

BSBADM409

Coordinate business

resources

Release 1

Learner guide

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Aspire Version 1.1



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BSBADM409 Coordinate business resources Release 1

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First published April 2017

Cover design: Rewind Creative
Printer: Doculink Australia Pty Ltd, 1d/28 Rogers Street, Port Melbourne VIC 3207

e-ISBN 978-1-76059-300-1 (PDF version)
ISBN 978-1-76059-299-8

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Before you begin

This learner guide is based on the unit of competency *BSBADM409 Coordinate business resources*, Release 1. Your trainer or training organisation must give you information about this unit of competency as part of your training program. You can access the unit of competency and assessment requirements at: www.training.gov.au.

How to work through this learner guide

This learner guide contains a number of features that will assist you in your learning. Your trainer will advise which parts of the learner guide you need to read, and which practice tasks and learning checkpoints you need to complete. The features of this learner guide are detailed in the following table.

Feature of the learner guide	How you can use each feature
Learning content	Read each topic in this learner guide. If you come across content that is confusing, make a note and discuss it with your trainer. Your trainer is in the best position to offer assistance. It is very important that you take on some of the responsibility for the learning you will undertake.
Examples and case studies	Examples of completed documents that may be used in a workplace are included in this learner guide. You can use these examples as models to help you complete practice tasks and learning checkpoints. Case studies highlight learning points and provide realistic examples of workplace situations.
Practice tasks	Practice tasks give you the opportunity to put your skills and knowledge into action. Your trainer will tell you which practice tasks to complete.
Video clips	Where QR codes appear, learners can use smartphones and other devices to access video clips relating to the content. For information about how to download a QR reader app or accessing video on your device, please visit our website: www.aspirelr.com.au/help
Summary	Key learning points are provided at the end of each topic.
Learning checkpoints	There is a learning checkpoint at the end of each topic. Your trainer will tell you which learning checkpoints to complete. These checkpoints give you an opportunity to check your progress and apply the skills and knowledge you have learnt.



Foundation skills

As you complete learning using this guide, you will be developing the foundation skills relevant for this unit. Foundation skills are the language, literacy and numeracy (LLN) skills and the employability skills required for participation in modern workplaces and contemporary life.

The following table outlines specific foundation skills noted for your learning in this learner guide.

Foundation skill area	Foundation skill description
Reading	<ul style="list-style-type: none"> Identifies and interprets information from organisational plans, policies and procedures
Writing	<ul style="list-style-type: none"> Develops a range of documents using structure and vocabulary appropriate to audience, context and purpose
Oral communication	<ul style="list-style-type: none"> Participates effectively in spoken interactions using active listening and questioning to confirm and clarify understanding
Numeracy	<ul style="list-style-type: none"> Interprets and comprehends a range of mathematical information that is embedded in familiar texts Calculates and compares numeric data to track expenditure
Navigate the world of work	<ul style="list-style-type: none"> Recognises and responds to explicit and implicit organisational procedures and protocols and legislative/regulatory requirements
Interact with others	<ul style="list-style-type: none"> Selects the appropriate form, channel and mode of communication for a specific purpose relevant to own role Cooperates with others as part of familiar routine activities playing an active role in facilitating group interaction
Get the work done	<ul style="list-style-type: none"> Applies formal processes when planning complex tasks, producing plans with logically sequenced steps, reflecting an awareness of time constraints Recognises and takes responsibility for addressing predictable problems in familiar work contexts Utilises a range of features within digital applications to access, store and share information Reflects on the ways in which variables impact on decision outcomes to identify improvement opportunities

What do you already know?

Use the following table to identify what you may already know. This may assist you to work out what to focus on in your learning.

Topic	Key outcome	Rate your confidence in each section
Topic 1 Determine resource requirements	1A Determine the organisation's resource requirements	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1B Consult with individuals and groups on resource requirements	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1C Ensure realistic resource expenditure within available budgetary resources	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1D Make recommendations on resource requirements and expenditure	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
Topic 2 Acquire and allocate resources	2A Acquire required resources	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2B Check resource purchases for quality and quantity	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2C Allocate resources promptly	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2D Consult with others to facilitate resource allocation	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident

Topic	Key outcome	Rate your confidence in each section
Topic 3 Monitor and report on resource usage	3A Measure the effectiveness of resource planning systems	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	3B Develop and implement systems to monitor resource usage	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	3C Identify improvements in resource planning	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	3D Maintain records of equipment and resource purchases	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident

Topic 1

Determine resource requirements

People employed in offices, factories and other places of work require a range of resources to do their jobs effectively. Supervisors, managers and staff members with specific responsibility for purchasing or office management have the task of ensuring that an organisation and its staff have the exact quantity and types of resources they need, when they need them.

Before arranging the supply of any business resource, it is important to determine exactly what is required in order for a business plan to be implemented and organisational goals achieved.

This may mean consulting with others, reviewing the responsibilities and goals of teams within your organisation and analysing whether resources used previously for similar activities were adequate and contributed to the achievement of goals.

In this topic you will learn how to:

- 1A Determine the organisation's resource requirements
- 1B Consult with individuals and groups on resource requirements
- 1C Ensure realistic resource expenditure within available budgetary resources
- 1D Make recommendations on resource requirements and expenditure.

1A

Determine the organisation's resource requirements

Organisations use a wide range of resources, such as raw materials, furniture, stock, stationery supplies, staff and facilities that are essential to their operations. The cost of these goods and services is often the largest area of expenditure in many companies.

All business resources need to be monitored and maintained efficiently to assist an organisation in achieving its goals. A well-managed resources program ensures appropriate resources are obtained within the organisation's budget allocation when they are needed and reduces the likelihood of carrying unwanted or inappropriate materials.

Acquiring and using various business resources represents a cost to the organisation. It is important to understand these costs and your role in identifying and sourcing the most appropriate resources for the organisation.

Costs are associated with:

- ordering
- purchasing (including buying, leasing and renting)
- delivering
- storing
- insuring
- depreciation (for accounting purposes).

Monitoring resources

All business resources need to be monitored and maintained efficiently to assist an organisation achieve its goals. Organisations must also determine a dollar value for their resources for taxation purposes. They may also need to report on performance to external users, such as stakeholders and financiers. Because of this, accurate stock and equipment records are important, as they enable management to assess the profitability of many of their operations.



To coordinate business resources you need an understanding of internal processes and policies, as well as external influences, such as legislation and regulations. In particular, you need to know the organisation's policies and procedures for resource acquisition, budgeting, purchasing authorities and a sound knowledge of the types of business equipment your organisation uses.

Types of resources

The types of resources required and the nature of the business influence the role and responsibilities of the resources coordinator. If you are an office manager in a small-to-medium-sized business, responsibility for purchasing and monitoring resources is generally a crucial part of your job role.

Within larger organisations, this responsibility is often centralised into a resource management or purchasing department. In some organisations, there may be specific personnel in charge of acquiring and monitoring resources within each division.

Your role may involve coordinating various resource management functions, as shown below.

Managing resource requirements

Managing resource requirements within the limitations of the budget and with a view to contributing to the profitability of the organisation

Acquiring resources

Acquiring resources according to company policy, which may involve sourcing appropriate suppliers, reviewing purchase requisitions from internal departments, evaluating quotations and raising purchase orders

Monitoring resources

Monitoring resources to ensure their quality is in accordance with organisational requirements

Maintaining stock supplies

Maintaining stock supplies so the business operates consistently and efficiently

Forecasting resource requirements

Forecasting resource requirements and evaluating ordering systems with a view to continually improving the way resources are purchased and used within the company.

Variations in business resources

Resource requirements vary depending on the industry, location, products or services provided, number of staff and other variables.

The type and range of business resources will vary from one organisation to another depending on the size and nature of the organisation. For example, the office of a small pizza delivery company may have a computer, photocopier, several phones and phone lines, delivery vehicles and modest stationery needs. In contrast, a large financial institution may require hundreds or even thousands of computers, a large range of office furniture and equipment, training rooms and equipment and a large volume of office supplies.

Business resources may include a wide range of items that are needed in order for organisations to effectively conduct their business.

Business resources may include:

- technological equipment and software
- stock and supplies
- environmental resources
- training materials
- materials for the refurbishment of business premises
- fixed assets
- plant and machinery
- workplace health and safety resources
- human resources
- business location or premises
- raw materials.

Technological equipment and software

Technological equipment such as computers, printers, scanners, phones (mobiles and landlines), fax machines, teleconferencing equipment, cash registers, photocopiers, laminators and projectors are commonly used in many organisations.

It is vital that organisations continually monitor whether their IT equipment needs to be upgraded given today's changing business environment; even relatively new equipment can quickly become outdated or obsolete.

Companies also need appropriate backup facilities such as servers or external hard drives for individual PCs or teams. If efficient access to email and internet is a priority, hardware and software such as cabling, wi-fi, modems, firewalls and internet security software is also required.

The difference between hardware and software is shown here.

Hardware

Information technology in the form of computers and related business equipment often accounts for a large part of an organisation's resources. This includes desktop and notebook computers, printers, scanners and digital cameras. Hardware is classified as office equipment and is usually a fixed asset.

Software

Many businesses use sophisticated software packages for a variety of purposes. These include desktop publishing, electronic presentations, client management, accounting, monitoring stock and resources and to complete administrative tasks.

Plant and machinery

Plant and machinery comprises all of the tools, machines and equipment in an organisation including fittings and accessories. Plant and machinery requirements, like all resources, depend on the nature of the business. For example, plant requirements in a printing business include a printing press, collator and scanner. Plant and machinery requirements at a large car manufacturer include presses, robots, spray-painting machinery, drills and equipment such as forklifts.

Most plant and machinery have certain workplace health and safety standards or restrictions for use that organisations need to be aware of.

Stock and supplies

Stock and supplies describe almost any resource that an organisation requires to carry out its business. If a business runs out of stock, it jeopardises its future operations.

The management of stock may be a specialised function or it may be coordinated by line managers or other staff, depending on the extent to which an organisation relies on stock being on hand and the quantity of stock required. Many organisations that have specialist procurement or purchasing teams have significant or very particular stock requirements.

Repercussions of not having stock may include loss of customers, reduction of staff numbers and litigation for not fulfilling contract agreements.

Stock is a term that is used to cover a wide range of items and depends on the nature of the business, as shown here.



Trading business

Stock of a trading business is usually purchased as a finished product from a wholesaler or manufacturer for resale to customers; for example, books, refrigerators or clothes.



Manufacturing business

Stock of a manufacturing business may range from raw materials needed to manufacture goods to the completed product; for example, building materials, steel, fabric, paint, paper, computer parts or books.



Consumable supplies

Stock of consumable supplies covers items that are or consumed in the course of doing business. Depending on the nature of the business, the stock may include packaging and distribution materials, stationery and computer supplies, catering supplies or small items of equipment.

Environmental resources

There may be specific environmental requirements you need to consider when ordering and monitoring your organisation's resources. Your organisation's corporate objectives and philosophy may determine the extent to which environmentally friendly resources are used. The emphasis on ethical standards, particularly in relation to the preservation of the environment, is an integral aspect of running a business.

Human resources

Human resources (HR), or staff, are an essential part of an organisation's structure. Whether the number of staff increases or decreases depends on several factors, including supply and demand for the organisation's products and services, as well as economic and technological circumstances.

Business plans and other similar documents should provide departments and teams with a clear idea of what their responsibilities and objectives are in the forthcoming year. From these, detailed plans can be produced to forecast the resources – including people and other resources – required to achieve the required outcomes.

Here are some of the techniques HR managers use to determine short-, medium- and long-term human resources needs.

Judgmental forecasting

Judgmental forecasting requires managers to make estimates of the number of people required to fulfil certain tasks. To do this, they consult the organisation's business plan and strategy, and use productivity, market demand and sales data. They also evaluate existing staff levels and information on the structure of the workforce; such as if staff are part-time, full time and/or contract.

Data analysis

Other methods rely more on the use of data rather than well-informed guesses. For instance, regression analysis can be used to link the current size and structure of the workforce to one or more variables, such as sales levels. If the data used to create the model is accurate, entering future sales goals should enable the model to determine the required number of people.

Training materials

Organisations regularly provide staff with training to ensure the knowledge and skill base of the business meets current requirements. Depending on what is being taught, the training materials required may vary considerably.

For example, an in-house training session on the use of spreadsheets may require resources such as a computer lab with a set of computers running the appropriate software, a data or overhead projector, whiteboard and training manuals or workbooks for attendees to use.

Other styles of training might be hands-on and require different materials. For instance, a company that provides first-aid training to other organisations will need a range of first-aid supplies for demonstration, manuals and even a dummy on which students can practise CPR, bandaging and other first-aid techniques.

If you are responsible for procuring training materials, think laterally about the tools and materials required by those running the training sessions, and consult with them on an ongoing basis about their needs. Ensure training session outcomes are met, and materials used support positive training outcomes.



Business location or premises

From businesses that are operated from the owner's garage to multinational corporations with offices, warehouses and factories around the world, every business needs some sort of location and premises. Even though with the advent of the Internet there are some successful e-businesses with very small location requirements, every organisation with at least one staff member will need somewhere for them to do their work.

Below are some of the resource details that need to be considered when setting up a business location or premises.

Resource details that must be considered when setting up workplaces

1

Employer responsibilities

Employers need to determine the specific needs of their organisation and ensure staff, stock, plant, machinery and other resources are all housed appropriately and workspace is ample and appropriate for the nature of each employee's tasks and responsibilities.

2

Safety legislation and quality standards

Premises also have to comply with various safety legislation and quality standards. Make sure you are aware of the ones that apply to your state or territory, industry and organisation.

3

Style and size of premises

The style and size of premises required determine the amenities and other items needed to make the space workable; however, purpose-built or special types of premises may be required for particular machines or the operational requirements of an organisation.

Resource requirements for staff

Organisations usually require a wide range of items for staff to work effectively and these items depend on the nature of the organisation.

Resource items for staff may include the following:

- desks, tables, chairs, partitioned cubicles, meeting rooms, offices
- carpets and floor coverings, including those required for safety purposes such as non-slip tiles for wet areas
- filing cabinets, bookcases or shelves to house paperwork, books, magazines, reference materials, samples and product displays
- stationery, including paper, pens, notebooks, printer cartridges and other consumables regularly used by staff
- reception furniture such as a desk, seats, brochure racks, magazines, sign-in book and switchboard
- lunchroom and kitchen facilities, including seats and tables, a fridge, coffee and tea-making facilities
- specialist equipment such as light boxes or mobile whiteboards that help staff complete their jobs more effectively
- items that are not linked to any specific task but create a pleasant and productive workplace such as artwork
- noticeboards for staff messages and information.

Storage space requirements

This could mean something as small as a cabinet in which printer cartridges are kept or something as large as an off-site warehouse in which raw materials and finished stock are stored prior to processing and dispatch. Like all resources, the needs of individual organisations will dictate the style and size of storage requirements.



Accessing materials

If your organisation is purely service-based, then your raw materials will be minimal. However, if your organisation is involved in the production of an actual item, then you will need to purchase raw materials to enable you to produce your finished product. Purchase of raw materials can be a substantial cost for production businesses.

In contrast, imagine your office space needs to be redesigned to house more staff or to make working conditions more pleasant. The materials and other costs associated with refurbishing a workplace need to be taken into account when planning and anticipating future resource requirements. However, unlike the regular purchase of raw materials, these costs are more irregular and can possibly be scheduled to suit times when other costs within the organisation are lower.

Example: purchasing officer sources raw materials

Elly is the purchasing officer at a large printing company. She is responsible for sourcing every material item the company needs in order to operate.

'My job is like an internal consultant because I buy both raw materials and other equipment and supplies, I work with different department managers to ensure I buy the right things.

'In terms of raw materials, I buy all the paper and cardboard we use to print the books and magazines we produce for our clients, as well as the ink and glue we use to print each page and bind them. I work with the operations manager, who tells me what we need based on forthcoming jobs we have booked in.

'My job is to source the best price and terms, and to also let him know what offers suppliers of raw materials make us. Last month we bought a larger than normal quantity of a certain type of ink we use a lot of because the supplier was going out of business and it was extremely cheap.'

Types of assets

Often, you will hear finance or accounting staff talking about fixed assets or non-fixed assets. You may be asked to specify whether a resource you are purchasing is one or the other, or include this terminology in reports or recommendations you may need to prepare, before resource requirements are determined and given approval.

The Australian Accounting Standards Board defines an asset as a resource controlled by an organisation as a result of past events and that can realise future economic benefits for the organisation.

For instance, a building owned by a company and used by them to house their offices and warehouse is an asset. It was bought by the business to help it generate revenue. If the business sold the building, it would receive money from the sale.



Current and fixed (non-current) assets

The subject of assets can be quite complicated, as accountants like to classify different things into different categories of asset in order for them to better understand an organisation's financial status.

In the context of this unit, the main term you will need to be familiar with is fixed assets, which are often referred to as non-current assets.

