complete
C Cost beneficial
U User friendly
R Relevant
A Authoritive
T Timely
E Easy to use

Quality	**Strategic planning** **Operational control**
TIME PERIOD	FORECAST <————————>HISTORICAL
TIMELINESS	IMMEDIATE<————————> DELAYED
OBJECTIVITY	SUBJECTIVE <————————>OBJECTIVE
QUANTIFIABILITY	QUALITATIVE<————————>QUANTITATIVE
ACCURACY	APPROXIMATE <————————>ACCURATE
CERTAINTY	UNCERTAIN<————————> CERTAIN
COMPLETENESS	PARTIAL<————————>COMPLETE
BREADTH	BROAD<————————> SPECIFIC
DETAIL	LITTLE DETAIL<————————> HIGHLY DETAILED

Management information systems

Management Level	OPERATIONAL	TACTICAL	STRATEGIC	ALL LEVELS
Information System	Transaction processing systems (TPS)	Decision support systems (DSS)	Executive information systems (EIS)	Expert Systems (ES)

Emerging information systems

Knowledge management systems (KMS)

KMS are information systems that facilitate the creation and integration of new knowledge into an organisation. Many organisations now attempt to formalise systems for the gathering and dissemination of knowledge across the organisation. Knowledge management is the process of trying to collect, store and use knowledge within the organisation. Knowledge can be formalised by designing processes to create, store and use it to become explicit knowledge e.g. intranets, e-mail, databases, teams and social networking.

Types of KMS

- **Knowledge distribution systems** e.g. e-mail, scanners, e-fax, voice mail and document image processing (DIP). Groupware software packages like Lotus notes can help to manage e-mail, calendars, diaries and reminders.
- **Knowledge sharing systems** e.g. expert systems, databases, intranets and extranets.
- **Knowledge creation systems** e.g. computer aided design (CAD) and virtual reality systems (VR).

Benefits of KMS

- ✓ Help knowledge workers create new knowledge and expertise.
- ✓ Facilitates the sharing of information.
- ✓ Can reduce training time for new employees.
- ✓ Retention of knowledge e.g. if an employee leaves
- ✓ Could help gain competitive advantage

Expert systems

Software that behaves similar to the way a human expert would within a certain field of knowledge e.g. legal, medical, insurance or credit risk assessment. The expert knowledge, rules and facts are pre-programmed a memory to facilitate artificial intelligence by supporting decision making.

Benefits of an expert system

- ✓ Automated œexpertiseô support for generalists.
- ✓ Speed of decision improved.
- ✓ Consistency of decision making
- ✓ Expert systems retain and acquire new knowledge

Limitations of an expert system

- ✗ Expensive to develop and maintain.
- ✗ Narrow and specific in focus.
- ✗ People can be more naturally creative than programmes.

Enterprise-wide systems

Also referred to as enterprise resource planning (ERP) or enterprise computing. Enterprise-wide systems are information systems that are used throughout a company or enterprise, to manage and coordinate resources, information and functions of a business. To be considered an ERP system, a software package must provide the function of at least two systems e.g. payroll and accounting functions if integrated.

ERP is the modern extension of MRP (material requirements planning, then later manufacturing resource planning) systems and CIM (Computer Integrated Manufacturing).

All functional departments are integrated into one holistic information system e.g. a central database. As well as integrating manufacturing, warehousing, logistics, and information technology, it would also include accounting, human resources, marketing and strategic management. œSAP Business Oneô is an example of an ERP software solution.

Benefits of ERP systems

- ✓ Speeds up œenterprise wideô exception reporting.
- ✓ Real-time data capture and reporting of financial results.
- ✓ Provides information for all levels of management.
- ✓ More effective planning and forecasting

Limitations of ERP

- ✗ Bespoke and expensive to develop and maintain.
- ✗ High switching cost.
- ✗ Industry prescriptions may not gain competitive advantage.

Customer relationship management (CRM) systems

CRM systems can automate many customer-related business activities and tasks. Customer loyalty and retention has become critical to the long-term survival of organisations, relationship management aims to build excellent relationships with customers in order to retain their loyalty.

Microsoft Dynamics CRM 4.0 is an easy to use customer management system that enables you to monitor and manage customers from their first contact all the way through to after-sales service. CRM software systems include customer contact management, sales automation, call centre applications and help desking. They allow departments to track customer information so that customers interacting with an organisation perceive the business as a single entity, despite interacting with a number of employees from different departments.

Benefits of CRM

- ✓ Increased loyalty of customers and free óword of mouthô recommendation
- ✓ Organisation builds more knowledge and understanding about customers.

Web 2.0 tools

Web 2.0 tools refers to any computer application that is web-based and will support collaboration, interaction and sharing of information over the world wide web. Web 2.0 tools represent the second generation of software for the world wide web, moving away from static web pages to dynamic and shareable content. They enable people with no specialised technical knowledge to create their own websites, publish, create and upload audio and video files, share photos and information and many other tasks.

Examples

- Social-networking sites e.g. óTwitterô
- Video sharing sites e.g. óYouTubeô
- Wikis e.g. a website that allows multiple users to create and modify web page content in a collaborative manner.
- Blogs e.g. a web site for regular entries of commentary, photos, files and descriptions, personal sites include MySpace UK and Facebook.

Benefits of Web 2.0 tools

- ✓ Facilitates creativity.
- ✓ Supports information sharing.
- ✓ Supports human collaboration e.g. virtual teams.

Electronic business (E-business)

Conducting business via electronic media e.g. telephone, fax machines, computers, video-teleconferencing etc. The internet supports óE-businessô e.g. utilises information technology to support all the activities of a business, service its employees and other external stakeholders. Web 2.0 tools enable this to be done interactively.

E-commerce

The process of buying and selling goods and services electronically using website technology.

Benefits of e-commerce

- ✓ Improves marketing e.g. óinvitation to treatô, graphics and interactivity.
- ✓ Fulfil orders satisfactorily without human intervention e.g. electronic retailing (óe-tailingô) for automated ordering and payment
- ✓ Can monitor customer trends e.g. buying habits
- ✓ Encourage feedback from customers e.g. electronic surveys

The emergence of new forms of organisation

Virtual or network firms e.g. dotcom companies.

Network or virtual organisations rely heavily on external organisations or third parties for the delivery of their product or service.

A **virtual** organisation does not have a physical location. For example a collection of individuals that work from their home and the majority of the primary processes or activities of the organisation are outsourced to third party providers.

Characteristics of virtual or network firms

- High levels of outsourcing
- Relatively few physical assets e.g. lease rather than buy
- Relatively minimum full-time staff
- To the customer óorganisation is perceived as one organisationô

Teleworking

Teleworking (or telecommuting) is where staff employed by an organisation work from their home and communicate with the workplace via phone, fax, e-mail, intranet, extranet or any other telecommunications link.

Advantages to employee

- ✓ No commuting
- ✓ Flexible working hours

Advantages to employer

- ✓ Saves office overhead
- ✓ Larger pool of labour

Disadvantages to employee

- ✘ Room in your house for workspace
- ✘ Family interruptions

Disadvantages to employer

- ✘ Less loyalty from employees
- ✘ Staff training can be difficult

Virtual (or geographically dispersed) teams (GDT)

Virtual teams are groups or teams who are geographically dispersed but working and collaborating together. Virtual teams are not normally present in the same office, they are often working in different parts of the world and over different time zones.

Benefits of virtual teams

- ✓ Employer saves on staff office overhead
- ✓ Employer can recruit the best staff anywhere geographically
- ✓ Lower social cost to society from commuting

Limitations of virtual teams

- ✘ Cross-cultural management problems
- ✘ Time zones can cause delay in communication
- ✘ New methods of working maybe unfamiliar to those participating
- ✘ Isolation and lack of project team integration
- ✘ Group cultural norms can make teams very insular

IT to support virtual teams.

Computer-supported Co-operative Working

Computer systems that support collaborative and the coordination of tasks and activities.

- Groupware
- Workflow management
- Internet, extranets and intranets
- E-mail, Video conferencing and Web 2.0 tools
- Knowledge work systems (KWS)

Groupware (collaborative software) supports multiple users on a network. Examples of groupware include Lotus Notes (or Lotus Domino) a client-server, collaborative application developed by IBM, or Microsoft Exchange. Features include quick notes, ideas and reminders, sharing of calendars, public folders, address books and schedulers to arrange meetings.

Workflow systems ensure less delay and greater efficiency of managing workflow. Image based workflow systems automate the flow of paper throughout the organisation by digitising paper based images. Form based workflow systems route text based documents around the organisation.