The NSW Department of State and Regional Development defines fixed assets as the land, buildings, vehicles, materials and equipment owned by a business, which are used to earn revenue rather than being for sale.

Essentially, assets can be divided into two categories, as shown here.

Current assets

Current assets are assets the organisation will use up within 12 months. For example, inventory, cash or stationery supplies.

Fixed assets

Fixed (non-current) assets are assets the organisation will hold for longer than 12 months. For example, land, buildings or motor vehicles.

Determine resource requirements

Many factors determine an organisation's resource requirements. To make a positive contribution to the resource management process, it is important to understand the resources your organisation needs, as well as a range of other requirements, to operate effectively.



Business plans, goals and objectives

The business plan articulates aims, objectives and the strategic directions for the organisation and for each of its divisions. The business plan dictates what various departments need to achieve in the coming months and years. This information is used for detailed planning and forecasting purposes, and in determining resource requirements at the divisional and team level.

A business plan usually distinguishes between short- and long-term resource needs.

**Short-term needs**

Short-term needs focus on immediate requirements. For example, if the business plan for the production team in a clothing manufacturer required it to increase the supply of its overalls and jackets in the coming year, this will impact on storage facilities, stock levels of fabric and associated raw materials, machinery and human resources.

**Long-term needs**

Long-term needs reflect the long-term goals and directions of the company. For example, if an organisation wanted to expand into new markets (perhaps nationally or globally) to realise a targeted five per cent growth over the next five years, its long-term resource needs will involve additional human resources, land, buildings, infrastructure and equipment such as computers, printers and modems, office furniture and training aids.

Example: identify long- and short-term needs

Organisations need to have strategies in place to identify needs and acquire resources in keeping with their short- and long-term goals, as shown by the business plan for Eudora cakes.

Eudora Cakes' business plan	
Product:	Chocolate Divine Cake
Description:	A rich and moist chocolate cake that, although store bought, tastes as good as a chocolate cake made in a cafe or restaurant.
Objective:	To meet sales objectives and market penetration projections on time and on budget.
Sales goal:	100,000 units per month by December 2015.
Tasks:	<p>To introduce a new gourmet cake, the Eudora chocolate divine cake, into supermarkets in July 2015.</p> <p>To run a marketing campaign from July to December 2015. The campaign will include:</p> <ul style="list-style-type: none"> promotional stalls for cake tasting in Coles and Woolworths stores in July and August displaying prominent cake stands in these stores in August conducting a web- and SMS-based promotion and competition in August producing special packaging during this period that promotes the competition running national TV and print media ads in women's magazines in August producing mini product samples for giveaways.
Resources:	<p>Required resources include:</p> <ul style="list-style-type: none"> existing national sales and merchandising team in-store casual product tasting staff merchandising materials stands and equipment for in-store tasting contractor to set up website and promotional tools SMS consultant to organise promotion existing packaging and design staff packaging materials advertising agency to coordinate TV and print advertising production and booking raw materials, packaging, etc. for production of mini samples budgeted monetary resources time head office marketing coordination (0.8 full time, level four staff member).



In this example, Eudora Cakes aims to grow their business. Conversely, if the business plan seeks to reduce operations in one or several areas; for example, due to a change in government policy or the poor sale of a commodity, then this will impact accordingly upon resources, which may need to be disposed of or scaled down.

Procedures and processes for ordering resources

Current organisational procedures and processes for ordering resources can have a significant impact on the type and quantity of resources required by an organisation, as well as the manner in which resources are ordered.

You need to be familiar with the requirements of your organisation and follow the designated procedures correctly.

Organisational and legislative requirements

You must be aware of legislative requirements that impact on your role. These may include occupational health and safety legislation and policy, privacy laws, industry codes of practice or environmental factors. Do not overlook ethical principles that may enhance your dealings with people in your own organisation, as well as with external suppliers.

Coordinating business resources may be the responsibility of a number of different people within an organisation such as staff in purchasing, human resources, logistics or accounts, as well as line and specialist managers. This unit assumes the learner has no specialised knowledge of these functions and seeks to provide a broad overview of the functions involved so, on completion, learners have the knowledge to manage this important business function effectively.



WHS requirements

When identifying the types of resources needed by an organisation, you also need to consider relevant work health and safety (WHS) issues. All organisations are subject to legal requirements they must follow closely. These commonly include WHS guidelines and laws, and accountancy and finance-based regulations that govern the way an organisation runs, pays employees and provides for them in other ways. Your organisation's WHS requirements may be specified in its workplace policies and procedures.

WHS requirements in particular have an impact on resources needed by an organisation. This may mean supplying protective clothing and equipment; providing training on how to use machinery and tools; using materials that result in a safe workplace; providing for comfortable and safe workspaces and tools to make workplaces accessible and safe for people of various abilities.

Below are some office items that may need attention to be safe for their users.

Office items that need to conform to WHS policies may include:

- furniture must be ergonomically designed (eg adjustable chairs for to minimise stress-related injuries)
- mouse pads with moulded wrist rests
- wrist rests for keyboards
- copy holders (to hold papers in a comfortable position for viewing)
- footrests to position feet comfortably
- angle boards (to support reading material and ensure comfortable reading)
- desk lamps
- anti-glare computer screen filters

- computer dust covers
- chairs, desks and stands for computer screens (to facilitate sitting at correct angles and avoid backache or other problems)
- basic first-aid kits
- protective equipment and machinery.

Safety training and use of protective equipment

Many machines or equipment used in offices, factories or warehouses may require safety training before staff members are authorised to use them, or staff may need to complete a course and pass a test before being presented with a licence or permit (for instance, forklift operators).

Depending on the type of business, you may have to consider personal protective equipment such as protective clothing, jackets with fluorescent safety stripes, earmuffs, gloves, eye protectors, hard hats or safety boots.

Other organisations may have requirements that are more specific; for example, park rangers need to be equipped with wet weather gear as well as sun hats and sunscreen; while warehouse staff at a cold storage facility may need thermal gloves, hats, jackets, pants and warm, waterproof footwear.



Legal requirements of other organisations

Certain requirements may be stipulated by the businesses to whom your organisation supplies products or services. For instance, government departments require suppliers to have a high level of professional indemnity and public liability insurance. This means any organisation that wins a government contract needs to prove they have purchased this insurance. Some private companies have their own policies, often concerned with quality standards that become contractual obligations once a business agreement is entered into.

You need a thorough understanding of the various laws and regulations relevant to your organisation to ensure the health and safety of employees and that the organisation does not incur fines from government authorities for not operating in an appropriate manner.

Quality assurance processes and standards

Quality standards can have a significant impact on an organisation's resource requirements. Quality standards underpin the way people and teams within an organisation go about their business. The idea is that by following these standards, organisations can control the quality of what they do, and in doing so improve their bottom line.

Here are some examples to demonstrate the influence of quality assurance.



The Australian offices of a multinational bookseller purchase computer equipment from one of two providers approved by their US head office for compliance with a series of quality standards.



A car component manufacturer has strict quality standards it must adhere to remain a supplier to car manufacturers. These companies reserve the right to periodically inspect the premises of the component maker and conduct regular reviews with the organisation's quality manager to ensure their quality standards are being met.



An engineering firm has a point of difference from its competitors in that it designs and builds offices that are 'people-friendly'. To demonstrate this to customers, they have a series of quality standards they have made available for clients to review, and consistently adhere to them in all aspects of their work.

Budget parameters

Budget often determines what resources can and cannot be purchased. This factor affects all aspects of an organisation's operations and usually means compromises need to be made in order to gain maximum value from the available budget.

Before recommending purchases, you need to consider your budget limits. If the items you are considering are over budget, you may not be able to purchase them, or you may need additional approval from a manager for the extra expenditure.

Purchasing policies

Policies and procedures may be influenced by factors such as quality standards, ethical guidelines and philosophies adopted by an organisation. For example, a purchasing policy may be classified as ethical if an organisation only buys products or services from companies who have environmentally sustainable practices, who have met certain standards, such as greenhouse emissions, or who can demonstrate compliance with values that are important to the organisation, such as donations to charity or community work.

Purchasing policies may be shaped and influenced by other variables, including legal requirements, which may stipulate that raw materials or plant and machinery of a certain standard must be used. This is especially the case for manufacturers of food products and products that pose a health or safety risk. For example, biscuit makers must use ingredients fit for human consumption and car makers must build cars with flame-retardant seat covers and safety glass.

Practice task 1

Consider the following three businesses:

- an owner-operator lawn mowing and gardening service
- a company that designs, produces and installs kitchen cabinets
- the head office of a bank.

1. List the different resources that each one would be likely to use in this table.

Gardening service	Kitchen cabinets	Bank head office

2. Is there a great deal of difference in the resources needed in each of the three businesses?

3. Is there much difference in the quantity of resources each business would need?

1B

Consult with individuals and groups on resource requirements

Very few individuals, groups or departments can do their jobs effectively without cooperation from others within the organisation. For the resources management team to order and monitor resources efficiently, they require input from individuals and other work groups. Staff should have opportunities to identify resource requirements to help their team achieve its goals and targets.

Involving staff in this way ensures a proactive approach to resource acquisition, enabling those responsible to plan effectively to meet anticipated demands. Staff should also be familiar with your organisation's processes for requisitioning resources so they follow the correct procedures.



Work closely with others

Prior to proposing resource expenditure levels, it is important to establish exactly which resources are needed, and in what quantity. This usually means working closely with individuals and groups who can provide valuable input into what resources are required.

These people and groups may include:

- staff members
- line managers and supervisors
- senior managers
- other departments and colleagues
- organisational committees
- suppliers
- external organisations.

Staff members

Staff need resources in order to accomplish their individual and team goals and to work efficiently. Some resource requirements may be common across the organisation, such as stationery, computers and office furniture, while some others may be unique to an individual's job role, such as specific reference books or computer software.

It is important for all individuals to be given opportunities to contribute to the identification of resources, especially given that resources are required for them to complete their daily work tasks.

You may be responsible for developing, preparing and conducting the relevant research that helps your team understand the resource needs of staff members. As such, you may need to conduct informal discussions with peers and managers, staff surveys, questionnaires and performance reviews.

Discussions with peers and managers

Staff often have the opportunity to contribute to resource acquisition by making suggestions to those responsible for ordering or by talking to their managers. This might be the case for stationery needs and kitchen accessories. Your organisation might display a list in a convenient location; for example, on the door of the stationery cupboard, where staff can add any requirements they have, ranging from 'essential' to 'would like to have'. This might include items such as an ergonomic mouse pad, a special brand of pens or certain colour paper.

It is also a good idea to distribute staff surveys from time to time to ascertain what resources are needed.

Surveys and questionnaires may cover:

- stationery needs
- performance of staff vehicles
- equipment requirements (such as computers)
- software requirements.

Performance reviews

When conducting performance reviews, managers often seek feedback from staff members about their job roles and tasks. This is an opportunity for staff to make suggestions if they believe they could improve their work efficiency with extra resources or that inadequate resources hinder their job role.

It is the manager's role to review these requests on their merit, evaluate efficiency gains in the light of budget resources and make recommendations to the purchasing team or the office manager.

Here are two examples of ways in which staff members can assist with identifying resource needs.

Inappropriate vehicle

A sales representative of a food company transports large quantities of coffee as well as promotional material in a small two-door vehicle. He has requested a larger vehicle with a greater carrying capacity so he can visit more clients throughout the day.

Computer problems

An administrative assistant's computer in the production team may be crashing because of the software application packages she is using. She requests an updated computer. She has filled in a complaints form and has broached the matter informally with her manager. She also uses the opportunity to raise the matter formally.

Line managers and supervisors

Team leaders, managers and supervisors are in a position to provide important information about the requirements of their teams, divisions and departments within the organisation, so it is vital to consult with them when resource requirements are being determined.

Ensure you gauge their opinions and input before ordering resources. This information can be obtained through meetings, requesting feedback and via email, or through a periodic report on resource needs, justifying how these requirements fit in with the business plan and objectives of that department or team.

Example: how to identify resource requirements

Frequently, organisations will have processes in place where line managers and others in similar roles will be asked to 'sign-off' on purchase orders or other requests for resources before they are approved and sent to the purchasing team or individuals within the organisation or department who are responsible for obtaining resources.

Pete works as the team leader of a group of technicians who install in-house closed-circuit TV systems for major organisations. Every quarter he has to complete a form that outlines the resource requirements for his team for the next three months.

'Because we work with the equipment every day, we know exactly what tools we need, the cable that works best and other materials we use. Based on the previous quarter's activity and what we did the same time last year, we can work out pretty well exactly how much we need of everything. And I can also specify exactly what items we need purchased for us – right down to brand names and tool sizes. For instance, last month a new technician started on our team and I was able to list everything he needed to do his job properly.

I talk to the guys all the time on-site and they tell me when something's not working well. It's an easy system and means that we're never short of materials, which means customers don't get let down.'



Senior managers

Senior managers may be able to advise on budget restrictions, provide input on the quantity and types of resources required (as well as preferred options) and reflect on the possible needs of the organisation, based on strategic directions and organisational goals that have been set.

In some organisations, senior managers are not as involved in the resource coordination process, yet are required to sign-off on resource proposals and recommendations. Again, variations in processes will exist in different organisations and you should ensure you are fully aware of the individuals you need to consult with and the most appropriate consultation method, not only for different individuals but also different levels of management.



Other departments and colleagues

There may be other departments or colleagues within the organisation that you need to consult with in determining the organisation's resource requirements.

You need to ensure the appropriate consultation method is used, adequate notification is given to ensure feedback can be sought and provided within the time frame and that the feedback is accessible and easy to analyse.

Some projects may involve the cooperation of several work groups or individuals. For instance, a taskforce might be formed to help identify resources for a particular project or activity that spans a number of departments. In a situation involving multiple stakeholders, it is important to identify appropriate methods of consultation.

You may need to consult with departments or colleagues who:

- provide support services
- have authority to approve resource requests
- have specialist functions within an organisation (such as finance or human resources)
- need to participate in the resource feedback process from a legal or regulatory perspective (such as workplace safety representatives).

Example: work with others to organise resources

Beverage company Conquer has produced a new sports power drink, SportsFit. The production, marketing, sales and distribution teams are involved in its release on the market. The marketing team plans to run a series of promotions and tastings at swimming and fitness centres during a six-week period.

Each team has resource requirements that are identified during meetings held to organise the release. The office manager or resource coordinator also attends these meetings and can advise on availability, price and any issues related to the timely acquisition of the items needed.

Resource requirements			
Production	Sales	Marketing	Distribution
Stock – bottles of SportsFit	Stock – the finished product	Advertising gimmicks – sample bags with drinks and muesli bars	Company vehicle
Labels	Advertising brochures and car stickers	Small plastic cups for tastings	Commercial van
Storage facility	Sales staff	Company prizes	
Machinery	Storage facility	Promotional staff	
Extra	Microphones and loud speakers	Publicity flyers	

Organisational committees

Committees are usually made up of a group of people who represent various aspects of the organisation's operations. Committees may have specialist responsibilities related to a particular area of the company's function or may just have the task of organising one event.

Committees may have their own methods for determining resource requirements and purchasing them, or may need advice from specialists who have this responsibility.

Example: a committee organises a company's annual event

A committee that organises Brown & Co's annual family Christmas party has a budget of \$2,000. Representatives from different parts of the company get together for a few months prior to Christmas to talk about ideas, get quotes for various activities and decide on resource requirements. On several occasions, they consult the office manager, Neridah, who clarifies purchasing processes and advises on different suppliers that have been used in the past.

Once the plan for the party is set and a corresponding list of resource requirements has been priced and agreed upon, the committee chair has to present this information to the company's management team, whose role it is to approve the plan and release the money for resource acquisition.

Suppliers

Consulting with suppliers can be important if the success of the product or service they are supplying to you is reliant on a particular resource being available.

Many organisations have close relationships with suppliers, whose input is vital because they have expert knowledge of their products and services that no one else can provide.

Suppliers may also need to be consulted at various stages in order to clarify information on the products or services they provide, as decisions on resource requirements are being made. Here are some examples where suppliers needed to be consulted.

Training needs

A company hired to train staff on fire and first-aid safety needs to be asked what sized area they need to conduct their training in so a large enough meeting room can be booked in advance.

Catering needs

A caterer needs to be asked what size platters they will provide to a special corporate event so the company can ensure that adequate refrigeration is provided.

Building designs

A manufacturer of custom-built doors and windows is asked by your organisation to provide feedback on various architectural plans as well as their opinions on the best door and window materials available for different types of buildings, client needs and situations.

External organisations

It may be necessary for organisations to consult with external groups to determine resource requirements. There are many different sorts of external groups which can provide information and assistance to businesses as shown here.



Regulatory bodies

Regulatory bodies include workplace safety authorities and groups who set industry minimums or standards. These groups can often be part of a government group or act independently to protect standards and laws enacted by government. In some instances, groups such as these may have standards relating to products and services used by organisations, such as accredited training providers, registration processes or materials used.



Industry associations

Industry associations that have a regulatory role or may simply be a point of reference where expert opinion can be obtained.



Government bodies

Governments and local, state and federal bodies may need to be consulted for larger plan approvals.



Grant providers

Grant providers including government, industry and others may need to be consulted regarding grants. The provision of grants may include a requirement for the recipient to have required resources justified and approved before purchases can be made with grant funds.

**Financial organisations**

Banks and other financial institutions may need to be consulted about business plans and may require resource justification statements and quotes before approving funds for the purchase of resources, particularly costly plant and equipment.

Practice task 2

Read the case study, then answer the question that follows.

Case study

Luisa is an assistant to the office manager at a company that manufactures children's clothing. Part of her job is the sourcing of quotes for products and services required by staff such as stationery and courier services.

To help ensure potential suppliers give her consistent information so she can compare the prices accurately, Luisa has developed a form that she adapts for various situations that suppliers are asked to complete instead of or as well as submitting their own quotes.

Describe the advantages of the approach that Luisa has taken.

1C

Ensure realistic resource expenditure within available budgetary resources

Once you have gathered input and feedback from all the relevant individuals and groups, you are now able to propose what resources are required and how much these will cost.

Businesses are faced with ever-increasing cost pressures and must be mindful of passing price increases onto customers. There is a constant battle for a better return on investment. Every contribution to the company's profit, however small, is valuable. It is therefore important that, as a purchaser or buyer, you focus on strategies, to reduce costs and find efficient ways of buying within budgeted forecasts.

Reducing costs

Cost reduction specialists such as Expense Reduction Analysts (ERA) claim that 'even though every business nowadays claims to manage their costs prudently, many are continuing to overpay – by as much as 75 per cent'. They point out that it can be the extra costs on the little things – like photocopying, stationery, cleaning services, couriers and even catering, which can make a real difference when managed effectively to reign in client's costs on these and other areas of business expenditure.

Some other strategies for reducing costs are shown here.

Ways in which you can reduce costs

1

Challenge demand

Challenge demand internally by questioning exactly what is required, by whom and for what purpose.

2

Consult

Consult relevant stakeholders

3

Ensure resources are appropriate

Ensure that resources make a positive contribution towards organisational goals and objectives

4

Relationship with suppliers

Develop a close yet professional relationship with your chosen suppliers

5

Work with suppliers

Work with these suppliers to ensure that over the short, medium and long term, you continue to receive improved value from the agreements you have in place with them.

The resource budget

Be aware of your organisation's budget allocations for stock and supplies so you can source and order material and equipment within the allotted price range. Work groups also have their own budget allocations and the acquisition of resources needs to comply with these requirements.

One of your considerations will be to balance the differing demands of various areas of your organisation. Budgets often mean compromise, but it is important to look at value rather than price, as the cheapest is not always the most economic.

Every organisation has a different process for setting budgets and will have different procedures that staff and managers will need to follow as they identify the cost of various resources, propose which resources should be purchased with budgeted funds and access these funds when these resources are being purchased.

Ensure that you are aware what these processes are and be familiar with paperwork and 'sign-off' procedures as well as which staff members need to approve any recommendations.



Example: purchasing policy that emphasises value over price

A company that imports Scandinavian food and specialist products, has a purchasing policy that emphasises value over price. Their purchasing officer, Christian, tells us more:

'We try and minimise our costs wherever we can, but sometimes that means paying more for something! For example, we recently requested quotes for shipping services, which is one of our major costs, given that we import container loads of products from Scandinavia every month. Our request for quote documentation asked for a price as well as information on the support services each company provides. We found that one of the high-priced quotes actually delivered the best value, as they provided a great service in the way of import clearance documentation and processing, which actually meant cost savings for us, even though their quote was quite a bit higher than other companies that didn't offer this service.'

'It always pays to find out what companies are willing to do to help you and make sure they understand that your focus is on value and not just price and you'll get a better quality service every time.'



Cost control strategies

Like many organisations, your company may have in place a series of cost control measures or steps designed to manage or reduce expenditure on certain items.

Here are some strategies you can use to control costs.

Resource recommendations
Getting resource recommendations and proposals approved by management, including those responsible for finance and budgets.
Resource justification report or business case
Completing a resource justification report or business case that requires the reasons for each resource to be fully explored and justified by those who have requested it, as well as providing a link back to a business plan or team objective.
Reusing existing resources
Following a policy of reusing existing resources wherever possible. This may include keeping a searchable database of items in a central location and contact details on whom to locate in order to use them. For instance, the finance team may have a data projector and whiteboard that is available to other departments to use but they need to be booked in advance and signed out by the team leader.

Example: how to use a business case template

Here is an illustration of the way in which a company uses a business case template to ensure they need the resources they intend to purchase and to facilitate the effective implementation of the company's business plan.

Business case
<p>Name: Jane Fox</p> <p>Position: Office manager</p> <p>Contact: Ext 721</p>
<p>Resource description:</p> <p>Seven ergonomic chairs for use at head office; colour – red; padded armrests, back and seat; gas-lift operation.</p> <p>Cost:</p> <p>\$1,540 including GST and delivery (\$220 each)</p> <p>Justification:</p> <p>New staff are commencing in the sales division and we do not have enough appropriate chairs. Built-in desks have already been fitted in the refurbished offices for the sales division.</p> <p>How will this resource support our goals?</p> <p>Hiring new staff members supports organisational goal number two of the current business plan, which states that by expanding our sales team we will be able to compete in new markets.</p> <p>You should know whether these steps are in place and what impact they will have on the purchasing of resources.</p>

Order cycle and order process

Implementing a system for ordering can assist organisations to manage resource expenditure. Ways of doing this could include:

- having minimum (and maximum) resource levels in place for different resources
- using tools such as minimum stock levels or reorder trigger points
- setting up procedures where a stocktake on key items is conducted at regular intervals
- having standard ordering amounts in place so minimum quantities are ordered or multiples of a certain quantity or volume are ordered each time an item is reordered.

Example: use of ordering triggers

A large publishing company has a reprint trigger point for every book it publishes, which is built into its warehouse inventory system.

The publications coordinator is required to complete an online form for new titles well in advance of their publication date. This form includes fields for basic information such as title, author and ISBN as well as other information used by the company to help them manage stock levels. One of these fields is called reprint alert. A new psychology textbook may have an alert point of 200, as the book is bought in large quantities by university students, whereas a less popular title on anthropology may have a reprint point of just 15.



When the system calculates that a reprint point is likely to be reached within the following week, based on sales projections, the title is automatically included on a report sent to the coordinator. They can quickly see which titles are reaching low stock levels and refer the information to a publisher, who will make a decision on whether to reprint, reorder stock from an overseas warehouse or let the remaining stock simply sell out.

Minimise costs by planning purchases

Another method of managing costs that also streamlines the purchasing process is to implement a system where orders for certain items are placed at times that lead to savings for the organisation.

Here are some examples of ways to minimise costs by planning purchases.

Stationery supplies	An office manager or purchasing officer has a set date each month when orders are placed with a stationery supplier, which means the delivery costs are minimised and the company gets a discount for placing a bulk order
Christmas wrapping	A retailer that uses Christmas wrapping each December in its free wrapping service buys large amounts of Christmas paper every January, when these items are heavily discounted
Special offers	An organisation has developed a close working relationship with one of its major suppliers, who lets it know in advance when special offers and sales are about to be announced

Bulk purchases

A purchasing officer at a homewares company, works with the warehouse manager, who lets her know when warehouse space is free so she can buy or order items in bulk (such as paper or product catalogues) to take advantage of bulk order discounts and save on delivery and shipping costs.

Method of resource acquisition

Most organisations have policies to cover methods of acquisition whether they are hire, lease, outsource or outright purchase so expenditure meets budgeted costs. You might also be required to research a range of available options to meet a specific resource need and evaluate the most efficient option.

Cars and commercial vehicles, computers, containers, machine tools, office premises, furniture and telecommunications equipment are a few of the resources that can be rented or leased. Similarly, casual staff may be hired or functions outsourced to meet short-term needs.

Leasing and renting

While both leasing and renting allow the business to obtain a resource without capital outlay, there are some differences between the two options. The main difference between leasing and renting a photocopier or office equipment is that leasing offers the lessee the option to own the equipment (often with a small residual payment) at the end of the lease (usually a four- to five-year term).



Many companies prefer to rent for tax reasons. If a resource is leased, it is regarded as a fixed asset for accountancy purposes. If equipment is rented, then this becomes an operating expense and can be claimed as a tax deduction. Depending on the size and growth of your business, the equipment can be updated at any stage more easily while renting.

In both cases, maintenance or service agreements can also be considered a necessary business resource. For example, a service agreement stipulates a flat fee that a company will be charged according to the amount of copies generated.

Business vehicle management

Irrespective of the size of a company, many have at least one company car. Larger companies may have a fleet of vehicles for their sales representatives and executives. While arrangements differ, it is important for the resource coordinator to be familiar with company policies and procedures with regard to the use of company cars. Vehicles may be either rented or leased; the perceived advantages and disadvantages of both methods often depend on a company's accounting procedures. Other organisations may provide employees with an annual car allowance they can use in whatever way they choose and set up their own leasing or purchase arrangement.

Corporate hire purchase is a more flexible option than a straight leasing arrangement and, unlike a lease, does not incur GST (goods and services tax) on monthly repayments. Each of these options comes with the option to pay out the residual after the nominated lease period (normally three to five years).

Novated leases

Straight leasing arrangements or corporate hire purchase options may not suit all businesses. A common alternative option is the novated lease, which enables the employee to lease a car of their choice using a finance lease. The employer pays the lease payments directly to the financier, while the employee enjoys the full benefits of the car. The process involved is shown below.

The process involved with taking up a novated lease
The employee chooses the car and leases it from the financier under a finance lease
The employee sub-leases the car to the employer under an operating lease
The employer and the financier enter into an agreement, which makes the employer responsible for meeting the lease payment to the financier for the time the employee works for the company (called a deed of novation)
Monthly lease payments are subject to 10 per cent GST; therefore, the employer can claim them as an input tax credit.

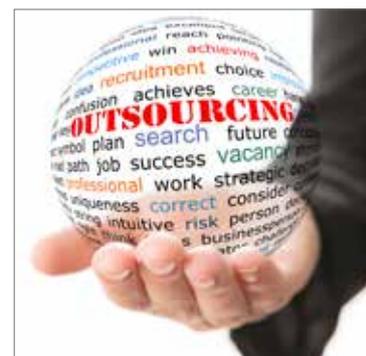
Benefits of novated leases

There are many benefits to both the employer and the employee when a novated lease agreement is negotiated. The following table outlines these.

Benefits of a novated lease agreement	
Benefits to the employer	Benefits to the employee
<ul style="list-style-type: none"> • Tax deduction for lease payment. • Should the employee leave, the car is no longer the employer's responsibility. • Employer's single obligation is to make monthly lease payments. • Administration is relieved of cost burden related to acquisition and disposal of car. • Direct debiting of monthly payments can be arranged, saving time and money. 	<ul style="list-style-type: none"> • Freedom to choose the car and be the registered owner. • The ability to transfer (novate) the lease to a new employer. • Unrestricted private use at a pre-fixed and controlled cost. • Cash savings through the utilisation of pre-tax salary (salary sacrifice) option.

Outsourcing and subcontracting

Many organisations outsource tasks to specialists such as printing, desktop publishing and design. Through outsourcing, an organisation saves time by not purchasing the necessary materials and equipment but may incur higher labour costs. In the case of service outsourcing, many organisations are prepared to pay slightly higher labour costs because they contract the supply specialist services to experts.



Example: sourcing external cleaning services

The head office of a national whitegoods retailer wanted to try to cut cleaning costs. They decided to put the cleaning services for their three-storey office building out for tender and created a tender document that listed the exact services they wanted done. They then sent this tender document to six organisations that had been recommended to them or that neighbouring businesses regularly used.

Five responses were received back by the deadline and all of them were based on the exact list of services they presented to the companies.

A supplier was selected based on the value they offered and a contract was signed between the cleaning company and the whitegoods retailer for a period of one year, with an option to extend the contract for a further year if the relationship was working well.

At the conclusion of the process, the company estimated they had saved more than \$15,000 over a 12-month period simply by sourcing competitive quotes through a tightly controlled process.



Practice task 3

Prepare a business case for the purchase of a new fridge for your workplace lunchroom (or if you are not currently associated with a workplace, for a social club or group). Use this template to describe your selected item and justify your purchase.

Business case	
Name:	Position:
Contact:	
Resource description:	

continued ...

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Business case
Cost: \$..... including GST and delivery (\$.....)
Justification:

1D

Make recommendations on resource requirements and expenditure

A key responsibility of the resource coordinator is to prepare and present recommendations on resource requirements to management. This might be done on a regular basis by presenting an oral report at each staff meeting or they may need to prepare a recommendation quickly in response to an urgent request from a senior manager. You may be required to present a written report resulting from extended research into particular resource needs.

Recommendations may be developed by undertaking an analysis of questionnaires, surveys, observed needs and discussion from meetings concerned with resource requirements.

By considering all these factors, recommendations will highlight those resources that are needed in both the short- and long-term.

Once you have researched resource requirements, your recommendations need to be presented to the appropriate personnel in the appropriate format. Things you need to consider when developing recommendations are shown here.

Recommendations are developed by considering the organisation's:

- business objectives
- WHS policies
- budget allocation
- future projects and activities
- environmental requirements
- individual and team needs
- cost control strategies.

Make resource recommendations to groups and individuals

Recommendations are made to people who have to authorise and/or carry out the purchase of goods or services. Depending on the type of recommendation and the way it is to be presented, the groups and individuals to whom you are required to present resource recommendations will vary considerably. These individuals or groups may include the following.

Staff

Staff members may seek verbal advice and recommendations from you concerning items they regularly use and the process for sourcing these items such as folders required for a conference, promotional brochures, stationery or copying paper.

Purchasing department

Personnel in the organisation's purchasing department may need to approve all resource purchases, even minor purchases, or may seek your recommendation on specialist items, depending on your organisation's purchasing procedures.

For instance, you may need to present a recommendations statement that shows how you managed the competitive quoting process for the purchase of new staff uniforms.

Line management/supervisors

Line managers or supervisors may require you to provide written recommendations on proposed resource acquisitions or to present information in a way so they can make a decision or approve the recommendation you have made on larger items.

Senior management/organisational committees

The organisation's senior management or specialist committees often need to review a recommendation on resource acquisition after a formal presentation or after reading a report, as well as sign off and approve recommendations for purchases of large items such as a new packaging machine, fleet management services or a new company-wide computer software system.

Example: communication between the office coordinator and other staff

Anastasia is the office coordinator at a vineyard. She is responsible for managing the purchasing process for all of the items the vineyard requires, including raw materials. She tells us that the way she handles this depends a lot on who is doing the asking and who has to approve the purchase.

'If one of the factory staff need a new safety vest or pair of gloves, I just point them in the direction of the cabinet we have at the back of the factory and show them how to sign out items they take. It's easy! On the other hand, if Paul, the operations manager, tells me he needs a new bottling machine, it's a whole different story.

'If that happened, I'd need to meet with Paul to find out exactly what he needs and then do a lot of research on various machines based on his advice and knowledge. I would then source quotes and even get providers to come in and talk to both of us about their equipment.



continued ...

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'Paul would assess the purchase from a usability perspective and I would look at it more based on costs. We'd then have to get the general manager's sign-off because it's likely that a machine like that would cost more than \$10,000 and we have a rule where any purchase over that amount must be signed off. This involves completing a report that outlines the process we went through to source prices and so on as well as justifying the expense. For an item like this, it's likely the finance manager would also get involved because we may be able to lease the machine instead of buying it, which could be good for us from a tax perspective.'

'No two items are ever the same. Some purchases can take a matter of minutes, while others can literally take months.'

Use technology to make resourcing recommendations

A variety of technology and presentation techniques can be used when recommending resource requirements to the audiences discussed in the previous section.

The audience being presented to, the purpose of the presentation and the organisation's requirements will influence the process and format that is most appropriate for making recommendations.

For example, you may have to present a formal report to the board as a bound hard copy. Yet for daily decisions, it may be appropriate to deliver your recommendations as:

- an email to your manager
- a telephone call or memo
- an oral presentation
- a formal written presentation
- an informal discussion.



Organisational requirements

Some organisations have particular report formats or recommendations procedures that must be followed or have in-house styles to use. For example, all recommendations may need to be submitted on letterhead as a formal report or a template may need to be completed and then emailed to certain staff members for review and approval.

Other situations may call for different styles of presentations as shown here.

Summary

The main points are highlighted and recommendations made.

Brief list

Bulleted lists of present and future resource requirements, potential suppliers, recommendations and quotes.

Full report

A full report with headings, advantages and disadvantages of each option, a comprehensive list of suppliers and costs, accompanying tables and charts comparing quotes, costs and time lines for delivery.