Chapter

5

Managing Information Systems

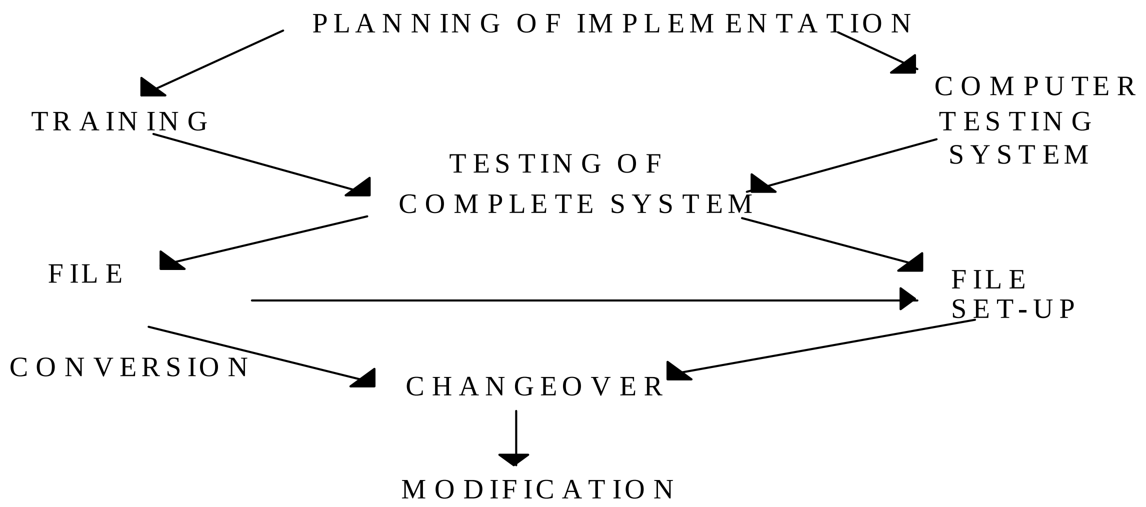
Key summary of chapter

Systems Implementation

The executing process of building the deliverables and controlling the project delivery, scope, cost, schedule, quality and risk. The process of putting all IT program functions and data processing activities in place and ógoing liveô as smoothly as possible.

The components of implementation

- **D**ocumentation
- **I**nstallation
- **C**onversion
- **T**esting
- **T**raining



Methods for system changeover

Direct changeover e.g. the complete replacement of a system after dismantling it.

Advantages	Disadvantages
✓ Cheap ✓ Implemented during slack periods ✓ New and old system may not be compatible	✘ High risk implementation ✘ High disruption in event of failure

Parallel running e.g. running the new and old system in parallel together.

Advantages	Disadvantages
✓ Less risk ✓ Cross checking before old system dismantled	✘ Chaotic and disruptive ✘ More staff to run two systems ✘ Costly

Pilot schemes e.g. form of direct changeover, the trial run of a new system.

Advantages	Disadvantages
✓ Teething problems not widespread ✓ Less disruption to organisation	✘ High disruption for óguinea pigsô ✘ Delay of full implementation

Phased changeover e.g. one module at a time is introduced for the new system.

Advantages	Disadvantages
✓ Change management ópiece by pieceô ✓ Better structure for testing and training	✘ Incompatibility of new system ✘ Not always possible ✘ Delay of full implementation

Criteria for evaluating information systems

- **Q**uality of the information e.g. using ‘ACCURATE’ (see below)
- **U**ser acceptance testing e.g. surveys, interview, observation etc
- **A**ctual costs and benefits of new system compared to budget
- **T**echnical testing e.g. response time, performance and reliability
- **E**ase of recovery in the event of failure or malfunction

Tools and techniques

- User questionnaires, interviews and observation
- Testing using real and ‘dummy’ data
- Cost-Benefit (CB) analysis
- Benchmarking
- Post implementation audit and review
- Errors, complaints and queries reported
- The VFM or 3 Es approach

Cost-Benefit (CB) analysis

An economic evaluation technique which compares the costs associated with a proposed investment with the benefits that investment will return. Both tangible and intangible factors would be considered.

Advantages	Disadvantages
✓ Considers the ‘intangibles’ ✓ Useful technique for screening new projects	✘ Uncertainty of estimating the future ✘ Placing a value on intangible benefits and costs

Post completion review and audit

Mistakes of management can be learned.

Techniques used to conduct a post completion audit

- End user satisfaction surveys
- Staff appraisals
- Exception reports e.g. time and cost
- Results from testing

The purpose

- To support continuous improvement
- To allow for the identification and implementation of corrective action

The value for money (VFM) framework

- **Economy** (cheap)
- **Efficiency** (quick)
- **Effectiveness** (good)

Qualities of good information

- **A** Accurate
- **C** Complete
- **C** Cost beneficial
- **U** User friendly
- **R** Relevant
- **A** Authoritive
- **T** Timely
- **E** Easy to use

Change management

There is no one successful recipe for managing change within an organisation.

Kurt Lewin - 3 stage (process) approach to managing change

- **Unfreeze**

  This process spells out the reasons why change needs to occur.

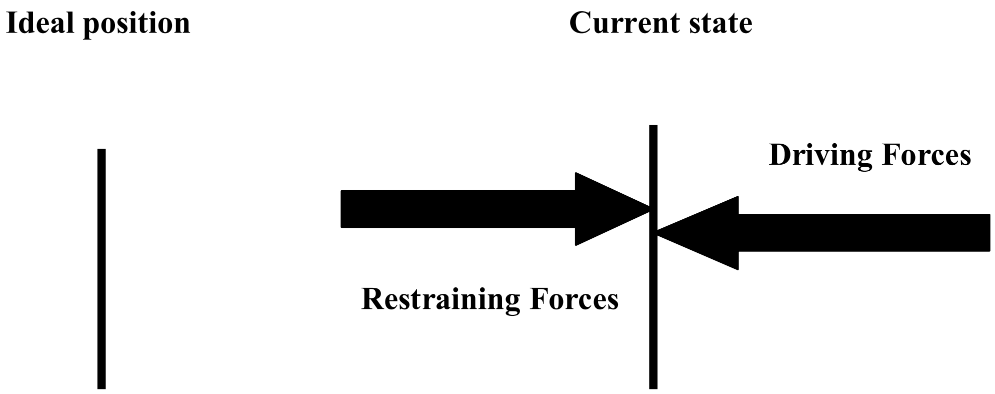
- **Behaviour change**

  This process identifies and crafts new norms, attitudes and beliefs.

- **Refreeze**

  This process reinforces new ways through reward and encouragement.

Lewin's **force field analysis** illustrates the forces that drive change and the restraining forces which push change back and prevent or hinder it from occurring. Lewin recommended weakening restraining forces as the popular strategy for managing change.



Practical techniques to reduce resistance

- ✓ Bringing conflict into the open
- ✓ Top down commitment with clear vision of change
- ✓ Supporting positive behaviour
- ✓ Reward systems
- ✓ Communication and education

Organising and managing information systems

Centralisation of IT department or activities

Advantages of a centralised IT function

- ✓ Economies of scale
- ✓ Better integration and compatibility of information systems
- ✓ Higher motivation of IT staff
- ✓ Can avoid duplication of effort
- ✓ Strategic view

Benefits of in house developed information systems

- ✓ Better understanding of information needs
- ✓ Strategic control
- ✓ Less risk to the security
- ✓ More effective support to end users

Decentralisation of IT activities e.g. end user computing

End-user computing is the direct hands on approach that end users have over the development and use of IT.

Benefits of end user computing

- ✓ Creativity and innovation
- ✓ Increases productivity of information systems
- ✓ End-user satisfaction óownership and motivationô

Limitations of end user computing

- ✗ Lack of training and experience
- ✗ Lack of documentation
- ✗ Incompatibility of different systems

Charging for IT 'in-house'

- Service centre e.g. free to departments
- Cost centre e.g. charged at cost to departments
- Profit centre e.g. charged at external market price to departments
- Hybrid centre e.g. combination of two or more of the above

IT outsourcing (client-vendor relationships)

Examples include the outsourcing of system maintenance, development or data processing agreements with third party organisations, an entire IT department could be outsourced. IT outsourcing can allow management to start with a clean sheet and eliminate what they often see as an internal irritant.

Advantages	**Disadvantages**
✓ Save overhead ✓ Reduce the complexity ✓ Management can focus on its core competencies ✓ Flexibility of using outsourcer	✘ Loss of strategic control ✘ Over reliance ✘ Loss of competitive advantage ✘ Internal redundancy ✘ Risk to security ✘ Failure of outsourcer

Management of vendors

- Policies, procedures and effective management
- Planned selection criteria
- Tender and visiting process
- References
- Contract agreements
- Penalties and cancellation terms

Characteristics of a good service level agreement

- Terms and conditions
- Exit route for non performance
- Timescale of agreement
- Copyright and ownership
- Procedures for control
- Contact details

Criteria for evaluating suppliers

- Invitation to tender documents
- Warranty and support
- Training assistance
- Cost and composite of cost
- Reliability and solid track record

Privacy and security

Security within an IT environment

- Prevention e.g. eliminate risk
- Detection e.g. catch the culprit
- Deterrence e.g. make the culprit think twice
- Recovery e.g. what we do if all else fails

Risks to IT systems

- Human error e.g. incorrect transactions entered, failing to correct errors
- Technical error e.g. system malfunction
- Natural disaster e.g. explosion, lightning, fire or flood
- Deliberate action e.g. fraud
- Commercial espionage e.g. competitors hacking customer information
- Malicious damage e.g. hacking/virus/disgruntled employees etc
- Industrial action e.g. key 24/7 personnel

Data privacy in the United Kingdom, is covered by the Data Protection Act 1998. Breaches of individual privacy include the improper disclosure of personally identifiable information in digital form or otherwise.