Consider the audience

When preparing your recommendations, take into account your audience. How much do they know about the information you are presenting? Are they familiar with the technical language used? Does it need further explanation? In some instances, you may need to be extremely specific about a particular resource; for example, computers, and will need to list precise technical terms. Make sure these are clearly explained and consult with experts, such as in-house IT staff, if you are ever not sure of something yourself.

The following table identifies some recommendation methods suitable for various audiences and situations. It also demonstrates when they might be best used as well as what supporting business equipment or technology may be required.

Audience	Possible technique	Office technology use	Most effective
Staff	Referral to intranet-based purchasing procedure steps.	Computer software and hardware.	When staff are unfamiliar with ordering processes or when consumables (such as stationery) are required; when ordering for such items is controlled yet devolved to individuals.
Staff	Informal discussion and suggestions.	Telephone.	When staff need instruction on procedures or advice on purchasing a particular item that is low cost or routine.
Purchasing department	Verbal discussion followed by completion of electronic report or template.	Telephone; computer software and hardware; online forms; intranet.	In situations when purchasing staff have to complete transactions or approve recommendations; when expert purchasing advice is required.

continued ...

... continued

Audience	Possible technique	Office technology use	Most effective
Line managers or supervisors	Discussion with supervisor following emailed memo with summary of findings and recommendation.	Computer software and hardware; telephone; online meeting software; teleconferencing equipment.	When supervisor needs expert advice or has requested you to source quotes based on their needs; when items are specific to their team.
Senior managers or organisational committees	Formal oral presentation supported by written detailed information.	Computer software (e.g. Microsoft Word, Excel or PowerPoint); data show projector; overhead projector; photocopier; binding machine; teleconferencing or videoconferencing equipment.	When costly items, resources that are special one-off purchases or are of particular importance to the organisation, are being considered for purchase.

Example: manager outlines requirements for a sales promotion

In this example, the office manager, who is responsible for identifying resource needs, outlines requirements for a sales promotion in a memo to the executive director. In this instance, sending hard-copy information is expected by the director, as a verbal discussion would not enable him to properly review the information and make a decision because the information is quite in depth.

	<p>Conquer 548 Braxholme Rd City Walk VIC 3003 Ph: 9630 4455 Fax: 9630 7274 www.conquer.com.au</p>
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Memorandum

To: Clive Foster
Executive director

From: Alex de Loosey
Office manager

Date: 20 February 2015

Subject: Sales promotion of SportsFit

As you know, three promotions have been planned each week for the next four weeks at the Palmerston and Boxscrub Swimming and Fitness Centres.

Two commercial utility trucks will be required for these promotions. It is planned that the utility from distribution will be used but we will need to hire an additional vehicle for these promotions.

I have sourced three suppliers and present the findings in the attached table.

I seek your approval to use a member of the sales team as a driver for these promotions. We will still need to hire two casual sales staff to assist on the day.

Practice task 4

Imagine you intend to engage a caterer for a workplace lunch. Use this template to write a memo requesting written approval from your supervisor to use the services of a caterer. Describe three catering quotes you have received and briefly explain which of the three you believe is the most appropriate. Remember to consider your audience and use an appropriate language style.

Organisation name:

Organisation address:

Ph:

Fax:

Email:

Memorandum

To:

Position:

From:

Position:

Date:

Subject:

Summary

1. The term business resources is very broad, and may include a wide range of items that are needed in order for organisations to effectively conduct their business, such as stock and supplies, fixed assets, office stationery, information technology and workplace facilities.
2. The type and range of resources vary from one organisation to another depending on the size of the organisation and the nature of its business.
3. Before arranging the supply of any business resource, it is important to determine exactly what is required in order for a business plan to be implemented or organisational goals achieved.
4. The types of resources required and the sort of business your organisation is in influence the role and responsibilities of the resource coordinator.
5. There are many factors that determine an organisation's resource requirements including the business plan, organisational goals and objectives, the way resources are currently ordered, purchasing procedures and legal requirements.
6. For the resources management team to order and monitor resources efficiently, input from individuals and other work groups is required.
7. Businesses are faced with increasing cost pressures – every contribution to the company's profit is valuable. It is important that, as a purchaser or buyer, you focus on strategies to reduce costs and find efficient ways of buying within budgeted forecasts.
8. A key responsibility of the resource coordinator is to prepare and present recommendations on resource requirements to management.

Learning checkpoint 1 Determine resource requirements

This learning checkpoint allows you to review your skills and knowledge in determining resource requirements.

Imagine your organisation has no formal resource management system in place and you have been asked to implement a system that will facilitate the accurate determination of resource requirements. If you are not currently employed, base your response on an organisation familiar to you.

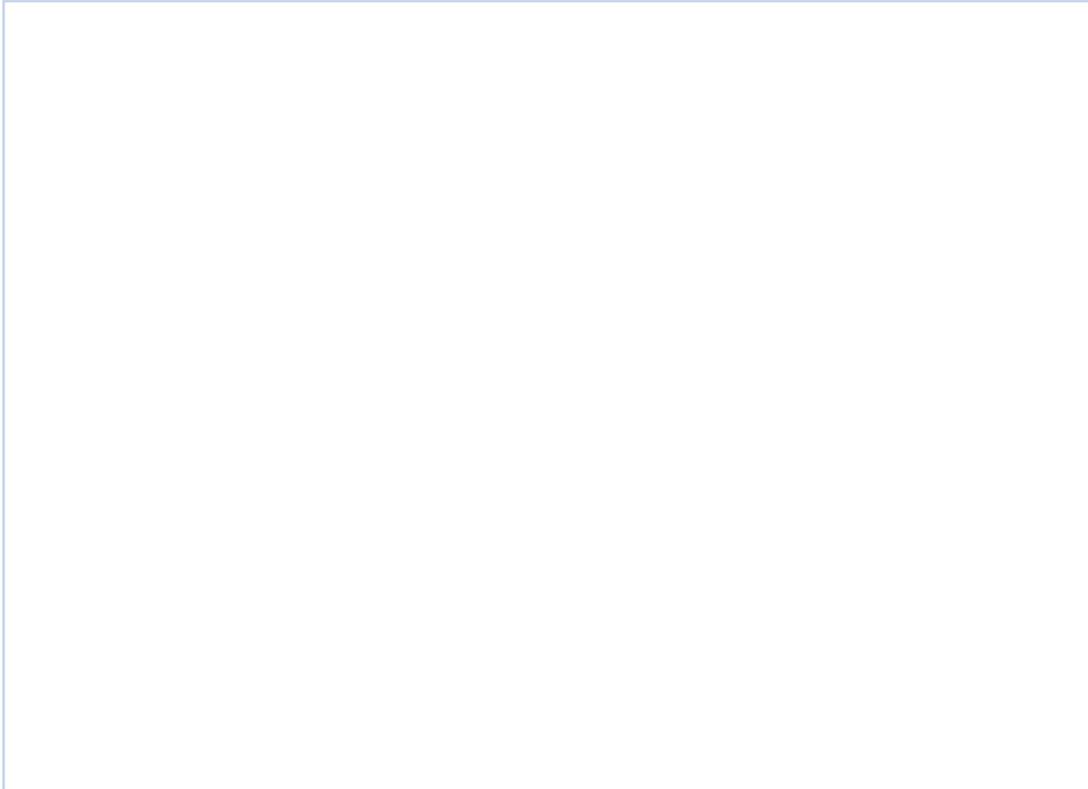
1. Describe your organisation, the industry it operates in, the number of employees it has and the products or services it produces.

2. Identify the types and range of resources required by your organisation.

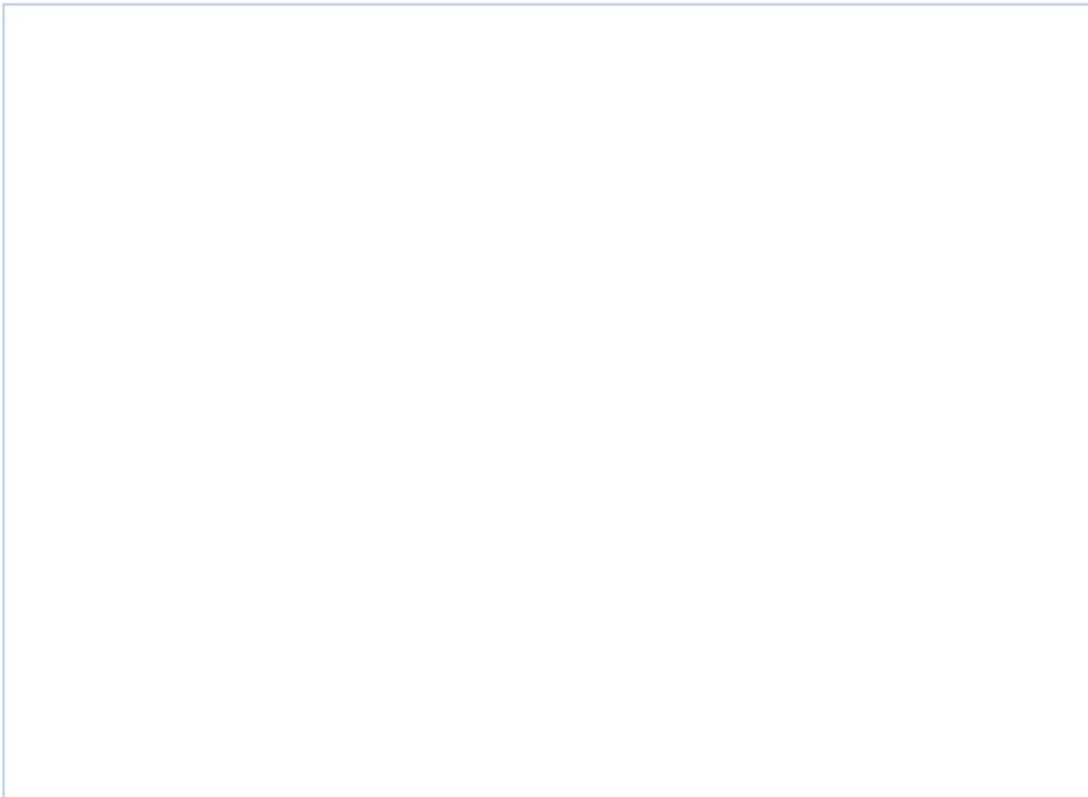
3. List the organisational requirements and issues you must consider when determining the organisation's resource requirements.

4. List the individuals and groups you would need to consult with to identify the organisation's resource requirements.

5. What factors would you need to consider when proposing resource expenditure? Are there budgetary constraints to consider? How would these impact on your recommendations?



6. How would you make your recommendations on the organisation's resource requirements and who would you need to make these recommendations to?



Topic 2

Acquire and allocate resources

Once a decision is made to acquire a resource – whether to purchase, hire, lease or outsource – you need to ensure the appropriate materials, equipment and services are acquired. Appropriate means the items have a certain standard and quality. It also means the materials purchased are the right ones for the job, so staff that utilise them can complete their tasks and responsibilities properly.

You also need to ensure the items are purchased at the right times in adequate quantities, so production processes run smoothly and staff can complete their daily tasks efficiently.

Resources need to be allocated fairly and equitably. If the resource is needed urgently, you need to be aware of time lines and make sure they are met.

In this topic you will learn how to:

- 1A Acquire required resources
- 1B Check resource purchases for quality and quantity
- 1C Allocate resources promptly
- 1D Consult with others to facilitate the resource allocation

2A

Acquire required resources

When acquiring resources, you need to follow your organisation's established procedures or guidelines which should be clearly specified. This may involve sourcing quotations, completing appropriate documentation, arranging for delivery, organising storage and liaising with suppliers and staff who require the resources.

Processes for acquiring resources may include:

- gathering quotations, keeping a record of them and analysing the information provided to you by suppliers
- using purchase order form(s) and other documentation
- calculating reorder levels
- controlling invoices
- amending, cancelling and deferring orders
- arranging for the delivery of items
- rejecting goods or adjustments at suppliers' cost.

Organisational requirements

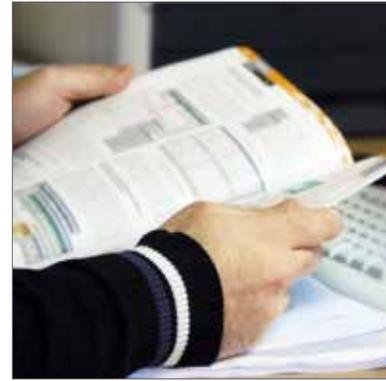
It is important you know and follow the organisation's procedures for different types of purchasing methods that may apply to different resources.

Some purchase methods for particular types of resources are listed here.

Buy outright
Purchase a fax, computers, printers, stock, office furniture outright.
Tender
Vehicles or plant machinery might be acquired through a tendering process.
Contract hire
Casual staff may be employed on a contract; temporary staff might be employed on an hourly basis; a large fleet of company vehicles might be maintained and serviced according to a flat hourly charge.
Hire
Extra computers, training equipment or machinery might be hired for a specific project.
Lease
Company vehicles, photocopier, machinery may be leased.
Outsource
Payroll needs, desktop publishing requirements, IT support services may be outsourced.

Identify and compare suppliers

If you have been asked to find out the cost of an item of equipment, furniture, stock or hiring fees, you may need to identify a number of suppliers of the service or item required and source quotes from each of them. Doing this will enable you to identify the provider that offers the best value and can fulfil your requirements in terms of quantity, quality and other variables such as delivery timing.



You may need to consult suppliers sourced from telephone directories, industry bodies or directories, the Internet, or ask colleagues or use your organisation's preferred established suppliers.

It is a good idea to collect suppliers' catalogues, brochures and advertising material to compare costs and services offered. There are often suppliers' catalogues on the Internet that will provide you with useful starting points. The more information that can be found, the easier it will be for the organisation to make informed purchasing decisions.

Select suppliers

Choosing the best supplier depends on how well each supplier satisfies a range of criteria. All these criteria need to be evaluated in the context of your organisation's needs, standards and procedures as well as the specific requirements that exist for the item or service you are sourcing.

For instance, a new photocopier may need to be able to print in colour and black and white, use various paper sizes and recyclable toner cartridges, be delivered within a week and be available on a lease basis. The supplier of the copier may also need to meet certain quality standards set by your organisation's purchasing or finance department.

Criteria to consider when selecting a supplier

- The features and benefits of various brands and models different suppliers have available.
- The cost of an item versus its quality.
- Delivery charges and availability at certain times and in the required quantity.
- Discounts for quantity or cash.
- Terms of trade.
- Whether they are a preferred supplier.

Different brands and models

Different suppliers may stock different brands, models and types of the resources you require. Many wholesalers and retailers only stock product lines from selected manufacturers, so ensure you contact suppliers that stock the models that will best suit your needs. In order to do this, you may need to research the models and brands available and their distributors, and then identify which distributors or suppliers to contact.



It is important you understand what benefits and features each product offers. This may mean interpreting information provided to you by manufacturers and suppliers and then comparing it against your requirements. It may also mean working out the cost benefits that different features offer.

Another important consideration is to ensure you compare the same information between suppliers, which may be challenging if the information provided by suppliers and manufacturers is not offered on the same basis.

Example: compare information about similar products

The planning office of a local government needs a new photocopier. Emma, the administration manager for the planning group, has been tasked with the job of procuring a new photocopier for them. To do this, she first speaks with the planning manager as well as staff members to determine their needs. She is also given a budget by the planning manager.

She creates the following list of requirements:

- Colour and black toner
- A4 to A2 size copying
- Low energy usage (as per council requirements)
- Capacity to collate, staple, double side
- Compatibility with existing computer system
- Scan and print documents as well as just copying
- Fairly fast 30+ pages per minute
- Support if problems arise
- Cost less than \$10,000



Emma contacts sales people at several copier companies and gives them a list of her requirements. Each company provides her with information on different models; however, Emma finds that comparing this information on some of the criteria is difficult, as not all models were the same. She prepares this table to help her compare what each supplier is offering.

Criteria	Supplier A's model	Supplier B's model	Supplier C's model
Colour and black toner	Yes	Yes	Yes
A4 to A2 size copying	Yes	Yes	Yes
Low energy usage	Five-star rated	Four-star rated	Three-star rated
Functionality	Collates, staples, prints, scans, double-sided copying, easy resizing	Collates, staples, prints, scans, double-sided copying, limited resizing	Collates, scans, prints
Speed	5 sheets per 8 seconds	40 sheets per minute	10 sheets per 20 seconds

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Criteria	Supplier A's model	Supplier B's model	Supplier C's model
Computer compatibility	Compatible	Compatible	Compatible
Support	2-year warranty, helpdesk support and maintenance calls free if problem with machine	5-year warranty and helpdesk support	2-year warranty, helpdesk support and maintenance calls free if problem with machine
Other information	Toner cartridges can't be recycled; must use only Supplier A's brand of cartridge	Will take four weeks to deliver from date of order	Has additional installation and set-up cost of \$770
Cost	\$10,500	\$9,800	\$6,900
Evaluation	Too expensive; issue with cost of toner in future	Recommended	Doesn't have all functions required; energy rating not high enough even though initial cost lower

Emma knows that buying a more expensive model that had a better energy rating will probably mean savings over the long term but the best model exceeds the budget by \$500. Each model also has different features – the cheapest model has no stapling function, but the most expensive has functions that are probably not needed.

She arranges a meeting with her manager to discuss the information she has collected and to review her recommendation to purchase the copier from supplier B.

Cost versus quality

Cost is often the primary consideration when it comes to selecting materials, equipment and services. After all, if the business had unlimited budgets for everything, then nothing would stop it from buying the best quality. Because most purchases are made with a budget in mind, the job of the staff member with responsibility for supply or purchasing is to evaluate the advantages of features and benefits of each offering and compare this against the cost of the item.

Often, there may be criteria that you need to ensure are met with the best quality you can source, while others can be compromised on if they are not as important. For example, a new computer purchased for use by a graphic designer may need to be compatible with the network used in the office and have an excellent quality and large-sized screen so the designer can work at the computer all day without eyestrain. Other requirements, such as its warranty or multimedia capability, could be compromised on provided the important criteria are met.

The following are two aspects of purchasing that you need to consider in addition to cost.



Quality

Often, items that are of a superior quality are more expensive; however, as we saw in our earlier example with photocopiers, sometimes buying a more expensive item is a better option, especially if it has features that will result in cost-saving benefits (such as a five-star energy rating) over the medium to long term.



Extended warranties

It is also worth evaluating whether things such as extended warranties, better quality parts or a superior reputation represent value for money. Doing some research, including reading customer reviews, testimonials and even talking to the supplier's other clients, may provide you with useful data upon which you can base your judgment.

Delivery charges and availability

Some suppliers charge extra for delivering items. Others may only be able to deliver at certain times or in certain quantities. For instance, a company that supplies bulk ingredients to a gourmet biscuit company may only deliver on Friday mornings, and their delivery truck may only be able to carry up to eight sacks of flour. If more is needed then a delivery fee applies, as a courier company is contracted to supply the ingredients instead. As long as this is all right with the biscuit company, these arrangements will not cause any problems. However, with other customers this may be an issue; for instance, if they require deliveries twice a week or always need 20 sacks of flour. In such a situation, the delivery costs may rise to a point where an alternative supplier needs to be found.

Other suppliers may always have a time lag between the date an order is placed and the delivery date. Others may not be able to guarantee a delivery date. Again, these issues may not cause problems for many organisations but could be critical for some. In other situations, systems and processes could be developed to overcome or avoid the potential problems that could arise.

Some suppliers offer discounts if items are purchased in certain ways. These arrangements can be financially beneficial for companies if they are able to take advantage of them.

Here are some of the ways in which discounts are negotiated.

1

Cash payment

A cash payment is made in cash instead of through a credit card.

2

Credit card

A certain type of credit card is used (some credit card companies charge higher than usual merchant fees, which means many organisations provide incentives for their clients to use other payment methods).

3

Payment plans

A particular payment plan or leasing arrangement is entered into, an interest free period may apply.

4

Quantities

A large quantity is purchased.

5

Old stock

Old stock, floor stock or a superseded model is bought.

6

Delivery

You organise delivery yourself.

7

Special arrangement

You pay for and take delivery within a certain period of time or just prior to a stocktake period.

Example: check for genuine cost benefit

Before agreeing to any apparent discounts and special offers, it is important to evaluate whether a cost benefit truly exists, as the examples below illustrate.

Storage considerations

Martin is offered 200 boxes of photocopying paper at a 50 per cent discount because the manufacturer is rebranding and wants to get rid of all their stock with the old brand name and labels. Before accepting the offer, Martin needs to work out whether his company has room to store all this paper, which should last them for a period of four months.

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Cost of leasing

Kathryn needs to determine whether entering into a two-year, interest-free lease is better than simply paying for a new high-tech computer scanner.

Unplanned purchases

Suri is contacted by one of her company's regular suppliers who asks if she would consider buying new mobile phones for her sales team by the end of June at a 20 per cent discount, even though she hadn't planned on making such a purchase until December of that year when she knows prices will be higher.

Terms of trade

Most suppliers have a terms of trade statement, which details how they accept payment. Their terms may be that payment is due on delivery, also known as cash on delivery (COD). Other suppliers send an invoice at the time a product is ordered with payment required within 30, 60 or even 90 days. It is common for discounts to be offered as standard in many industries; for example, a five per cent discount if payment is made within 14 days.

You need to find out what the terms of trade are for each potential supplier and whether discounts are offered for early payment. Ensure your suppliers' terms of trade are compatible with your organisation's policies.

Preferred suppliers

Most organisations keep a list of preferred suppliers; that is, suppliers who regularly provide them with products and/or services. These suppliers have been chosen because of the quality of their product or service and the customer service they provide such as timely delivery, competitive prices and the offer of discounts as a special customer.

It is important that when representing your organisation you establish a good relationship with suppliers in order to ensure an efficient supply of materials and resources.

It is also advisable to establish long-term agreements wherever possible, so long as the supplier meets requirements regarding quality, delivery, price and specifications. It is not only time consuming to source different suppliers, but there will be occasions when you need resources urgently or variations to the standard order and you need to rely on the good relationship developed with the supplier. You might also need a quick turnaround if you receive faulty goods or equipment.

Organisational procedures might also require the insertion of a penalty clause to protect against delayed delivery, especially for large contracts.



Obtain quotations for resource acquisition

In purchasing resources, it is common for organisational policies to stipulate that a certain number of quotes be obtained. This is particularly common when purchasing new and/or more expensive resources above a nominated price. For example, if you are purchasing air conditioners, photocopiers or computers for an office, you may need to source at least three competitive quotes.

In evaluating quotations, you should have a thorough knowledge of prices and price development, how prices have been determined and what possibilities exist for obtaining a price reduction.

Things to consider when obtaining quotes

Other items may need to be purchased from preferred suppliers who have already been approved in terms of quality and price.

Whenever quotes are sourced, it is important to remember not to automatically place the order with the lowest bidder or accept a quoted price without question.

Always ensure you give potential suppliers a basis on which to quote so the prices you receive are at least provided on a similar basis.

Tender processes are often used to find the best possible suppliers, and you will need to ensure you abide by your organisational requirements for tendering.

Price should not be the sole determinant when choosing a supplier. You need to consider other factors such as quality and delivery costs.

Example: find the best possible supplier by a tender process

Many companies issue tender or request for quotation (RFQ) documentation to potential suppliers. Sometimes, these are advertised publicly, which means any organisation can receive documentation and prepare a response based on the information outlined in the document.

The document will usually include a specification of what is required including quantities, delivery times and locations and quality standards. Tenders for services and products are usually issued for a period of time or specific quantity. When services are required, a detailed schedule of service standards and even a sample project plan may be included, which respondents need to acknowledge.

In other situations, organisations may be asked to respond to what is known as a closed tender process, which means the tender is not advertised publicly.

Australian local, state and federal governments all use tender processes in order to source goods and services over certain levels. For instance, some federal government departments are required to undertake a closed or open tender process for contracts over \$100,000. These levels vary between departments and governments. For contracts less than this amount, quotations need to be provided by a certain number of organisations. These quotes require a price to be provided as well as evidence of the organisation's capability and approach.



Unsuccessful quotations

Suppliers whose quotations or tender responses are not successful should be notified by a form or personal letter stating a reason for not accepting their quote.

It is important to do this because the organisations that responded to your request for quote or tender have spent time (and therefore money) preparing their response. As well as being polite, you may need to call on these organisations at a future point in time, so maintaining a professional relationship with them is important. Some organisations go one step further and provide potential suppliers with detailed information on why they were not successful.

Authorisation for resource acquisition

Most organisations have authorisation procedures that need to be followed when products or services are purchased. These are set in place in order to control and manage spending so budgets are not exceeded and all expenditure can be carefully monitored and tracked.

All staff should be familiar with the authorisation procedures that must be followed within their organisation. This is particularly important if you are involved with purchasing or ordering goods and services.

Authorisation procedures are usually based on certain staff members being able to authorise goods purchased up to a stated amount. For example, the team manager may be able to authorise up to \$10,000, while amounts over \$10,000 may require two signatures from the board of directors.

Other authorisations may be required to commence a tender process, to arrange for contracts to be prepared or for other steps in the purchasing process.

Purchase order and order confirmation

Certain purchases, such as land and buildings, require agreements in writing for them to be legally binding. These may be in the form of a contract that both parties have to sign and witness. For most other purchases, written confirmation in the form of a purchase order from the buyer and/or acknowledgment from the supplier is desirable.

The advantage of a written agreement is that the parties have the opportunity to specify the terms in a form that reduces the risk of misunderstanding and dispute.

Most companies use pre-numbered purchase order forms. These must be kept in a safe and secure place to prevent their unauthorised use. Appropriate copies of the purchase order should be forwarded to the supplier, the department that ordered and will utilise the goods or services, to accounts payable and a copy should be placed on file.

A purchase order should include:

- specifications of the product or service purchased and, if applicable, part number
- description, quantity and price purchase order number and date
- supplier's name and address and reference number
- buyer's name/s
- delivery address
- special delivery instructions
- delivery date
- payment terms
- provision for GST.

Example: a completed purchase requisition

Here is an example of a completed purchase requisition for stationery supplies.

	<p>Conquer 548 Braxholme Rd City Walk VIC 3003 Ph: 9630 4455 Fax: 9630 7274 www.conquer.com.au</p>																								
<p>Purchase order No. 12456 20 July 2015</p>																									
<p>TO: Peter Bushtop D&G Office Supplies 34 Primtop Avenue City Walk VIC 3003</p>	<p>FROM: Alex de Loosey Office manager</p>																								
<p>ORDER</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #D3D3D3;"> <th style="text-align: left;">Quantity</th> <th style="text-align: left;">Item</th> <th style="text-align: left;">Price</th> </tr> </thead> <tbody> <tr> <td>3 boxes</td> <td>A4 paper @ \$21.00 per box</td> <td>\$63.00</td> </tr> <tr> <td>3</td> <td>Toner for Xerox photocopier @ \$140.00</td> <td>\$420.00</td> </tr> <tr> <td>3</td> <td>Toner for Deskjet printer @ 80.00</td> <td>\$240.00</td> </tr> <tr> <td>1 box</td> <td>Gold coloured paper @ \$26.00 per box</td> <td>\$26.00</td> </tr> <tr> <td></td> <td>Sub total</td> <td>\$749.00</td> </tr> <tr> <td></td> <td>Plus GST</td> <td>\$74.90</td> </tr> <tr> <td></td> <td>TOTAL</td> <td>\$823.90</td> </tr> </tbody> </table>		Quantity	Item	Price	3 boxes	A4 paper @ \$21.00 per box	\$63.00	3	Toner for Xerox photocopier @ \$140.00	\$420.00	3	Toner for Deskjet printer @ 80.00	\$240.00	1 box	Gold coloured paper @ \$26.00 per box	\$26.00		Sub total	\$749.00		Plus GST	\$74.90		TOTAL	\$823.90
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<p>Position:</p>	<p>Date:</p>																								
<p>Delivery details: to above address FOB Attention: Alex de Loosey Date of delivery: 31 July 2015 Terms: 30 days</p>																									

Purchasing requisitions and reorder levels

An important aspect of resource management is knowing when to reorder stock and supplies. Depending on the size of the organisation, the costs associated with stock can be high. To minimise costs, most organisations work out optimum stock levels (the ideal amount to have stored) and frequency of ordering (how often the item should be ordered).

For example, is it better to purchase in large quantities and store the stock or carry a smaller amount and order more frequently? In general, a small amount of stock on hand means low carrying costs. As the amount of stock increases, carrying costs become higher. However, with only a small amount of stock on hand, ordering must be more frequent, which increases ordering costs. More importantly, certain items may run out altogether.

A business must have clear policies for the reordering of stock. To avoid stock runout, the organisation must know the lead-time (the time between the placing of an order to a supplier and the receipt of the stock) and the amount of stock required to meet expected demand.



Lead-time

The lead-time is the period taken to obtain resources – the time between when the business realises it needs to purchase more resources, through to the goods actually being received.

The lead-time will vary depending on the types of resources, their size, their price and the location of the supplier; for example, whether they are based locally, intrastate, interstate or overseas. The lead-time for stationery items might be as short as one or two days, whereas machinery or equipment imported from overseas might take up to three months. Likewise, the lead-time for made-to-order clothing or uniforms for a promotion might be up to four weeks, whereas a computer or photocopier can be purchased within a week if the item is in stock.

It is important to consider the lead-time when placing orders to minimise disruptions to the organisation's operations. When you inform suppliers of estimated purchase requirements, be sure to agree on delivery schedules and dates.

Two important considerations in determining when resources should be ordered are minimum and maximum stock levels.

The ordering process comprises the following operations:

- Preparing the requisition
- Forwarding the requisition to the purchasing department
- Processing and preparing the order
- Sending the order to the supplier
- Fulfilling the order
- Transporting the order
- Receiving, inspecting and storing the order

Minimum stock levels

The minimum stock level of a resource is the quantity at which the organisation can sustain operations without disruptions. For example, a real estate agent's office may have a minimum stock level of 10 reams of paper for printing and photocopying. If stock levels fall below this point, there is the possibility that additional stock may not be ordered in time before the stock on hand runs out, which will disrupt operations.



The minimum stock level often serves as a reorder trigger point or an indicator that stock levels are low enough to warrant at least a review of whether additional stock is required. Minimum stock levels are useful if your organisation has stock items on which it depends for its business to operate effectively.

How to determine minimum stock levels

Minimum stock levels can be determined by working out how quickly critical stock is used and how long new supplies take to arrive once an order for them is placed. For instance, your business may use an average of four photocopier toner cartridges a month and it might take at least one week for new cartridges to be delivered. Therefore, a conservative minimum stock level for copier cartridges would be to reorder when there are three cartridges left in the storage cupboard. This means that within a week, even if usage is unusually high or the delivery is delayed for some reason, there should still be a spare cartridge.

Minimum stock levels can either be monitored electronically (using a computer system that tracks stock as it leaves a warehouse or storage facility) or manually (through regular physical stocktakes).

Here are some examples where minimum stock levels are used as a reorder trigger point to prevent critical stock items from running out.

Using a physical indicator

A legal firm uses a lot of photocopying paper and has a minimum stock level of 20 reams of white photocopying paper and five reams each of blue, yellow and green paper. It is easy for staff to see when these levels are reached because the office manager has taped a red line on the wall against where the paper is stacked, and once the red line is visible (at the minimum stock levels above), paper stocks need to be reordered.

Pet numbers

A dog kennel and cattery uses a lot of pet food each day. Based on the number of dogs and cats that are boarded at different times of the year, they have set minimum stock levels that vary depending on seasonal demand. Using historical data of dog and cat numbers, they have set the minimum stock level for dry dog food at 35 kilograms for the summer months when occupancy rates are usually very high, and 15 kilograms for the winter months when the guest numbers are traditionally lower.

Fresh bakery items

A cafe sells cakes and biscuits that are made by a commercial bakery. On the counter are large jars that are full of different kinds of biscuits. The owner knows that when the jars are almost empty she needs to reorder, and calls the bakery for a new delivery, which usually arrives the next day. Because they are freshly made, her minimum reorder point is set very low because having excess stock would mean the biscuits would go stale and be unsaleable.

Maximum stock levels

The maximum stock level represents the most stock of a particular resource the business is prepared to hold. Any stock held above this level represents excess stock, which ties up too much capital; that is, the costs of storing the stock outweighs the benefits of having a high level of stock on hand.

Maximum stock levels can be set to ensure that perishable stock, stock likely to go out of style or cannot be sold after a period, is not over-ordered. Maximum stock levels can also be useful because they can help prevent excess expenditure on certain items and assist in the monitoring of spending by purchasing staff.

Here are some situations where maximum stock levels have to be monitored closely.

Seasonal businesses

Many businesses use maximum stock levels if their business is seasonal and they sell more of a particular product at different times of the year. In these instances, maximum stock levels prevent excess stock taking up valuable storage space or sitting on shelves becoming shop soiled, which would render them unable to be sold.

Limited storage space

Maximum stock levels also prevent problems from occurring if storage space is limited; for instance, when businesses have to pay for warehousing space or find themselves in offices where storage for items such as stationery is hard to find.

Resource ordering systems

Different organisations often have very different approaches to the way they order different types of stock. You will probably find that your own organisation, or other organisations for which you have worked, employ different purchasing tactics depending on a range of factors.

There are two common yet very different approaches to ordering resources:

- just-in-time purchasing
- bulk purchasing.



Just-in-time purchasing

Under just-in-time (JIT) purchasing, resources that are required for use by staff or in manufacturing processes are delivered as they are needed instead of being bought and delivered in large amounts and then stored until they are needed.

JIT purchasing became popular in the 1980s when new approaches to purchasing, manufacturing and production planning were developed, which enabled organisations to realise cost savings if JIT techniques were implemented and managed properly.