Examples of sensitive information

- Healthcare records
- Criminal records
- Financial history and transactions

Types of systems maintenance

- **C**orrective e.g. system malfunction or failure of some kind
- **A**daptive e.g. changes in the processing environment
- **P**erfective e.g. enhancements made
- **P**reventative e.g. regular and routine servicing

Chapter

6

Operations Management

Key summary of chapter

Operations strategy

The total pattern of decisions which shape the long-term capabilities of any type of operations and their contribution to the overall strategy, through the reconciliation of market requirements with operations resources.

(Definition: Slack and Lewis)

Performance dimensions for operational strategy

- Quality e.g. effectiveness
- Speed e.g. efficiency
- Flexibility e.g. lead time
- Cost e.g. economy

Capacity

The ability of an operation to perform and produce. The maximum limit to the volume of product or service an organisation can produce, in a given timescale and bound by its constraints such as existing of technology, resources and business processes.

- **Over capacity** e.g. spare capacity and idle resources
- **Under capacity** e.g. full order book, customer queuing, waiting lists etc.

Capacity planning

- **Survey or sample of buyers intentions** e.g. customer sample taken
- **Composite of sales force opinions** e.g. human judgement applied by staff
- **Expert opinions** e.g. opinions from industry experts or consultants
- **Past-sales analysis** e.g. projections (trends) using a study of past performance
- **Market test methods** e.g. consumer trials and testing
- **Queuing theory** e.g. mathematical study of waiting lines or queues

The flexible firm 'achieving workforce flexibility'

The **shamrock organisation** (a concept by **Charles Handy**), divided employees into three categories: **core, contractual and flexible labour.**

The flexible firm model proposed by **John Atkinson**, divides employees into three categories: **core, peripheral and external labour.**

Both models are similar and can be used to explain how an organisation might achieve greater flexibility.

The shamrock organisation

- The inner core e.g. permanent key employees.
- The flexible workforce (or peripheral labour) e.g. temporary, casual and/or part-time employees on short-term contracts.
- The contractual fringe (or external labour) e.g. self-employed subcontractors or freelancers, who are engaged to provide services as and when needed and often paid by results

Types of workforce flexibility

- **Functional flexibility** (task flexibility/multi-skilled employees) concerns breaking down traditional occupational boundaries and avoidance of óoverô specialisation.
- **Financial flexibility** aims to convert staff cost from fixed to variable cost.
- **Numerical flexibility** enables a firm to adjust rapidly to changing levels of demand by increasing or decreasing the number of employees.
- **Temporal flexibility** can be achieved by varying the hours worked by employees in response to changes in demand.

Strategies for balancing capacity (supply) and demand

Level capacity strategies e.g. produces at a constant rate of output ignoring any changes or fluctuations in customer demand levels

- ✓ Efficient production levels at all times
- ✓ Supports mass production of uniform products.
- ✗ High risk of stock obsolescence when customer needs change.

Chase demand strategies e.g. **a** Just In Time (JIT) system, the opposite to a level capacity strategy.

- ✓ Economies of scope from flexible resources
- ✓ Minimisation of stock levels
- ✗ Problems of no surplus inventory to run down during ópeakô periods
- ✗ High risk of disruption to production e.g. stock outs

Demand management strategies e.g. influence customer demand levels to match to an œfficientô operating capacity (supply).

- ✓ When œff peakô œmake the customer come to youô
- ✓ Maintain efficient levels of production and inventory
- ✗ Marketing strategies not always effective.
- ✗ Offers of discounts can be financially harmful

The characteristics of service organisations

- **Intangibility** e.g. no material substance or physical existence
- **Legal ownership** e.g. cannot be returned if faulty.
- **Instant perishability** e.g. cannot be stored
- **Heterogeneity** e.g. service performed is different each time
- **Inseparability** e.g. the service cannot be separated from the person who provides it

The concept of sustainability in operations management

Sustainability within operations management is about preserving natural resources for future generations. A fully sustainable operation is one that has a zero impact, or a positive impact on the ecological environment.

Practices for sustainability

- Reduction in the use of toxic substances.
- Reduced reliance on petroleum and other non-renewable energy sources.
- Use of naturally renewable materials.
- Use of biodegradable materials
- Use of organic materials
- Fair trade

The organisations ‗environmental footprint' or environmental impact, is determined by the amount of depleted raw materials and non-renewable resources it consumes to make its products, and the quantity of waste and emissions that is generated in the process. The life cycle of a product should take into consideration the raw materials it uses in production, all other manufacturing processes, all distribution and transportation costs caused by a products existence, right through to its final disposal.

Lean production or the Toyota production system (TPS)

Lean production (also known as the Toyota Production System) is a manufacturing methodology originally developed by Toyota
"good thinking means good product".

Toyota Production System (TPS) was built on two main principles: Just In Time (JIT) and Jidoka e.g. continuous improvement of quality within the production system.

Lean production focuses on delivering resources when and where they are needed.

Lean production tools and techniques

- Getting things right first time
- Minimising inventory e.g. JIT stock control
- Minimising waste
- Flexible workforce practices
- High commitment to human resource policies
- Culture of commitment to continuous improvement

Concepts that support lean production

Total productive maintenance (TPM) aims to shorten lead times by ensuring production and machine maintenance staff work closer together. Machine operators are empowered and trained in order to speed up routine servicing, fault diagnosis and maintenance of operating machinery.

Just in time (JIT) requires that products should only be produced if there is an internal or external customer waiting for them. It aims ideally for zero stock e.g. raw materials delivered immediately at the time they are needed, no build up of work-in-progress in production and finished goods only produced if there is a customer waiting for them.

Total quality management (TQM) is the process of embracing a quality conscious philosophy or culture within an organisation, it aims towards standards of near perfection and continuous improvement.

Quality circles is an American idea, whereby a group of 5 to 8 employees, normally working in the same area, volunteer to meet on a regular basis to identify areas for improvement or analyse work related problems in order to find solutions.

Information technology to support capacity planning

Flexible manufacturing systems (FMS) consist of several machines along with part and tool handling devices such as robots, arranged so that it can handle any family of products or parts for which the system has been designed and developed. These systems are highly computerised, automated and integrated.

Computer aided design (CAD) automates the design, drafting and display of graphically oriented information early in the design process aids good production planning.

Computer aided manufacturing (CAM) automates production e.g. robotic and programmable production cycles.

Optimised production technology (OPT) helps to avoid the build up of unnecessary work in progress and supports a JIT environment e.g. resource planning centred around ðbottleneck resourcesô (limiting factors) or the binding constraints that limit capacity.

Materials requirement planning (MRP I) is an inventory control system which provides an automated list of components and materials required for the type and number of products entered. This allows better production planning and accuracy of inventory management.

Manufacturing resource planning (MRP II) Evolved from MRP I. A system that incorporates not only material requirements, but all manufacturing resources such as different labour types, machine types and other manufacturing resources required for the type and number of products entered.

Computer-integrated manufacturing (CIM) is manufacturing supported by computers. The total integration of computer aided design, manufacturing,. quality control and purchasing in one centralised system.

Enterprise-wide systems (ERP systems) also referred to as enterprise resource planning (ERP) or enterprise computing. Enterprise-wide systems are information systems that are used throughout a company or enterprise. A company-wide computer software system used to manage and coordinate all the resources, information and functions of a business.

Supply chain management

Strategies to achieve greater integration of the supply chain from raw material to the ultimate final sale and disposal of a finished product or service. Effective supply chain management can be crucial for an organisation to gain competitive advantage e.g. higher quality, lower cost, quicker delivery etc. A supply chain is an example of a supply network, raw materials, components, finished goods and services, are procured as a product passes through a chain of processes that supply one another and at each stage ‘adds value’ to the customer in some way.

Strategic supply chain management

The **strategic supply wheel** illustrated by Cousin’s

- **Portfolio of relationships** e.g. high collaboration with suppliers
- **Skills and competences** e g. develop skills internally
- **Strategic performance measures** e.g. monitor and control supply chain
- **Cost-benefit analysis** e.g. over strategic approaches
- **Organisational structure** e.g. support effective supply chain management

The strategic positioning tool by Reck and Long

- **Passive** (clerical and transaction based) purchasing viewed as a clerical function.
- **Independent** (arms length purchasing but commercial) purchasing takes more of a professional approach.
- **Supportive** (proactive purchasing) purchasing is regarded as essential and more pre-emptive in the information it delivers.
- **Integrative** (full partnership, strategic sourcing and collaboration) purchasing is viewed as strategic, core, essential and therefore fully integrated.

Supplier sourcing strategies

- **Single sourcing** e.g. source from one supplier only.
- **Multiple sourcing** e.g. source service from many suppliers simultaneously.
- **Delegated sourcing** e.g. purchasing decisions are outsourced.
- **Parallel sourcing** e.g. a combination of two or more of the above.

IT to facilitate greater integration of supply chain

- Bar coding
- Electronic tagging
- Materials Requirement Planning (MRP I)
- Route masters
- Electronic Data Interchange (EDI)
- Extranet e.g. internet based EDI.
- Computer Aided Design (CAD)
- Electronic Funds Transfer (EFT) systems.