JIT allows them to plan production schedules for different products they manufacture well in advance, and therefore order goods for delivery just as they are needed. The automotive industry, food manufacturers and other industries that are reliant on large volumes of raw materials for production use the JIT approach to avoid storing huge volumes of raw materials that may either take up a lot of space, as in the case of the automotive industry, or are perishable.

Using a JIT approach requires that close attention be paid to planning, cooperation and relationships.

Planning

For a JIT approach to be effective, an organisation needs to use advanced production, sales and operational planning systems, and adhere to them.

Cooperation

A JIT approach also requires considerable cooperation from suppliers who need to have the willingness and capability to deliver goods on demand.

Relationships

JIT essentially places much of the onus (and cost) of warehousing goods onto suppliers, which means that relationships with suppliers, and a selection of preferred suppliers, are critical.

Example: JIT purchasing in the building industry

Terry is a purchasing officer for a building company that designs and builds houses and units in new residential areas. He explains how just-in-time purchasing works well for his company and is ideally suited to the kind of work his organisation does.

‘We know, usually months in advance, which projects we have coming up. Because our customers choose their home designs off the shelf, we know exactly what materials are needed to build different homes.

‘We use a purchasing approach that is based on JIT principles. Delivery on time and to the right place is really critical for us because we can’t afford to have a huge warehouse full of building materials and fittings.

‘Instead, we order the materials for a particular house after a contract with a client has been signed and a deposit paid. We then use this money to order and pay for the things we need. We also don’t order anything until a project plan for construction has been prepared by the operations manager, which is based on our knowledge of how long different stages of construction take. My job is to then place orders with our preferred suppliers and specify the date and location the materials need to be delivered to according to the information provided in the plan.’



Bulk purchasing

This approach is almost the opposite of JIT because it involves buying large quantities of resources at one time. Bulk buying can be useful if savings are available on the basis of buying large quantities at once and additional costs are not incurred from warehousing of the resources for long periods. Bulk buying is also a good idea if resources simply cannot be sourced on a regular basis or the cost of constant deliveries of small quantities is prohibitive. Bulk buying can also be used as a basis to the success of a business.



Example: bulk purchasing of stock

Michael is the shipping and purchasing officer for an importer of homewares and kitchen items. They distribute products to independent retailers and small chains. He explains how they use bulk purchasing to their advantage.

'We source product in two ways. The first is when our buyers go to trade fairs and visit manufacturers we work with overseas and place orders for specific stock items they believe will be popular with consumers here. The other is more reactive; when suppliers contact us with special bulk offers of items and we then decide whether we want them or not.'

'We will usually take up these offers and buy in bulk if the stock is standard sort of stuff – by that I mean things like towels that aren't in fashion colours, white crockery, candles and so on. We know that these sorts of things won't go out of fashion and as long as we can store them, which we can, it is a good deal for us to buy these things because it means our margin can be increased. It also means that by having stock on hand we can offer retailers immediate delivery – something a lot of our competitors can't always do.'



This table highlights how these very different approaches to resource ordering have different benefits depending on a range of factors.

Factor	JIT ordering	Bulk ordering
Type of stock	May be better suited to perishable items, or if stock is too large to be stored for a long period of time.	Suitable if stock is non-perishable, is easily stored, not fragile, etc.
Manufacturing process	Good if manufacturing is well planned and quantity and types of items required to create finished products are known in advance.	Bulk ordering may be suitable if items are easily stored or if manufacturing adapts according to customer demand, which may be variable or unknown.
Urgency	Supplier agreements need to be based on precise delivery times otherwise non-delivery could cause major disruptions to operations.	Bulk ordering means goods are always on hand.

continued ...

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Factor	JIT ordering	Bulk ordering
Cost	Cost of delivery may be excessive if supplier is required to make many deliveries of fewer quantities. Resource storage costs minimal, as resources are used when they are delivered, rather than stored	Cost of delivery is lower because suppliers make fewer deliveries in higher quantities. Additional savings and discounts may be obtained from suppliers for purchasing in bulk. Resource storage costs are high because stock must be stored for a period until it is used.
Freight issues and lead-times	May not be feasible or cost effective if goods have a long lead-time or are sourced from a long distance and have to be transported by ship, for instance.	Bulk ordering may be the only option in some situations if lead-times are very long or other supply problems exist.
Supplier capability	Some suppliers may not be willing or able to participate in a JIT arrangement, as some costs are transferred to them.	Suppliers may favour this option because it means large turnover of goods.
Staff	A JIT approach requires computer systems and staff to support it.	Bulk ordering is less demanding on staff time.

Practice task 5

1. Explain why the setting of maximum stock levels is essential for the three different types of businesses in this table.

Business	Explanation
A whitegoods retail outlet with no warehouse space.	

continued ...

... continued

Business	Explanation
<p>A shop that only sells Christmas decorations and other Christmas-themed items.</p>	
<p>An office-based business that has expanded recently and has very little room for staff or storage space.</p>	

2. Describe three discounts or special terms can you recall being offered to an organisation you've worked for, or that have been offered to you personally.

2B

Check resource purchases for quality and quantity

You might be responsible for organising the delivery of resources to your organisation. Arrangements might include specifying a suitable delivery time; confirming the delivery address to avoid goods going to a wrong destination and clearing space for the delivered goods.

When the supplier has delivered the goods, the purchase order should be checked against the delivery docket and invoice and a physical check made of the goods being delivered to see that you have received what you ordered and that the goods are in a useable condition.

It is important that the quantity and quality of the goods received match what was ordered. The person responsible for controlling the stock often carries out this checking process.

Some problems that may be identified when checking an order are shown here.

Faulty or damaged products	Faulty or damaged goods that were made incorrectly, not to order or that were damaged in transit
Incorrect packaging	Goods delivered in the incorrect packaging and/or not matching their packaging on delivery
Substandard materials	Many organisations have strict quality standards that resources have to comply with in order for them to be permitted to manufacture and sell their products; for instance, a food manufacturer will have to use raw materials that meet government quality standards so the food is fit for human consumption
Receiving the wrong order	Receiving the wrong order or goods that were meant to be delivered to another client. This could be the result of incorrect labelling or a mix-up with the delivery or courier service.

Quality control

Quality control is needed to monitor the quality of products received and ensure they match the quantity specified on the purchase order, and may sometimes be carried out by specialised staff. The objective is to compare what was ordered with what was received – if all has gone to plan, they should be the same.



Example: resource manager checks delivery of uniforms

Robert Knowles, the resource manager at Pot of Gold Casino, has received a delivery of uniforms for staff. It includes 2,000 white ladies blouses, 2,000 navy skirts, 500 white short-sleeved business shirts with logo, 500 navy short-sleeved business shirts with logo and 1,000 pairs of black long pants.

Robert and his team need to ensure the uniforms conform to the meticulous standards detailed in Pot of Gold's quality assurance policy because staff appearance and presentation are very important to the casino's image and must be consistent with requirements.

The quality control assistants carry out a systematic check according to the organisation's instructions concerning quality control.

The quality control checks and monitors and ensures:

- all sizes are counted and checked against the purchase order
- all colours match specifications
- the logos match the specifications
- all collars, buttons and cuffs are correct.

Inspection of technical items

The technical complexity of the items ordered dictates the inspection method that should be used to check the items. In certain cases, visual inspection is sufficient, whereas in others, comprehensive tests are necessary. Skilled and experienced staff must carry out this process and should be provided with adequate equipment and suitable facilities.

For example, a delivery of computers should be inspected by IT experts within the organisation who may run diagnostics in order to work out whether the equipment is in good working order and has all the attributes of the goods that were ordered.

Other goods, such as stationery items, can be manually checked and counted by administrative staff upon arrival. If the quality of the delivered product does not correspond to the established specifications, the goods may need to be returned.

Make sure the order is dispatched in sufficient time to allow for the resolution of any difficulties that might arise.

Sample quality checklist

The processes involved in checking deliveries of items will vary greatly depending on the way your organisation manages their inventory system and whether there are automated procedures for receipt of goods using computerised systems and equipment. The system used by a large manufacturing company with its own goods inwards warehouse team will be different from a small office that only receives the occasional delivery of stationery or photocopying paper. The principles of quality management remain the same, however, and can be adapted to suit any business.

Here is a sample checklist you may find useful to use or can adapt for your own use. It lists some of the steps that can be taken to ensure standards are maintained.



Quality checklist

- Receive goods.
- Note if goods received on time.
- Visually compare/verify information on delivery docket against original order:
 - quantity ordered
 - colour
 - style/model/part number
 - product code (may be issued by purchaser).
- Verify that goods are correct (perhaps using scanned image of barcode on package, checking against list of expected goods for receipt or entering details into computer system).
- Sign for goods if information matches.
- Inspect goods for damage.
- Unpack or store goods in appropriate location, taking into account use-by dates for perishable goods.
- Enter receipt of goods into database or make manual note if system is not computerised.
- Create updated inventory report.
- Notify stakeholders of delivery of goods if required (sooner for urgent order).

Practice task 6

1. What quality procedures exist at your organisation, or one you are familiar with, to check the quality and quantity of resources required? How do these processes operate?

2. Are they adequate for the types of resources acquired regularly by the organisation?

2C

Allocate resources promptly

Communication channels should be established between work groups to ensure prompt allocation of goods. Team members need to be aware of resources as they are checked and received.

Resources that are urgently required by staff may be received into a warehouse. If they are not passed on immediately this may halt the production process. Even small items may have serious implications. For example, the finance team may be waiting on photocopier toner to complete an urgent print-run of end-of-year financial results or the research team may be expecting replenishment of toner for the colour printer so they can submit an urgent tender document. Prompt allocation often means income for the business.

Out of stock items

Sometimes resources required are out of stock at your suppliers, the colour or model requested is unavailable or an item has to be ordered from overseas and will take longer to arrive than originally planned. Consult with the appropriate person in your organisation as to what they would like to do. If an item is urgent, you may be able to order an alternative product or approach a different supplier.

It is a good idea to have a system in place where staff members can indicate the priority of goods needed and specify realistic time lines. When you order these resources, you may wish to make a checklist covering the delivery and urgency of the order, as well as any special requirements. It is also important to have rigorous systems in place that enable you to notify staff and managers within the organisation when resources are going to be delivered late, when they will actually arrive or if, at the time of being ordered, they are unavailable.



The following example is a table for keeping track of incoming orders of resources.

Item	Supplier	Date ordered	Expected	Receiving department/ personnel	Follow-up action
Toner for DeskJet printer	A&B Toner Supplies	15/04/15	20/04/15	Business support	
Desk light	Light and Bright	01/04/15	19/04/15	Finance services	
Mobile phone	Teleservices	16/04/15	21/04/15	Accountant	

continued ...

... continued

Item	Supplier	Date ordered	Expected	Receiving department/ personnel	Follow-up action
One box of fax paper	A&B Toner Supplies	02/04/15	10/04/15	Business Support	Order is late. Have phoned supplier and should arrive by 21/4/09
Five mouse and mouse pads	Office Districts	16/04/15	22/04/15	Sales, marketing and research	
A3 diary	Office Districts	14/04/15	20/04/15	B Busgrove	

Late or urgent orders

It may be advisable to have alternative processes in place for when items come in late or there is an urgent need for something. For instance, an urgent delivery may arrive into the warehouse or office late one afternoon but you do not have time to check it or put it through the appropriate quality control process. Instead of leaving it for the next day, it may be advisable to let the appropriate person know that the order has come and they can check the order on your behalf or process it for you to spare any unnecessary time delay. Be sure to ask the staff member to sign for the order.

Practice task 7

1. What sorts of processes would facilitate communications about the ordering process in most organisations?

2. What are the benefits of each of the following ways of notifying staff of problems and order arrivals:

- a) Sending an email

- b) Stock reports from an inventory system

- c) Delivering the products to the staff member's work area

- d) A phone call

2D

Consult with others to facilitate resource allocation

It is important to maintain professional standards when acquiring and allocating resources. This should always be undertaken in a professional and equitable manner and the processes used to make decisions on the allocation of resources should be underpinned by business needs. It is vital that, as requests for goods and services are received, you and your team consult with individuals and the relevant teams, evaluate their needs and assess their priorities.

There will be times when a requested resource is not available or is out of stock. You need to communicate this to the responsible team and source alternative methods of delivery.

Your negotiation, decision-making and customer service skills are all important as you allocate resources between competing priorities. A request may not be available within the budget allocation or may need to be postponed or traded against another resource.



Example: two departments request resources at the same time

The publications and manufacturing departments both request a new scanner and a colour printer. Estimated resource expenditure during the current financial quarter indicates that only one scanner can be purchased for the entire organisation, so you will need to assess which resource is more urgently required.

Similarly, two administrative assistants in the finance department request an ergonomic word-processing desk, but the current budget can only accommodate one. One assistant does more data entry than the other, whose job role includes extensive periods of filing. You will have to explain to them that only one will receive the desk, with that decision based on which has the greater need for it.

Your decision will involve:

- evaluating these requests on their merits
- analysing the products requested and their prices
- consulting with team members as to their priorities.

Discuss resource requirements with others

As a resource coordinator, you have the opportunity to contribute to discussions on resource requirements and acquisitions at team meetings. While other team members have the opportunity to identify resources, your role is to negotiate the need for these items and allocate them within the constraints of the budget.

Your role as an effective coordinator is important, especially when you have to enforce company rules relating to the system of ordering and purchase order requisitioning.

You may need to justify any expenditure within the context of the budget and expected sales. You will need appropriate interpersonal skills, confident and positive body language and an ability to explain the situation clearly. You must always remain fair and equitable and be able to justify any decisions taken.

Example: consultation over resource requests

At an advertising agency, Barbara Johns, the office manager, receives two requests for new computers within a week.

The HR manager has requested a new laptop that has the capability to play and write DVDs, as he believes this will be a useful tool. However, an assistant in the graphics department is expected to work with a range of sophisticated design and graphics software applications and these are causing his regular computer to crash regularly. His manager has requested a new more powerful computer for him to use.

Barbara considers buying two computers. However, the corporate budget does not allow for such expenditure at the current time and she does not feel she can justify it. Instead, she consults with both members of staff and the manager of the graphics department and puts forward a persuasive analysis of why the assistant has a greater need.

In this example, a sound knowledge of work requirements, the needs and priorities of team members as well as resource priorities, helped Barbara make the resource allocation decision.

Use interpersonal skills to encourage participation

As you consult with individuals (whether staff or managers) and teams on their resource requirements and the allocation of these resources, you need to ensure your approach encourages participation from these parties.

Making good use of appropriate interpersonal skills is vital whenever business or professional discussions take place. And this is also the case when discussions and negotiations are happening concerning resource allocation.

You may find that the allocation of business resources can be an emotive issue. After all, managers and staff are aware that they do not have an unlimited supply of resources on hand and need to demonstrate why they need certain resources more than others in the organisation.



Use interpersonal skills to allocate resources

Often there is a limit to how many items can be purchased, which means that some departments, teams or individuals may not be able to receive the items they have determined are necessary for them to effectively complete their work tasks.

In such situations, interpersonal skills can be put to good use in the ways shown here.

Body language

Using appropriate body language, such as eye contact and nodding, to demonstrate you understand the issues you are discussing. Also, make sure to avoid negative or aggressive body language such as folded arms across the chest or not meeting the eyes of the relevant parties.

Make eye contact

Remembering to make eye contact with all parties involved in any discussions – especially if you are in a meeting with a team or group of people.

Summarise information

Summarising and paraphrasing information provided to you so the people you are talking to know you have heard and understood what they are telling you.

Actively question

Asking and actively encouraging individuals and teams to participate in discussions and negotiations regarding resource allocation.

Describe objectives

Letting the people you are working with know what your objectives are, to fairly and effectively allocate resources, and that you need their help to do this so their needs are met as best as possible.

Language

Using clear language that everyone understands.

Feedback

Seeking feedback from individuals and teams to confirm you have understood the information they have provided you.

Practice task 8

Imagine that several team members and managers have requested the same resources, but that budget allocation for them is limited.

1. How would you allocate the resources equitably?

2. How would you justify your decision?

3. What interpersonal skills will you use?

Summary

1. Once a decision is made to acquire a resource – whether to purchase, hire, lease or outsource – you need to ensure the appropriate materials, equipment and services are acquired.
2. When acquiring resources, it is important to follow any established procedures or guidelines in place within your organisation.
3. Different types of purchasing methods may apply as different resources are sourced; for instance, tendering for the supply of services, buying office equipment, leasing cars or renting office premises.
4. If you have been asked to research the cost of an item of equipment, furniture, stock or hiring fees, you may need to identify a number of suppliers of the service or item required and source quotes from each of them.
5. Choosing the best supplier will depend on how well they satisfy a range of criteria, which will vary depending on the needs of the organisation at the time.
6. Ensure procedures are in place that stipulate how quotations are to be sourced, including a process to advise unsuccessful suppliers of the outcome.
7. Most organisations have authorisation procedures that need to be followed when products or services are purchased.
8. An important aspect of resource management is knowing when to reorder stock and supplies. To minimise costs, most organisations work out optimum stock levels (the ideal amount to have stored) and frequency of ordering (how often the item should be ordered).
9. Different purchasing methods, such as just-in-time (JIT) and bulk purchasing, have different benefits and can be used effectively in different organisations and situations.
10. Quality control processes are needed to monitor the quality and quantity of products received and ensure they match the purchase order.
11. It is important that communication channels be established within your organisation to ensure prompt allocation of goods, especially if the items are required urgently.