Business strategies to facilitate greater integration of supply chain

- Vertical integration
- Strategic alliances or joint ventures

Process mapping

For processes to be improved they must first be illustrated. Flow charts can facilitate the use of process mapping e.g. diagrams using arrows, symbols and shapes.

Advantages of process mapping

- ✓ Visual communication
- ✓ Structured ówalk throughô testing
- ✓ Prototype designs

Periodic Inventory Systems

Stock levels are reviewed at predetermined intervals of time and an order is placed. Orders are made on a scheduled basis but the reorder level could be for a standard or variable quantity each time. A simpler and less complex system to maintain but problems of periodic systems for controlling inventory include:

- Missing or obsolete items may not be identified quickly enough.
- Larger errors or discrepancies between physical counted and stock records maintained when stock is periodically verified.
- Higher risk of stock outs occurring if stock levels are not reviewed frequently.

Continuous (Perpetual) Inventory Systems

Stock levels are constantly monitored and reviewed in ǿreal-timeô and orders placed when stock reaches or falls below a predetermined reorder level. The reorder level could be for standard or variable quantity each time but ordering does not occur at predetermined intervals of time.

The ABC system

An example of a periodic review system, where different stock items are classified as either.

- High value (A)
- Medium value (B)
- Low value (C)

Higher value items are reviewed more frequently than low value items.

Chapter

7

Quality Management

Key summary of chapter

Quality
A subjective term, in business it can mean the level of excellence, the non-inferiority or superiority of a product or service e.g. usefulness, durability, reliability, functionality and design. A common interpretation of quality is ñfitness for its use or purpose".

Quality assurance 'prevention rather than cure'

Quality assurance is a planned and systematic action to provide adequate confidence that an item or product conforms to established technical requirements e.g. training of staff to ensure high standards, or suppliers guarantee high quality through systems and assurance standards (feed forward control).

QA when contrasted to QC is about the concept of prevention, rather than diagnosis and cure. QA is also more aligned towards a TQM philosophy, it is about feed-forward control, a system working in a more pre-emptive way, to make control adjustments, before adverse conditions occur.

Quality control systems 'appraisal and cure'

Quality control systems in contrast focus on óappraisal and cureô often using performance measures for monitoring and controlling e.g. wastage levels, warranty claims, customer returns and complaints. The problems of quality control contrasted to quality assurance is that there could be a significant delay for reporting quality failures and taking corrective action. This could mean sub-standard goods and services are produced by an organisation and then either scrapped, reworked and even worse already delivered to a customer unknowingly.

Design of quality control systems

- Establish performance standards
- Develop performance measures
- Establish formal systems to assess actual performance
- Feedback used for control action

Statistical control processes can be an effective method of monitoring quality especially if using statistical control charts. By collecting data from a sample at various points within a process, variations that affect quality can be detected and corrected.

Four types of quality cost

Prevention cost

The cost to reduce the risk of defects, failures or wastage from actually occurring.

Appraisal cost
The cost of assessing, monitoring and inspecting the quality achieved.

Internal failure cost
The cost of internal quality failure.
Costs incurred **before** the customer has received the good or service.

External failure cost
The cost of external quality failure.
Costs incurred **after** the customer has received the good or service.

Total quality management (TQM)

TQM is the process of embracing a quality conscious philosophy or culture within an organisation, it aims towards standards of near perfection and continuous improvement. Kaizen is the Japanese equivalent to TQM and means ócontinuous improvementô by small incremental steps.

Characteristics of TQM

- Get it right first time philosophy
- Continuous improvement e.g. aim towards zero defects, idle time, wastage etc
- Quality assurance procedures and systems e.g. ISO 9000 certification
- Benchmarking
- Understanding of customer values and engineering of these into product design
- Culture of óquality is everyoneõs concernô
- Participation and teamwork encouraged
- Design of better products and processes óis everyoneõs concernô

SERVQUAL and RATER

SERVQUAL was designed to measure the gap between the expectations and perceptions of a customer about a particular service. SERVQUAL (service quality) was developed in the 1980s originally having 10 dimensions to measure quality, it later became shortened to RATER an acronym used as a multi-dimensional framework to measure service quality.

RATER

- **R**eliability e.g. service dependable and reliable
- **A**ssurance e.g. confidence and trust in the service performed
- **T**angibles the physical evidence that exists about the service
- **E**mpathy understanding towards the customer
- **R**esponsiveness how quickly the service responds

ISO 9000:2000 series

ISO 9000 (Formally BS5750) is worldwide recognised and consists of three international standards and supplementary guidelines on quality management and quality assurance, first published in 1987. Organisations to become certified must have documented and repeatable processes to ensure they deliver quality products. Certification to ISO 9000:2000 series does not guarantee compliance to product quality, but does certify that consistent business processes are being applied and followed.

Quality Circles (QCs)

Quality circles is an American idea, whereby a group of 5 to 8 employees, normally working in the same area, volunteer to meet on a regular basis to identify areas for improvement or analyse work related problems in order to find solutions. Quality circle volunteers normally attend during paid time and normally under leadership. Results and conclusions lead to the implementation of solutions by group members.

The 6 Sigma model

Statistical process control is part of the quality management process. One such example is the use of the 6 Sigma model. A measure of quality, which aims towards a standard of near perfection. When statistically calculated for the purpose of quality control or assurance, the aim is towards just **3.4 defects per million items** from a population or sample inspected.

The 5-S model

This technique has been practised in Japan for a long time. Being action oriented, the 5-S model is a powerful quality tool for everyone to get involved in the continuous improvement process.

Structure (sort)

- Reorganise and get rid of old and costly systems and processes

Systems (straighten)

- Simple to read notices and instructions

Sanitise (shine or sweep)

- Everyoneôs concern and responsibility for being tidy

Standardise

- Standardised work instructions and labels

Self-discipline

- Instil a philosophy õeveryoneôs concernö to do the above daily

Chapter

8 Marketing

Key summary of chapter

The marketing concept

Marketing The management process responsible for identifying anticipating and satisfying customer requirements profitably. Chartered Institute of Marketing (CIM)

Business philosophies

Production orientation An approach that centres activities on producing goods more efficiently and cost effectively e.g. mass production. It assumes that price is the only factor important to customers and that a customer buys whatever is produced, with little or no consumer research as to whether there exists demand for the product or not.
Product orientation The number one priority is to continually improve and refine products, based on the belief that customers buy more if more ófeaturesô to the product are added, little or no consumer research as to whether there exists demand for a new product, product feature, or not.
Sales orientation The number one priority is to sell products to customers by aggressive sales persuasion e.g. aggressive advertising, promotion and sales people óon commissionô, little or no consumer research as to whether there exists demand for the product or not.
Marketing orientation The modern belief today, supports the marketing concept and pioneered in the 1960s. • Determine the needs, wants and values of customers • Satisfy these needs better than the competition

The marketing mix (4 Ps) A set of controllable variables an organisation has to influence a customers purchase decision for a good or service.
Product The ópackage of benefitsô including guarantees, warranties and after sales service.
Price The pricing element includes price promotions, discounts, periods of credit, interest free credit and payment terms.
Promotion The promotional mix or promotional plan is comprised of four subcategories: advertising, personal (or direct) selling, sales promotion and public relations.
Place Place is where the product can be purchased from e.g. distribution channels.
People Often referred to as the 5th P in the marketing mix, because staff are the essential óhuman assetô to support the marketing concept.
Process How the service is delivered or how the sale of the good is managed.
Physical evidence The tangible evidence that exists and that can be identified to the organisation.

B2B and B2C markets

- **Business-to-consumer (B2C)** e.g. durable goods, fast moving consumer goods (FMCGs), services and experiences.
- **Business-to-business (B2B)** e.g. a business selling to another business

B2B compared to B2C

- B2B smaller potential market
- B2B national advertising less cost effective
- B2B closer relationships often established with the buyer
- B2B the purchase responsibility is not just down to one person
- B2B less psychological and complex influences over a purchase decision
- B2B customers may expect credit terms

The characteristics of services

- **Intangibility** e.g. no material substance or physical existence
- **Legal ownership** e.g. difficult to return if faulty
- **Instant perishability** e.g. cannot be stored for future use
- **Heterogeneity** e.g. performed different each time
- **Inseparability** e.g. cannot be separated from the person who provides it

Branding

A brand is a trade name, symbol or logo synonymous or identifiable to an organisation.

- Buyers use brands to make statements
- Brands can reduce the risk to a buyer of poor product choice
- Brand equity (value) is an asset
- Brands can be the reason why a buyer chooses a product
- Brands can command premium prices.

Product portfolios and the product mix

Product mix means the different products that the organisation makes or sells. The product portfolio can be managed using tools such as the product life cycle (PLC) theory and the Boston Consulting Group (BCG) matrix.

Product or industry life cycle

The product life cycle illustrates the succession of stages that a product goes through in terms of its sales or market share. The market environment in which a product is sold is always changing and therefore must be managed as it moves through a succession of different stages.

- Introduction
- Growth
- Maturity
- Decline

The Boston Consulting Group matrix

- Problem Child e.g. new product that poorly competes.
- Star e.g. new product that competes well.
- Cash Cow e.g. mature and established product that competes well.
- Dog e.g. mature and established product that poorly competes.

Product portfolio theory states that an organisation should have a ówell diversified portfolio of productsô e.g. stars are essential for future success, cash-cows to ôharvestô and support stars, the absence of question marks or dogs if possible.

Pricing Strategies

Factors effecting price strategies

- The stage of the products life cycle
- Cost
- Degree of competition
- Demand
- Type of customer e.g. segmentation

Pricing strategies

- **Market skimming** - high price set for a new product to "skim" revenue from the market before substitute products start to appear.
- **Market penetration** - low price set for a new product win a large chunk of the market share quickly.
- **Product bundling** ï more than one product is sold together as ŏone itemô or package.
- **Premium pricing** ï high price charged to give the perception a product is superior.
- **Psychological (or odd number) pricing** ï less than a ŏroundedô number to give the impression a product is cheaper.
- **Loss leaders** ï this is when a product or service is sold deliberately at a low price (and commonly at a loss).
- **Price discrimination** (differential or selective pricing) ï charging different prices to different consumer groups.
- **Cost plus pricing -** the pricing of products or services based on their full or variable unit production cost.

Promotion

Push strategies Promotion to other businesses within the distribution channel or supply chain, rather than promotion aimed directly at consumers or end-users.
Pull strategies Promotion of the product or service towards the end user or consumer, aiming to pull the product or service through the distribution channel.

The promotional mix is comprised of four subcategories

- Advertising
- Personal (or direct) selling
- Sales promotion
- Public relations.

Guerrilla marketing
Aimed at the small business with limited resources and finance. Successful characteristics of guerrilla warfare are based upon well thought out, creative, focused and unconventional ways to get maximum impact with minimum resources.
Viral Marketing
Defined as ña technique aiming at reproducing "word of mouth", usually on the internet or by e-mail, for humorous, political or marketing purposesò. Commonly described as network-enhanced word-of-mouth.
Interactive marketing
óThe ability to address the customer, remember what the customer says and address the customer again in a way that illustrates that we remember what the customer has told usô (John Deighton 1996). Such marketing practices such as telesales, m-marketing and teleshopping have evolved because of internet and other e-technology such as satellite, cable and digital.
Experiential marketing (EM)
EM is the art of creating óexperiencesô and as a result a deeper emotional connection by customers to a product or brand. Cynically viewed by some as product promotion with entertainment thrown on top. Experiences by a customer can reinforce emotional sensation and create a particular state of mind about brand perception for many years.
Direct marketing
Direct marketing is face-to-face interaction or direct selling to the customer rather than through other intermediaries. A ózero level channelô strategy e.g. e.g. manufacturer avoids selling through wholesaler and retailer, selling directly to the customer. Major benefit is closer contact and control over the process of supplying and marketing to the customer.
The internal customer concept
Internal marketing processes would include training and motivating staff to support the organisations external marketing activities. The internal customer concept is one way of integrating departments closer together to encourage more internal cooperation and creativity.
Relationship marketing
Relationship marketing is about devoting marketing resources to the maintenance of the existing customer base, as well as trying to attract new customers. Customer loyalty and retention has become critical to the long-term survival of organisations, relationship marketing aims to build excellent relationships with customers in order to retain their loyalty. Major benefits include increased expenditure from existing customers and free word of mouth recommendation.

The strategic marketing process

The primary goal of any marketing strategy is to satisfy the strategic goals of the organisation e.g. competitive strategy must support the corporate strategy, mission and goals.

1. The mission statement and corporate objectives reviewed
2. Conduct a marketing audit
   - Review strategy and objectives of the organisation
   - Audit external marketing environment e.g. PEST or SLEPT analysis
   - Market analysis and segmentation for different customer needs and values
   - Competitive benchmarking of ómarketing mixô practices
3. Evaluation and reporting of all market research and intelligence
4. Determine and evaluate competitive strategies
5. Detailed action plan created
6. Review and obtain feedback periodically
7. Regularly undertake marketing audit

The marketing environment

Environmental analysis is a process strongly linked to the creation of the marketing strategic plan for an organisation. Models such as PEST or SLEPT analysis and other derivatives of these e.g. PESTLE or SLEEPT or STEEPLE can be used for analysing the general or industry environment.

- **S** societal factors
- **L** legal factors
- **E** economic factors
- **P** political factors
- **T** technological factors

Two extra Es could include ethical and ecological factors. Other considerations to the above for a more comprehensive study of the environment would include a full analysis of customers, competition and markets.

Product positioning

Competitive positioning is about the organisation's role in the competitive market place.

- **Undifferentiated (or homogenous) positioning** is the targeting of an entire market with a single marketing mix.
- **Differentiated targeting** is the targeting of different market segments and a specific marketing mix for each segment.
- **Concentrated positioning** is the targeting of a single market segment only with a single marketing mix e.g. single segment focus.

Michael Porter's competitive generic strategies

Competitive Scope		Competitive advantage: **Low cost**	Competitive advantage: **Differentiation**
	Broad Target	**Cost Leadership** Offering a product or service at the lowest price due to having the lowest cost per unit in the industry.	**Differentiation** Offering a product or service with certain characteristics or features that are unique and distinct relative to the competition.
	Narrow Target	**Cost Focus** Market segmentation and cost leadership strategy pursued.	**Differentiation Focus** Market segmentation and differentiation strategy pursued.

Ethics

Morals about the right behaviour and way of conduct.

Corporate Social Responsibility (CSR)

Being aware of the impact of actions on others and acting in the best interests of society

Ethical considerations in marketing

- Safe products and services
- Ethical products and services e.g. not tested on animals, fair trade, recycling, biodegradable etc
- Fair pricing and returns policy
- Full refund offered if customer unsatisfied
- Customers not misled e.g. information, sales staff and agents
- No text messaging or junk mail

Social marketing

The systematic application of commercial marketing to achieve specific goals for social good e.g. achieve non-commercial goals such as an increase in societies well being. Social marketing promotes merit goods and can influence a society avoid to demerit goods.

Merit goods

Merit goods are considered good for people or society, regardless of whether society desires them or not

- Education
- Training and development
- Health treatment
- Public transport
- Healthy foods

The government or state will often publicly assure these goods by free provision or the subsidisation of private firms to supply them.

De-merit goods

De-merit goods are considered bad for people or society, regardless of whether society desires them or not. They are socially undesirable due to their effect on persons or society as a whole.

- Cigarettes and alcohol
- Cars and coal power stations
- Junk food
- Drugs, gambling and prostitution

Private firms if unregulated would produce de-merit goods   Governments often levy heavy taxes on these goods as a way of discouraging their consumption or in some cases enforcing regulation e.g. drinking and driving or misuse of drugs made a criminal offence.

The role of IT in supporting marketing

Marketing decision support systems (MDSS)

Databases, internet, extranet, intranet and e-commerce systems.
A coordinated collection of data, system tools, and techniques with supporting software and hardware by which an organization gathers and interprets relevant information from business and the environment and turns it into a basis for making management decisions.
(American Marketing Association)

Customer relationship management (CRM) systems

Devoting marketing and IT resources to the maintenance of existing customers, as well as strategies to attract new customers.

Examples of CRM systems

- **Face to face contact** e.g. meetings, phone calls, e-mail, online services etc.
- **Back office** e.g. booking, billing, invoicing and payment.
- **Analysis of customer trends** e.g. data warehousing and mining

E-marketing and E-commerce

E-marketing

Marketing over the internet. Also referred to as i-marketing, web marketing and online marketing. The presentation of the organisations brand, product and services over the internet,. to help build strong customer relationships and brand loyalty.

E-commerce

The process of buying and selling goods and services electronically over the internet using website technology.

Chapter

9

Buyer behaviour

Key summary of chapter

Market Segmentation

The grouping of customers, with each sub-group or segment of customer having a common need, want or value. Each sub-group or segment will be effected by different targeting strategies, they would behave differently and respond differently to different ‘tailored’ marketing mixes.

Advantages of market segmentation

- ✓ Match closer the features of a product to customer groups.
- ✓ Higher customer satisfaction or delight
- ✓ Brand loyalty and customer retention.
- ✓ More efficient use of marketing resources

Guidance for effective market segmentation (Kotler)

- **Substantial** e.g. segment sizeable enough to be profitable
- **Accessible** e.g. segment can be efficiently and effectively reached
- **Measurable** e.g. segment can be measured
- **Actionable** e.g. effective strategies are available to attract segment
- **Differentiable** e.g. the segment behaves and responds differently

Reasons not to engage in market segmentation

- The number of customers not big enough to earn a profit.
- Effective promotion mediums do not exist to create awareness economically.
- The size or strength of competition that already exists.
- Segment too subjective, complex and therefore difficult to measure.
- The firm lacks the core competences to compete.
- The market segment identified has no long-term future.