Learning checkpoint 2

Acquire and allocate resources

This learning checkpoint allows you to review your skills and knowledge in acquiring and allocating resources.

Review an organisation's resource acquisition and allocation procedures – it could be the organisation that employs you, or one that you can research such as your local council.

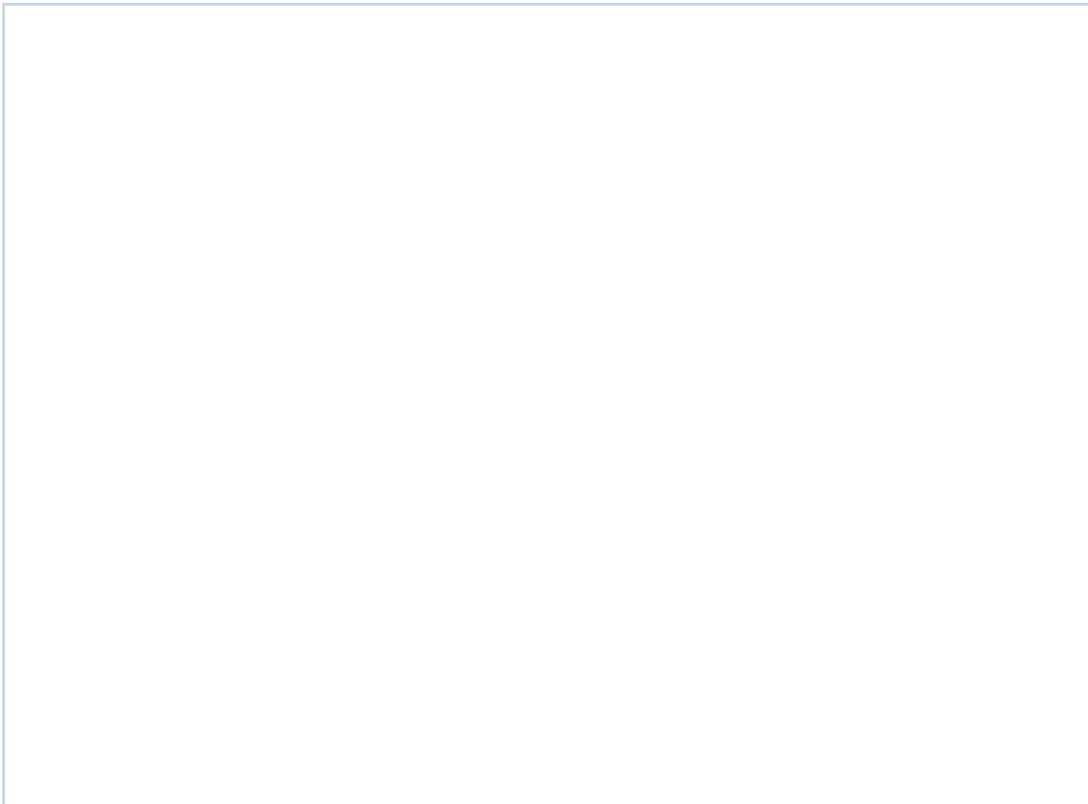
1. List and discuss the factors on which you can compare potential resource suppliers.

2. What procedures are in place for obtaining quotations and using purchase orders when ordering resources? Why are these procedures necessary?

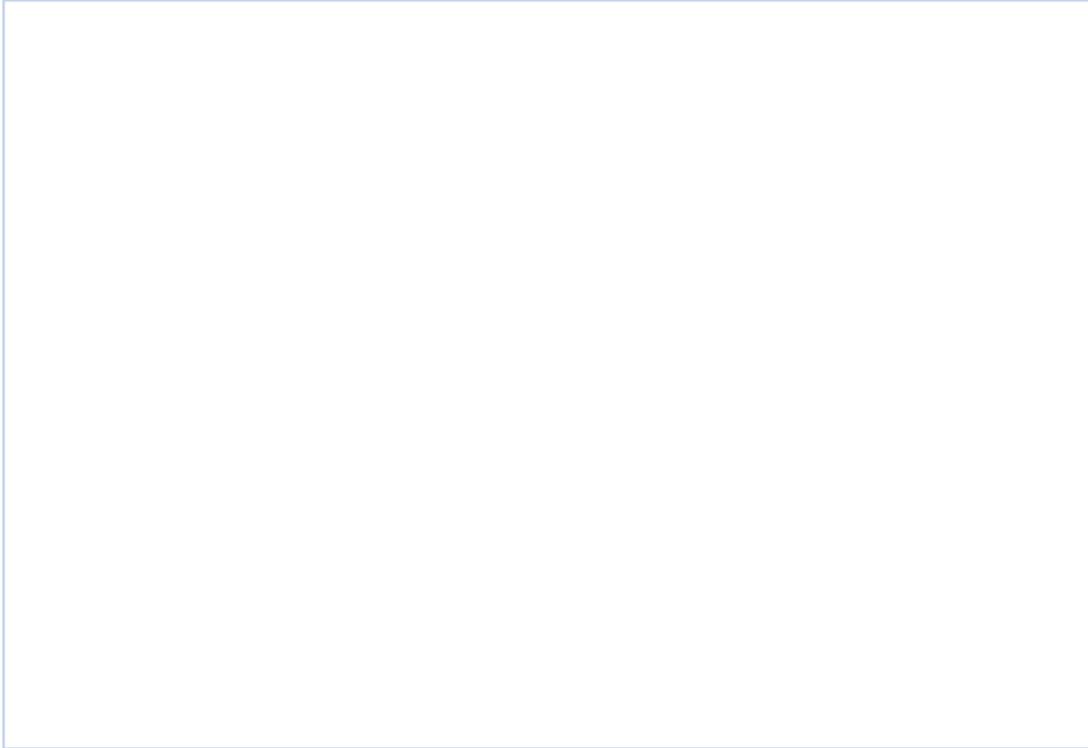
3. What authorisation procedures are in place for acquiring resources? Why are authorisation procedures necessary?



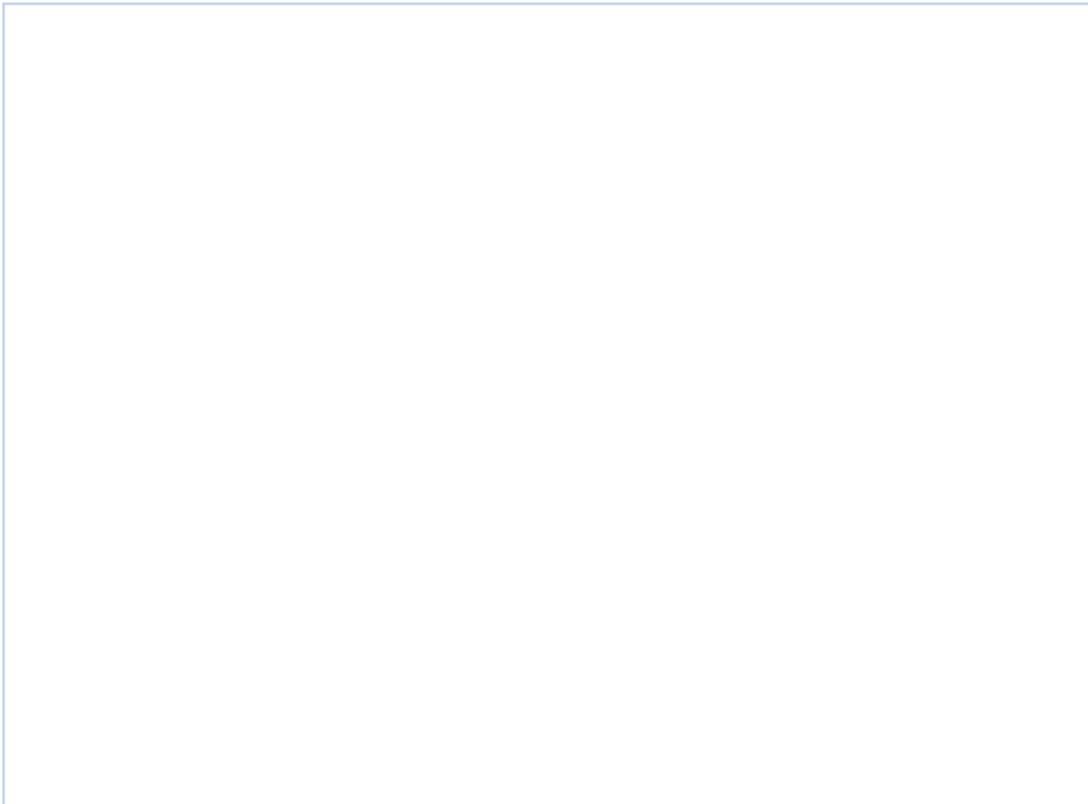
4. What systems are in place for reordering resources? How can minimum and maximum stock levels be used to assist in the reordering process points?



5. Which ordering system is used by your organisation – just-in-time or bulk purchasing? Explain why this system is appropriate for your selected organisation. Does the purchasing system vary depending on the type of resource being acquired? If so, explain why.



6. What procedures are in place for checking order quality and quantity? Why are these procedures necessary?



7. What procedures are in place for allocating resources promptly once they have been acquired and delivered to the organisation?

8. Why is it important to consult with individuals and teams within the organisation on the allocation of resources? How can interpersonal skills assist in the consultation process?

Topic 3

Monitor and report on resource usage

The coordination and management of business resources is a process that involves determining resource requirements, including regularly monitoring the resources an organisation holds and uses; acquiring and allocating resources in line with organisational requirements and quality and quantity requirements, and monitoring and reporting on resource usage.

This topic discusses the final monitoring and reporting phase. Monitoring and reporting on resource usage ensures the organisation is aware of what stock and materials it has already, what resources it needs in the future and when.

While valuing the stock on hand and regularly checking the condition of equipment are important aspects of resource monitoring, it is also vital to evaluate whether resource planning methods continuously improve the way resources are identified, ordered and maintained. If properly done, a continual improvement approach will lead to cost savings and greater efficiencies in the way business resources are coordinated.

In this topic you will learn how to:

- 3A Measure the effectiveness of resource planning systems
- 3B Develop and implement systems to monitor resource usage
- 3C Identify improvements in resource planning
- 3D Maintain records of equipment and resource purchases

3A

Measure the effectiveness of resource planning systems

Business and operational plans help an organisation forecast its future resource needs. They predict company directions and specify goals. Resources are identified and measured against these goals. Together with a comprehensive stock monitoring system, the task of resource management should be a streamlined, efficient process.

The role of a good resource planning system should be to determine:

- optimum resource levels
- the size of orders when reordering resources
- frequency of reordering of resources.

Effective resource planning systems

An effective resource planning system should ensure resource levels, order sizes and ordering frequency are all planned for on a long-term and ongoing basis. The system should allow for effective resource management and should aim to avoid resource shortfalls and surpluses through the mechanisms described in the following information.

Ordering supplies

An important aspect of resource management is knowing when to order stock and supplies. This depends on the rate at which the stock is used. The systems for monitoring stock should also enable you to plan future stock levels. Where applicable, these will be detailed in a company's operational plan. Together with the planning undertaken in the formation of the business plan, an organisation should be able to order the right quantity of resources at the right time.

Stock on hand

Sometimes an organisation will keep extra stock on hand in case there are delays in the new stock arriving, or a sudden increase in sales. However, carrying extra stock increases the total stock carrying costs. It is therefore desirable to hold stock at the most economical cost; that is, to place orders at a reorder level that minimises the combined costs of holding too much stock (surplus stocks) and of not holding enough stock (shortfalls in stock).

By keeping track of the resources it has on hand, ordering new supplies when appropriate and monitoring usage, an organisation should always have sufficient resources to run smoothly and efficiently and to operate within its resources budget.

Forecasting needs

When forecasting what resources are needed in future, you also need to take into account company history and analyse records of past resource use to identify trends in resource demand. For example, a recruitment agency may discover there is a higher demand for temporary staff during the Christmas holiday period. Your organisation might sell school textbooks, which have traditionally sold well at the beginning of the school year.

Measure resource costs

Effective resource planning involves estimating accurately the cost of resources. If the budgeted costs far exceed actual costs then there is a problem in the resource planning system of the organisation.

It is important to evaluate the actual costs and expenditure associated with resources to ascertain whether the business is achieving the financial targets outlined in its operational and business plans. If there is a large discrepancy between budgeted and actual resource expenditure then this will require further investigation.

Issues to investigate and analyse on resource usage

- Why is there such a difference in the resources budgeted for by the business and what was actually needed?
- Was a particular resource over-ordered? If so, why?
- Does the system have processes that prevent excessive ordering or provide an alert when actual order levels exceed those that were planned?

Resource acquisition and storage costs

There are various costs associated with acquiring and holding stock, equipment, staff and other resources, and for this reason it is essential to regularly monitor and review resource quantities and costs. The main costs to an organisation are outlined in the following information.

Acquisition costs
The costs of obtaining goods
Ordering costs
The costs involved in processing orders
Carrying cost
The costs involved in holding or storing resources.

Acquisition costs

The costs of acquiring resources include purchase costs as well as delivery fees and charges. These could increase significantly if a just-in-time system is used or if you order stock that attracts high delivery costs – such as airfreighted stock, fragile items that require a lot of packaging or large or unusually shaped items that take up a lot of space in transit.

While bulk ordering can mean savings in some areas, it can also mean high delivery costs if you are receiving infrequent yet very large deliveries. Other fees could apply to your purchases, such as tariffs, taxes and other fees, which could vary considerably depending on what resources you require.

Here are some examples of acquisition costs.



Cost of supply

An exclusive French restaurant in Sydney airfreights truffles from the south of France. The cost of regularly airfreighting the truffles and then paying import duty, customs fees and charges is actually more than the price of the truffles. When calculating the cost of having this ingredient, the restaurant's business manager includes the cost of the truffles and the other costs of acquiring them.



Additional handling requirements

A hotel uses crystal champagne glasses for special events. They have a regular supplier of their glassware but always calculate into the costs of buying new glassware the additional packaging and delivery fee their supplier charges when freighting such delicate items.



Just in time principles

A steel fabricator operates on just-in-time principles. Their production planning system indicates that twice-weekly deliveries of sheet steel are required from their supplier. This is built into the cost by the supplier and the manufacturer knows if they simply bulk ordered, the overall acquisition costs would be lower. However, analysis has shown the additional costs are more than offset by the savings their just-in-time system and meticulous approach to production planning provide.

Order costs

The cost of ordering resources can include employees' time and other costs associated with organising and processing orders. Depending on the systems the business uses, ordering costs could be derived more from labour costs or the costs of running a computer system that automates the process.

The following are some examples.

Centralised system

The head office of a chain of furniture stores has recently made the decision to centralise all purchasing in order to maximise savings by buying in bulk. Although stock for the stores has always been bought centrally, in the past the office requirements and other tools and resources staff in stores need have been bought by each store manager. The cost of the new system includes the cost of hiring a fulltime staff member to process orders as well as source quotes and allocate resources to each store, as they are needed.

Electronic system

A wholesale nursery has a large amount of stock coming in and going out and carries over 5,000 different species of plants in various sizes and from different growers – much of this stock is seasonal. In all, they have 12,000 stock holding lines. In order to manage stock properly, they have a state-of-the-art computerised order system that keeps track of inventory, places orders that are based on reordering certain quantities when minimum stock levels are reached and processes orders by electronically sending them to suppliers, whose details are loaded into the system. The cost of establishing and running such a complex system is high but cheaper than manually managing stock levels and having staff order items.

Overhead costs

Resource carrying costs include overheads such as salary/wages of employees involved in the resource management process; the value of the stock on hand at any given time, storage costs, the cost of insuring the stock; the loss involved when stock deteriorates, is unsaleable or is lost (including theft) and stock becoming obsolete.

Below are some examples of carrying costs.

Risk management

The distribution centre for a manufacturer of frozen vegetables contributes necessary but quite high carrying costs for the company. The warehouse was purpose built and is fully refrigerated, centre staff are all specially trained in the handling of stock and have to wear protective clothing to prevent them from becoming frostbitten while at work, the stock is all insured against damage and loss, the centre runs its own backup generator in the case of electrical failure and because the centre runs 24 hours a day wages and salary costs are high.

Loss prevention

A large department store employs loss prevention specialists to minimise the loss of stock (and therefore costs) through shoplifting. Each store has several staff that work on rotational shifts monitoring the activities of suspect customers. The cost of this is quite high; however, the store has determined that the cost of employing these people is well worth it because on average they each save the store three times their annual salary.