Market research
óA systematic investigation of markets and accumulation of relevant dataô

A process for market research

1. **Problem recognition**
2. **Define scope of data and information needs**
3. **Collect data and information** e.g. sampling, surveys, observation, interview etc
4. **Analyse and understand information** e.g. databases, summarise trends and results
5. **Report and conclude** for new marketing strategies

Sales forecasting methods

Market forecasting methods for estimating current demand

- Total market or industry potential
- Area market potential
- Market share
- Relative market share (RMS)

Market forecasting methods for estimating future demand

- Survey or sample of buyers intentions
- Composite of sales force opinions
- Expert opinions
- Past-sales analysis
- Market test methods

Queuing theory e.g. a mathematical study of the formation of waiting lines or queues (electronic or physical), for when customer óarrivalsô occur at random intervals. The theory can produce several performance measures e.g. average waiting times, or expected number of customers at certain times.

Factors effecting buying decisions

- Time and urgency
- Price and budget available
- Knowledge available
- Personal factors e.g. gender, race, age, religion, occupation etc
- Psychological factors e.g. emotions, attitudes, beliefs and perceptions
- Personality and lifestyle
- Social factors e.g. influence by peers or family

Stages in a buying decision making process

- Problem (need) recognition
- Information search
- Evaluation of alternatives
- Purchase decision made
- Post-evaluation of decision made

B2B buying decisions

- **Initiators** start the buying process
- **Influencers** affect the buying process
- **Buyers** order and pay for the good or service
- **Users** the eventual consumer of the good or service

Types of consumer (B2C) buying behaviour

- **Impulse buying** e.g. no conscious planning
- **Routine Response/Programmed Behaviour** e.g. little information search
- **Limited Decision Making** e.g. familiar product but moderate time for search
- **Extensive Decision Making/Complex** e.g. time to gather information and evaluate

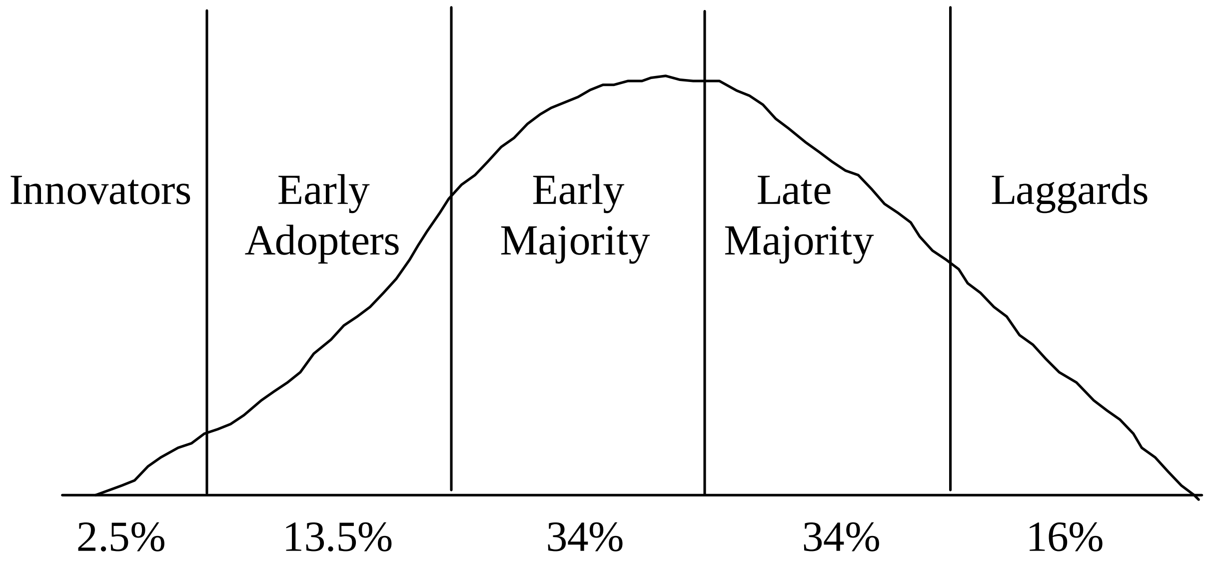
Theories of consumer (B2C) behaviour

- **Cognitive paradigm** e.g. the theory that buyer behaviour is driven by a constant process of problem solving and decision making in order to make a rational buying decision. This theory does not support the ‘impulse purchase’.
- **Learned behaviour** e.g. buyers learn through good or bad past experiences and can form a routine and habitual short cut when buying a product or service regularly.
- **Habitual decision making** is about routine response behaviour e.g. old and established buying habits die hard.

The consumer adoption model

- **“Innovators”** e.g. are young, lively, intelligent, social and extravert.
- **“Laggards”** e.g. older, less intelligent, ‘fixed’ in their job or the less well off.

Link the below model to Product Life Cycle (PLC) theory and the consumer adoption model starts to become more apparent.



Chapter

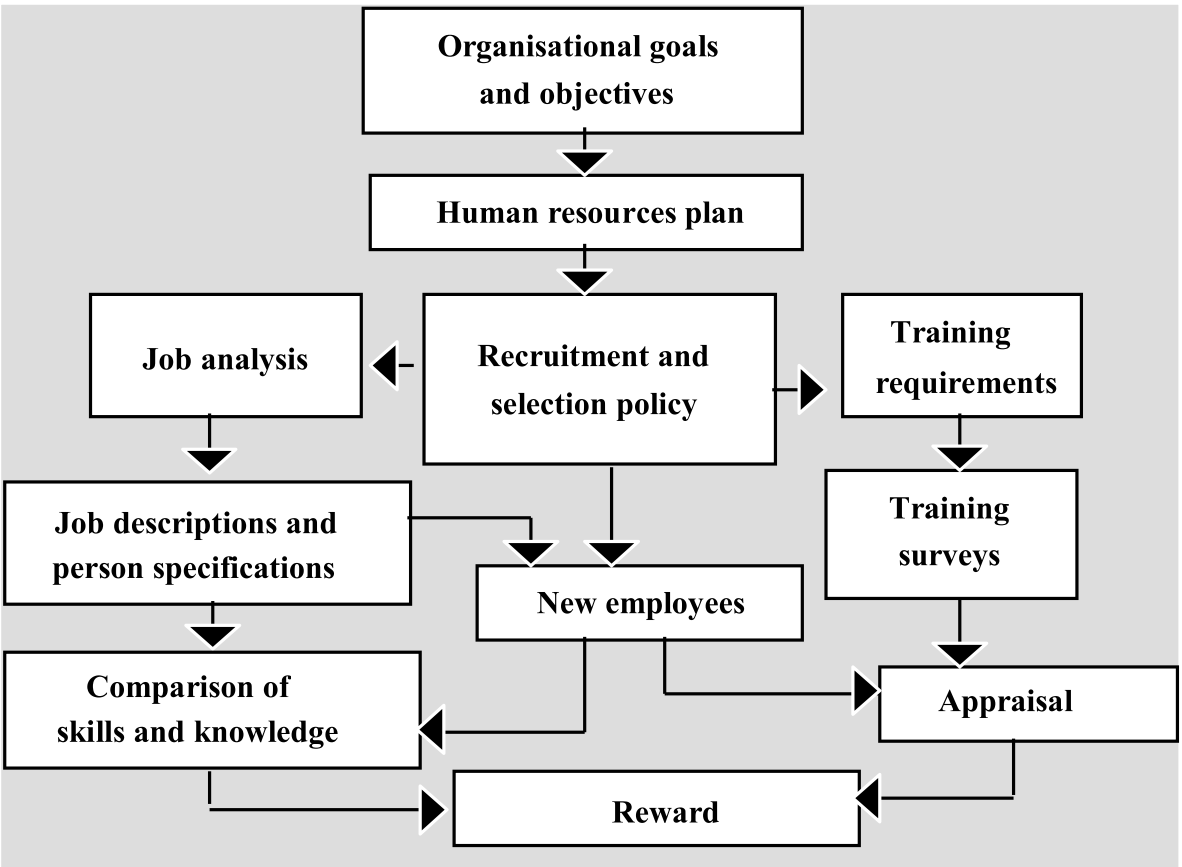
10

Human Resource Management

Key summary of chapter

The role of HR

- Develop flexible staff
- Achieve corporate strategy and goals through people
- Motivate staff
- Ensure compliance to employment legislation.
- Manpower (HR) planning
- Recruitment and selection
- Training and development
- Appraisal of staff
- Job design
- Maintenance of personnel records.
- Reward
- Communication
- Dismissal and redundancy



A process for strategic HR planning

1. Estimate demand for future staffing needs and skills required
2. Analyse the organisations sources and demography of internal labour supply
3. Gap analysis undertaken to compare ódemandô to ósupplyô
4. Develop HR strategies to close the gaps.

Supply > Demand (surplus of staff)

- Natural wastage
- Movement to part-time work
- Redundancy

Demand > Supply (shortage of staff)

- Training and development
- Internal recruitment
- External recruitment

5. Monitor and review

Recruitment and selection

Recruitment
Finding applicants and generating interest for recruitment.

Selection
Part of the recruitment process and is primarily about choice. It involves the systematic elimination of unsuitable candidates e.g. short listing.

Techniques used for selection should be

- Reliable
- Valid
- Fair
- Cost effective

Selection methods

- Curriculum vitae (CV)
- Application form
- Interview
- References
- Assessment centre
- Testing candidates

Selection methods chosen can depend on

- Consequences of getting the decision wrong
- Time frame available
- Budget available
- Company policy
- Degree of investment required

A process for selection

1. Selection criteria should be established and verified
2. Screening and short-listing of candidates
3. Short list candidates for testing
4. Invitation to attend interview
5. Seek references
6. Final sorting of candidates
7. Frequent review of the selection process

Assessment centres

These are outside organisations which assess the potential of an individual or identify their development needs. Assessment centres assess certain personality traits or skills required from the individual, such as leadership, analytical, problem solving or creativity skills. They are more likely to be used to identify those skills required to do a job or task more effectively and can be a vital selection tool with long-term value.

Salary negotiation

Salary negotiation is an important aspect of any job situation, and is often perceived as the most difficult and óawkwardô part of the post selection stage. Nearly all negotiations are characterised by four phases - preparation, opening, bargaining and closing. In small scale negotiations it is quite common for these phases to merge into a single unstructured process.

The process and outcome of negotiation is important for both parties, it is important that both parties arrive at a ówin-winô situation, always likely to be the best solution. If either parties expectations are reasonable it should ensure success in negotiation and leave all parties concerned feeling satisfied.

The psychological contract

The psychological contract is based upon an unwritten set of expectations between employer and employee regarding the rights and obligations of each party. It represents the mutual beliefs, perceptions, and informal obligations between an employer and an employee. The psychological contract has emerged as an important framework for understanding employee wellbeing, attitudes and work performance.

Induction programmes

Induction programmes help achieve effective integration and ócustomiseô staff to the organisations culture, goals and rules. The induction helps explain the nature of the job, normal hours of work, causes of stress, existing working conditions and any health and safety procedures to be complied with. Inductions can handle any complaints or queries new members of staff have and identify and implement any training required for them.

Exit interviews

An exit interview is conducted when an employee leaves the organisation. They are a prime opportunity to gather intelligence on the reasons why someone is leaving.

Succession planning

Succession planning is the development of a pool of talent with the skills, attributes, and experiences to fill specific, often high-level positions. Many organisations define "succession" as the grooming of replacements for top executives. This may involve sourcing external candidates if necessary.

Career development

Progressing and managing the advancement of an employee e.g. up the scalar chain (chain of command) or across other department boundaries. Fundamental for succession planning and development.

Mentoring

Mentoring means coaching, guidance, help, assistance, advice or support in order for a member of staff to improve knowledge, skills or develop themselves, it has a strong link with the induction and career development process.

Job analysis, job description and person specification

Job analysis

Job analysis studies the essential characteristics of a job e.g. tasks, procedures, relationship with other jobholders, responsibilities, desirable qualities, experience and qualifications.

Methods for undertaking job analysis

- Try out the job
- Interviewing existing job holders
- Observe job holders
- Training videos and manuals
- Previous job descriptions on record

Job description

A written statement which lists and summarises the most important elements of a particular job, developed individually or for an entire job family. Criteria should form the basis of the job advert in order to attract the most suitable candidates and should form the basis of selection criteria.

Contents of a job description

- Job title or grade
- Supervisor
- Summary of responsibilities and duties
- Authority levels
- Equipment used
- Qualifications, experience and training given
- Physical and mental demands
- Working conditions

Person specification

Profiles the personal skills, qualifications, abilities and experiences sought from a successful job holder.

Alec Rodgers seven point plan for a person specification

- Physical make up
- Attainment
- General intelligence
- Special aptitudes required
- Interests
- Disposition
- Circumstances

Managing job reduction (or redundancy)

Redundancy occurs when the role that an employee performs no longer exists or is not required. This is a sensitive issue, the loss of motivation and morale of the entire workforce can be devastated when such news does occur not just those individuals affected by it.

A process to manage job reduction

1. Identify what changes will be necessary
2. Clear vision of change communicated
3. Educate and communicate the reasons
4. Participation encouraged by staff to aid change
5. Plan and determine how change needs to occur
6. Review and feedback obtained

Ethical advice offered

- Compulsory redundancy should be last resort
- A sensitive matter so plan for it
- Management must act as honestly and fairly as possible
- Selection methods used on a fair basis e.g. last in first out

Outplacement consultants

The decision concerning redundant employees is always a sensitive issue. In order to remain a serious and attentive employer, the company can offer their redundant employees extra support when dealing with their job loss situation. Outplacement consultants help to manage the transition period in a more positive way, with the focus on successful employment in the near future for those individuals effected. Outplacement consultants should make contact with staff as quickly as possible, once it is apparent that they will be leaving the organisation.

Other support available to staff losing their jobs

- Counselling
- Generous financial assistance
- The use of local knowledge, job centres or employment agencies
- Help from trade unions or staff associations.

Staff appraisal

Staff appraisal is the review and assessment of an employeeҫs performance with the potential for improving effectiveness of performance through training and development.

The role of staff appraisals

1. Reward
2. Performance
3. Potential for development

A process for an appraisal system

1. Identify criteria for assessment
2. Prepare report templates and appraisal forms
3. Undertake interviews and testing.
4. Plan and implement improvements
5. Follow up ҫpost appraisalҩ stage

Types of staff appraisal

- Overall assessment
- Guided assessment
- Grading employees
- Performance results
- Self appraisal
- Appraisal by sub-ordinates
- Appraisal by peers or colleagues
- Appraisal by line manager
- 360 degree appraisal
- Assessment centres

Training and development

Training
Systematic and structured events, programmes or instructions in order to become competent at doing specific tasks.

Development (education)
The long-term personal growth of an individual through training, education and experiences.

A process for training and development

- Stage 1 Analysis
- Stage 2 Design and Development
- Stage 3 Implementation
- Stage 4 Evaluation

Donald Kirkpatrick (1959) learning evaluation model

- **Reaction** e.g. surveys or ďhappy sheetsô
- **Learning** e.g. how much knowledge or ability has been gained
- **Behaviour** e.g. behavioural change and how knowledge gained has been applied
- **Results** e.g. the effect learning has had on key performance indicators.

The flexible firm

The **shamrock organisation** (a concept by **Charles Handy**), divided employees into three categories: **core, contractual and flexible labour.**

The flexible firm model proposed by **John Atkinson**, divides employees into three categories: **core, peripheral and external labour.**

Both models are similar and can be used to explain how an organisation might achieve greater flexibility.

The shamrock organisation

- The inner core e.g. permanent key employees.
- The flexible workforce (or peripheral labour) e.g. temporary, casual and/or part-time employees on short-term contracts.
- The contractual fringe (or external labour) e.g. self-employed subcontractors or freelancers, who are engaged to provide services as and when needed and often paid by results

Types of workforce flexibility

- **Functional flexibility** (task flexibility/multi-skilled employees) concerns breaking down traditional occupational boundaries and avoidance of ‘over’ specialisation.
- **Financial flexibility** aims to convert staff cost from fixed to variable cost.
- **Numerical flexibility** enables a firm to adjust rapidly to changing levels of demand by increasing or decreasing the number of employees.
- **Temporal flexibility** can be achieved by varying the hours worked by employees in response to changes in demand.

Flexible work arrangements

- Flexitime
- Teleworking (homeworking)
- Part-time
- Compressed weeks (or months)
- Job sharing .
- Job rotation

Three factors to improve job design

Job enrichment More responsibility, challenge, achievement and recognition.
Job enlargement Increasing the number of tasks or duties undertaken by a worker.
Job rotation Swapping employees between different tasks, activities or departments to increase job satisfaction and task flexibility.

Project-based, team or matrix organisational structures

Project-based, team or matrix organisational structures Where project teams and functions (departments) co-exist together. Project team members selected from various internal departments and coordinated by a project manager who has accountability to meet project deliverables e.g. time, cost and quality.

Virtual or network firms

A **virtual** organisation e.g. dotcom companies, do not have a physical location. For example staff may work from their own home office and most of the processes or activities of the organisation are outsourced to third party providers A **network** organisation is defined so by the elements of structure, processes and purpose. An example could be a virtual organisation e.g. intangible assets such as intellectual property under shared control and joint ownership.

Creativity and innovation

The creation of new ideas, things or ways of thinking e.g. a new product device or work process suggested by a customer or member of staff.

Encouraging creativity and innovation

- Team or matrix structures
- Empowerment of staff
- Staff suggestion schemes
- Participative, democratic and consultative management style
- Reward and recognition for ‘innovative’ achievement.
- Recruitment and selection of innovators
- Promote a corporate culture of innovation
- Set innovation goals and objectives

Chapter

11

Management Theory and Motivation

Key summary of chapter

Organisational control

Examples of HR control in the workplace

- Job descriptions, grades and authority levels
- Span of control and scalar chain
- Organisational structure
- Standardisation of work procedures
- Rules and procedures
- Disciplinary procedures
- Reward
- Dress code
- Handbook
- Induction
- Training and development
- Recruitment and selection
- Contracts
- Staff appraisal

Classical school contrasted to the human relations school of thought

	'Classical School' approach	**'Human Relations' approach**
Theorists	Henry Fayol Frederick Taylor Max Weber	Elton Mayo Abraham Maslow Frederick Herzberg
History	Late 19th century	Early 20th century.
Management Style	Autocratic, lack of consultation.	Participative, democratic.
Motivation	Extrinsic Reward e.g. money.	Intrinsic Reward e.g. job enrichment.
Management Control	Carrot and stick approach.	Contented cows produce more milk.
Management Focus	Task planning and design	Human welfare and psychology.

Motivation

óA conscious decision to devote considerable effort to achieving something you valueô.

- **Content theories** are concerned with the package of motives that enhance motivation e.g. Elton Mayo, Abraham Maslow and Frederick Herzberg.
- **Process theories** are concerned with the process of motivation itself e.g. Victor Vroomôs Expectancy Theory

Motivation is affected by

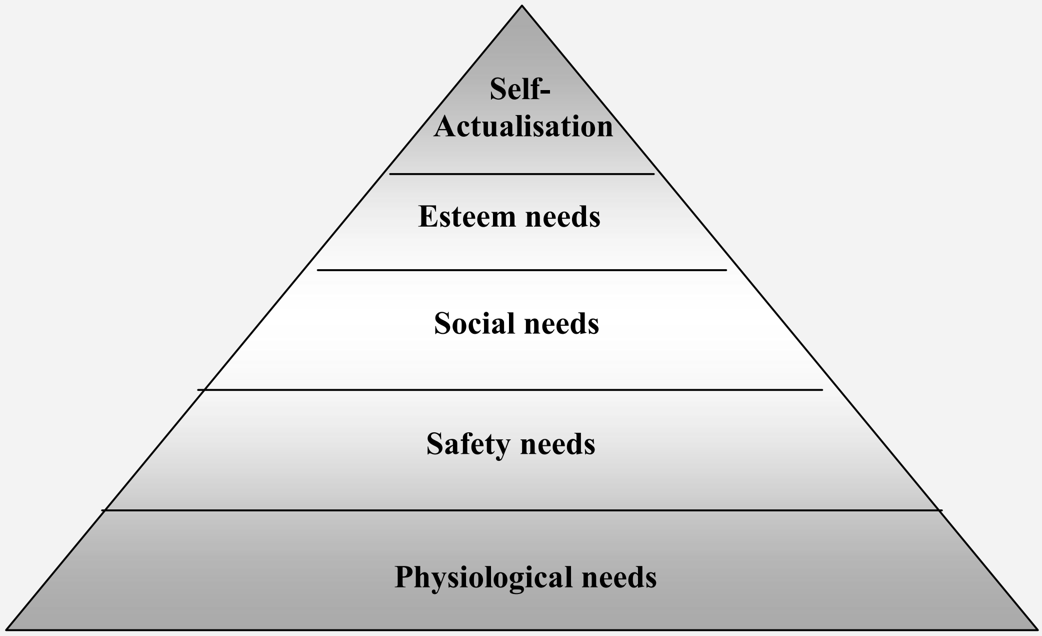
- Personality
- Beliefs
- Values
- Ability

.

Abraham Maslow's hierarchy of needs

Maslow a content theorist arranged five needs of the individual within a hierarchy, these needs rising up the hierarchy as each becomes satisfied e.g. man has no need for status when in desperate need for food and shelter.

Maslow hierarchy of needs model



David McClelland

Gave 'needs' similar to Maslow but not placed in any hierarchy.

- Affiliation
- Power
- Achievement

Frederick Herzberg's Motivator-Hygiene Theory

The pioneer of 'job enrichment' and regarded as one of the great original thinkers in management and motivational theory. He developed ‘hygiene factors’ and ‘motivators’ as his two factor theory.

Hygiene (or maintenance factors) Factors

Prevents staff from becoming dissatisfied, but does not provide ever lasting satisfaction.

- Salary
- Benefits in kind (fringe benefits or perks)
- Quality of supervision
- Working conditions
- Job security

Motivator Factors

These actually do satisfy employees and are likely to increase performance if present, such factors can lead to greater job enrichment

- Personal growth
- Advancement
- Status and recognition
- Responsibility
- Achievement
- Challenging and enjoyable work

Greater motivation can be achieved through job design and enrichment not pay and conditions of work.

Victor Vroom's Expectancy Theory

Process theory states that performance is an outcome that results from an individuals input.

- **Valence** e.g. ‘emotional’ desire for extrinsic or intrinsic reward
- **Expectancy** e.g. belief that behaviour or action can actually achieve the goal
- **Force** (Value x Expectancy) e.g. the strength of motivation

Porter and Lawler

Added other factors to the above model, e.g. ability, understanding of the job and reward.

The motivating potential score (MPS)

The motivating potential score assesses the job content and is a measure of motivation.

The five dimensions

- Skills variety
- Task identity
- Task significance
- Autonomy
- Feedback

Assumptions of an employee

- Rational economic man
- Social man
- Self-actualising man
- Complex man

Chapter

12

The Legal Environment

Key summary of chapter

Types of employment law

- Employment contract e.g. express terms agreed between parties.
- Published codes of good practice e.g. ACAS (arbitration, conciliation and advisory service) code for disciplinary procedure.
- Acts of Parliament e.g. implied terms of employment law imposed on employer and employee.

Employment contracts

- Names of employer and employee.
- Commencement date for employment.
- Pay and benefits in kind
- Hours of work
- Holidays and holiday pay entitlement.
- Sick leave and sick pay.
- Pensions and schemes employee is eligible for.
- Disciplinary procedures.
- Notice period for terminating contract for both employer and employee.
- Job title and responsibilities.

Dismissal

Wrongful dismissal
Dismissing an employee without proper notice

Summary dismissal
Employee has made a serious breach

Examples:

- **Willful disobedience and serious defiance of authority.**
- **Misconduct.**
- **Dishonesty.**
- **Incompetence.**
- **Gross negligence.**
- **Immorality.**
- **Drunkenness.**

Constructive dismissal
Employer changed the main terms of the contract and the employee resigns, where the employer is willing to continue

- **Must be serious change in terms.**
- **Left because of it.**
- **Not agreed to the new terms.**

Examples:

- **Pay reduction.**
- **Substantial change in job details.**
- **Disciplinary procedures not followed.**
- **Working environment not suitable.**

Examples of fair dismissal

- Employee lacks capability or qualifications to perform the job adequately.
- Considered ťoo illôto work.
- Gross misconduct.
- A Statutory bar or restriction prohibiting employment e.g. drink driving ban.
- Some other substantial reason e.g. employee was redundant.

Examples of unfair dismissal

- Unfair selection for redundancy
- Dismissed for involvement with a trade union
- Dismissed for being pregnant
- Dismissed on grounds of race or sex discrimination

Recruitment 'fair treatment'

Should be the candidate that can best perform the job that is selected. Factors such as sex, race, disability or religion of the applicant should not have any part to play.

What can be challenged?

- Unfair selection criteria applied
- Poor reasons for not being short-listed
- Being bypassed for promotion
- Demeaning and/or inappropriate treatment during recruitment process
- Recruitment literature

Redundancy 'fair treatment'

Redundancy is when the role that an employee performs is no longer exists.

- The business closes down entirely or closes one of its locations e.g. receivership, rationalisation or divestment
- Work of a particular kind is no longer required e.g. processes now automated

Statutory duties

- **Sex Discrimination Act** – no individual based on sex or marital status should be discriminated with regards to work.
- **Equal Pay Act** – prevents discrimination between sexes with regard to pay, holiday and sickness.
- **Equal Opportunities Commission** – investigates breaches that employees or employers have alleged to have done.
- **Race Relations Act** – colour, race, origin, nationality are the key things this piece of legislation prevents. Tribunals deal with any alleged breaches.
- **Disability Discrimination Act** – employers must take reasonable steps to accommodate the needs of disabled employees.
- **Health and Safety Act** – employers must take steps to ensure the safeguard of the health and safety of employees.
- **Working Time Regulations** – limits working hours to a maximum of 48 hours a week unless otherwise agreed.
- **Minimum wage legislation** – introduced under the National Minimum Wage Act 1998, a minimum wage was introduced in 1999.
- **Maternity leave legislation** – special leave to mothers for ante-natal care.
- **Paternity leave legislation** –special leave to fathers after the child is born.

Health and Safety

The Health and Safety Act 1974 was designed to ensure that the safety of employees is taken seriously and integrated fully into the work place.

- Good lighting in stairways
- Adequate ventilation
- Provide suitable tools and equipment to employees for the job in hand.
- Provision of sanitation, washing facilities and fresh drinking water.
- First aid facilities and named employees available who are trained in first aid.
- Signal warnings and signs where appropriate.
- Sanitary and toilet facilities for all employees.
- Fire regulations are complied with.
- Pollution is quarantined away from employees.
- Rectify problems brought to the attention of management.
- Protect employees from dangerous machines.
- Temperature regulated properly in all buildings.
- Training facilities

How to maintain health and safety within the work place

1. Document health and safety policies
2. Organise staff to make health and safety policies effective
3. Plan for health and safety and set standards
4. Measure health and safety performance
5. Audit and review health and safety policies