Stock clearance

A fashion designer has a factory outlet that is designed to clear last season's stock, which becomes obsolete every four to six months. The outlet is designed to try and recoup some of these losses, typical of the fashion business if certain designs do not sell well. Rather than simply throw out the items that are not sold, the designer sells them at a reduced cost which is still higher than the cost of producing and selling them.

Costs of resource shortfalls

Shortages of stock have a serious impact on business operations. The costs associated with resource shortfalls may include those shown below.

Examples of cost associated with resource shortfalls

1**Loss of sales**

If a business runs out of products or is unable to manufacture their products or provide services because stock has run out, the business will be unable to make sales, which will mean a loss of revenue. In some small businesses, this sort of disruption to cashflow could be catastrophic and result in the business failing if they have no cash coming in with which to pay bills.

2**Loss of productivity**

If staff and machinery are idle because raw materials were not delivered on time, then the costs of simply having that equipment there will mount up, while they are not even being used. These costs can include leasing or hiring costs of any manufacturing equipment, depreciation costs and the cost of having staff members at work with nothing to do.

3

Cost of fixed overheads spread over a reduced output

Most businesses will spread fixed costs (costs that do not change if activity increases or decreases) over time – for instance each month or quarter. Fixed costs include things such as staff wages (not including wages of contract staff who can be asked to come and go, as they are needed) and lease of equipment. This will mean that for some periods, profits will be lower because the margin between costs and revenue will not be as great as your business plan may have projected.

4

Cost of action taken to deal with the shortage

If stock cannot be sourced from one supplier, then you may be forced to find an alternative supplier – a process that could take considerable time and money. Also, because goods may be required urgently, you may not have time to negotiate a good price or might even have to pay higher than usual freight or other costs in order to acquire the goods quickly.

5

Loss of customer goodwill

If a business fails to provide a customer with products or services they need on time, the customer will be unhappy – especially if it means lost revenue. Goodwill is the relationship a business enjoys with others or the good feelings customers have about the firm. Companies that have good relationships with their clients and a loyal customer base because, among other things, they deliver stock on time, can place a higher value on their goodwill than those that have poor relationships with their customers. This is important in terms of an organisation's value as well as the success they have working with and keeping customers.

Example: the importance of supply deadlines

A Melbourne-based Australian manufacturer of automotive parts has a lucrative and prestigious contract to supply parts to their associated company in Detroit. The contract is worth a great deal of money and is based on supplying large volumes of parts (such as exterior door handles) to the factory in Detroit on a regular basis, as their production system is based on JIT principles.

The cost of this contract is potentially great; however, the Australian manufacturer has a clause in the contract that states that if the supplier is late in delivering parts to the Detroit factory, they will be heavily penalised in the form of fines. The size of these fines are so great (US\$2,000 per minute) that after only a short time of missing a delivery deadline, the Australian company would be forced to cease business.

The penalties for creating a resource shortfall are so great because the JIT system used by the Detroit company relies on on-time deliveries of products or else the production line is stopped. This would cause huge expense to not only themselves, but also to the companies who work with them.

The Australian company manages this by having an excellent relationship with the shipping supplier they use, who delivers relatively small quantities of parts on a regular basis. They also have good relationships with their own suppliers of raw materials and build parts well ahead of time to allow for production and shipping times.

Low stock levels

There are a number of reasons why stock could either completely run out or reach low levels. Here are some situations where this may occur.

Increased sales

A sales promotion could be more successful than expected, resulting in low or nonexistent stock levels. Be prepared to quickly reorder stock so minimum stock levels are reached again and normal trade can resume.

Late delivery

A supplier of resources may not deliver on time or at all, which could mean your own resource levels run dangerously low. Make sure you have good working relationships with suppliers and have systems in place to alert you if deliveries are late. Have excess resources on hand if there is the possibility of this occurring.

Damaged goods

Resources are damaged and cannot be used – make sure you have contingency plans in place that anticipate potential damaged stock scenarios and prevent the most likely problems happening in the first place.

Costs of resource surpluses

Just as resource shortages can cause serious problems for businesses, so too can resource surpluses. The costs associated with resource surpluses are outlined in the following information.

Cost of storage space

Storage of goods requires space, and space costs money in the form of rent or mortgage repayments. If the goods stored are large or bulky, then you need even more space to keep them. Costs continue to mount if goods require special storage conditions, such as high-quality bottles of wine that need storing in cellar conditions or chilled food that needs refrigerated storage conditions.

Cost of paying suppliers of goods

The companies that supply the resources you are storing will want to be paid, so if your company is holding a high level of stock you will have to pay for the resources within the terms of trade stipulated by your supplier – potentially tying up significant amounts of capital that could be used for other purposes.

Cost of maintaining stock	There may also be costs associated with keeping resources in proper conditions to ensure they do not deteriorate. This may include special warehousing conditions or may involve labour costs such as watering and fertilising plants at a garden centre or moving or rotating stock to ensure good airflow around items that could become mouldy.
Impact on cash flow	Because money is tied up in paying for resources as well as the costs of storing them properly, the cashflow of the business may be impacted and it may become difficult to find money for day-to-day business expenses; for instance, paying bills or staff wages.

Causes of resource surpluses

There are many possible causes of resource surpluses. These can include:

- lack of demand for items that are ready for sale (or demand is strong yet does not meet projected demand levels)
- incorrect delivery of goods
- incorrect or double-up of ordering of goods
- production and manufacturing processes do not use up raw materials as quickly as anticipated.



Practice task 9

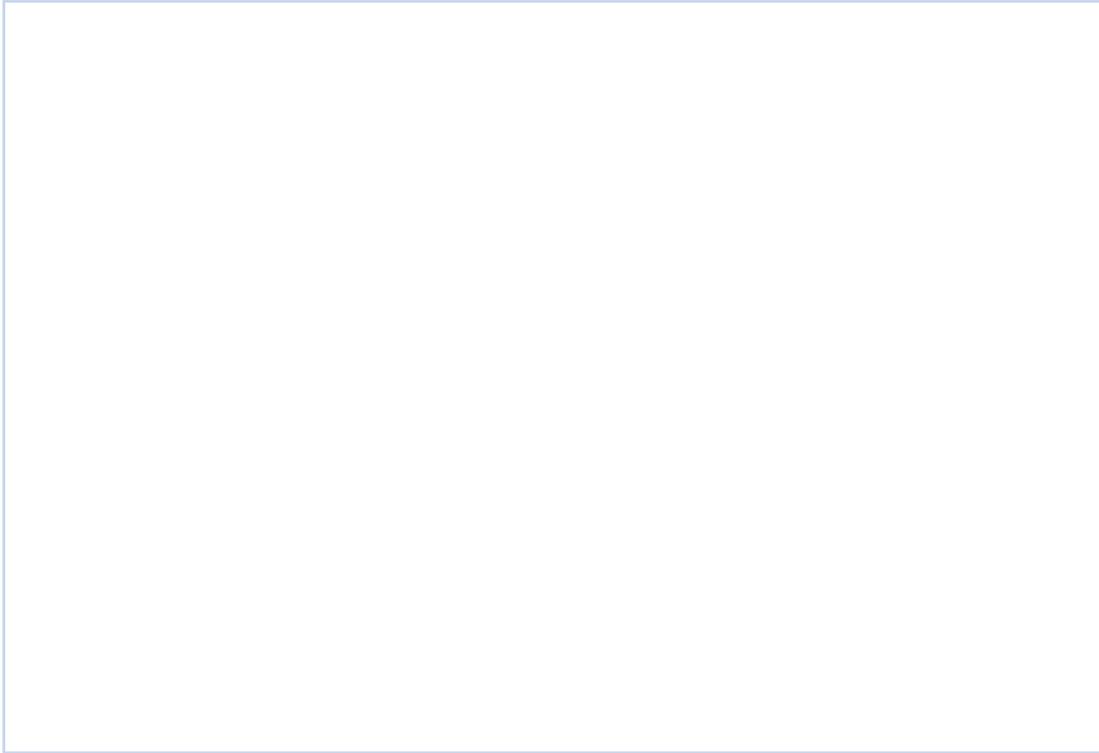
Think of some of some examples of resource management in an organisation and outline possible strategies that could be used in the following situations.

1. To remedy a surplus of resources.

continued ...

... continued

2. To minimise the impact and cost of a resource surplus.



3B

Develop and implement systems to monitor resource usage

An organisation needs to monitor its resource usage and levels effectively to know when resources will be required in the future and to assess its performance in managing resources. Effective tracking of resource usage enables the business to assess whether its actual resource usage has exceeded its budgeted usage. This facilitates greater cost control and an optimal usage of resources.

There are several commonly used methods for keeping track of the resources used by an organisation, which include:

- the perpetual inventory system
- the physical inventory system
- fixed asset register
- stocktaking
- stock coding.



The perpetual inventory system

The perpetual inventory system enables a business to keep continuous records of all incoming and outgoing resources. Whenever stock or other business resources are bought or sold/disposed of, business records are updated instantaneously to record these movements.

This system can use stock cards to record stock movements but most organisations now have a computerised inventory system that keeps up-to-date data on stock holding of various resources and can produce reports and other tools that can be used to review and reorder resources where necessary.

The principle of the perpetual inventory system is that there is a record (or stock card) for every line of stock or resource. The balance of the record or on the cards should match the stock that is physically on hand at any given time.

There are many different computer packages available for computerised stock control. Some organisations develop their own registry using spreadsheet software such as Microsoft Excel.

The advantages and disadvantages of a perpetual inventory system are shown in the following information.

Advantages

- The quantity of resources on hand is known at all times and it is easy to advise anyone as to the exact level of present resources.
- Reordering is more efficient because reports outlining resource quantities can be easily produced to indicate when resource levels are low.
- Theft is controlled, as losses/discrepancies are easy to identify.
- The usage rate of each resource can be determined, which assists in identifying items that are fast or slow moving.

Disadvantages

- There are high establishment costs in implementing the system and acquiring the accounting/logistics software required.
- Extensive record keeping can be expensive and time consuming, particularly if a manual system is used.

Stock management with a perpetual inventory system

In a perpetual inventory system, a physical stock count is performed at least once a year to reconcile the records with the actual stock on hand. If there is a discrepancy between the resource levels shown on the computer system and the physical stocktake numbers, the information in the computer system needs to be adjusted to reflect accurately what is physically on hand.

Most organisations have computerised some, if not all, aspects of resource management. This might involve a sophisticated software application dedicated to the industry.



Point-of-sale systems

A point-of-sale (POS) system, such as MYOB RetailManager, records retail sales at the point of purchase, which allows you to track and evaluate stock items in real time. While applications vary in sophistication and price, most connect with a range of hardware peripherals such as barcode readers, docket printers, pole displays and electronic cash drawers. This means with every transaction, the turnover, revenue and gross profit on each line of stock can be assessed in real time.

An advantage of these computerised systems is that they come with a purchase order system and alert you to low stock levels. They compare the performance of stock by item, range or supplier, as well as by a whole range of customisable criteria. They can identify which stock is slow, tying up the most funds and suffering consistent shortages or surpluses, as well as identifying stock usage and loss patterns.



The physical inventory system

In a physical inventory (or periodic) system, control of resources and stock is solely based on a manual count of the stock on hand. It does not involve keeping continuous records of stock. The only documents that provide a record of stock movement are purchase orders, invoices and delivery dockets.

Because manual counting is the only way to tell whether new stock is needed, it is common to count the resources on hand frequently. For stock, this may mean manually counting on a weekly basis.

The advantages and disadvantages of the physical inventory control system are provided below.



Advantages

- It is easy to use.
- It is inexpensive to establish.
- Slow-moving lines are easily identified. It is easy to use.



Disadvantages

- The time involved if stocktakes are required frequently.
- The time taken to check documents such as invoices, delivery dockets since the last stocktake to obtain accurate stock figures.
- Resource levels cannot be instantaneously determined – a manual count or stocktake is required.

Fixed asset register

A register can be kept of all of the organisation's fixed assets, which may represent some of its largest and most important resources, such as production machinery and equipment, motor vehicles and information technology and equipment. These items need to be tracked for taxation purposes, such as depreciation and disposal price. Tracking also provides a management option to identify the age of resources and support asset replacement programs.

A fixed asset register shows how fixed assets can be accounted for and managed in a simple way. This sort of register could be set up electronically as a spreadsheet or even as a simple table to allow your organisation to monitor the usage of its fixed asset resources. Here is one example of a fixed asset register.

If a fixed asset is to be resold, then its stock code should be amended; for example a 're-sale' prefix might be added to the existing code. By using this method, the product description is not lost, but any item for re-sale can be easily identified.



Item description	Quantity	Cost per unit	Total cost	Date purchased	Reorder quantity/ trigger	Located
Equipment						
Hewlett Packard laser printer	1	1,200.00	1,200.00	03/08/13	2,000,000 printouts/ pages	Central office
Hewlett Packard desktop colour printer	1	489.00	489.00	03/02/12	1,000,000 printouts/ pages	Publication office
Canon photocopier	1	4,630.00	4,630.00	10/04/13	5,000,000 printouts/ pages	Central office
Projector	1	590.00	590.00	04/09/12	As required	Boardroom
Compucon computers	10	2,500.00	20,500.00	03/08/12	New model released 30/6/14	General
TOTAL			27,409.00			
Motor vehicles						
Mitsubishi Magnas	4	6,238.50	24,954.00	25/06/10	Each vehicle replaced at 120,000 km	Sales department staff
TOTAL			24,954.00			
Furniture						
Corner work stations	5	599.00	2,995.00	05/05/10	As required	General
Desks	15	433.33	6,500.00	04/09/10	As required	General
Hipoint reception desk	1	415.00	415.00	05/05/10	As required	General
Igloo chairs	23	150.00	3,450.00	04/09/11	As required	General
3-drawer filing cabinets	3	586.00	1,758.00	08/04/10	As required	Accountant's office
TOTAL			15,118.00			

Physical stocktake

No matter what type of resource monitoring system the organisation uses, it is important to do a manual stock count periodically. Ideally, the system records should match the amount of stock physically on hand.

Large organisations might use a software package, such as MYOB RetailManager, to facilitate the monitoring of resources, while smaller organisations might have developed their own resource registry using a spreadsheet package such as Microsoft Excel or Microsoft Access. The advantage of a computerised package is that it enables the business to run a stocktake on individual items, groups of items or parts of the business at any time. However, from time to time, it is also necessary to perform a physical stocktake.



Example: the process of quarterly stocktaking

Freya is the office manager at Aussie Toys & Gifts. The store imports soft toys and novelty items that are sold to retail outlets such as florists. Their novelty items are also popular in showbags. Each financial quarter, Freya places an order with one of several suppliers in China. When the goods are received, her team updates the ledger on their customised database. Each time a packing slip (sales order) is raised, stock levels are automatically adjusted.

When stock levels reach a certain level, Freya is reminded to reorder by reports produced by the database, and she places a purchase order with the preferred supplier. She also has the option to transmit electronic orders automatically to the supplier once the economic reorder point is reached.

At any given time, Freya can print out a report on any item in the factory and trace its history. Freya also organises an annual stocktake to match a physical stock count with computerised records.

Sometimes, the physical count may be different from the records produced by the computer system. There may be a stock loss (less stock than stated) or a stock gain (more stock than stated).

When there is a discrepancy between the actual resources physically counted and the amount recorded in the computer system, the records in the computer system must be updated to show the correct figure.

Differences in recorded and actual resource numbers are usually caused by:

- theft
- breakage or other damage
- deterioration of the resource
- errors in recording incoming or outgoing resources
- failure to check or reconcile incoming resources against delivery docket/invoice
- out-of-date or superseded resources that have to be discarded or sold at a lower cost.

Stock codes

It is important that stock be easily identified – both visually and within computerised systems. If stock can't be easily identified then resource planning, usage monitoring and forecasting becomes difficult.

Stock coding is particularly important for organisations that:

- receive resources from a variety of suppliers
- receive large volumes of resources
- run a warehouse
- need to quickly access resources

- monitor resource usage via a computerised system
- want to be able to quickly verify that resource deliveries match with what was ordered.

Example: how supermarkets overcome stock identification problems

Major Australian supermarkets have massive 24-hour, 7-day-a-week distribution centres located around Australia that distribute groceries, fruit and vegetables, liquor and refrigerated items to supermarkets nationally. Not only do they receive extremely large volumes of goods each day, the range of stock they hold is huge too – well into the tens of thousands of items.

Their computer system needs to be able to identify each line of stock in a consistent way. Using stock numbers or the names of each product wouldn't work as there are too many variables used by each company. For example, some shampoos and conditioners have the same name but multiple varieties for different kinds of hair (straight, permed, coloured, curly, etc.). If product names were used as identifiers, it would not be a simple process to see quickly what was on the shelf or what was being delivered and it would be easy to make an error when comparing two different product lines that had identical names except for the fact that one was for straight and one for frizzy hair.

To manage this, they issue their suppliers with codes for each item of stock. These codes have to be displayed on the boxes that come into the warehouse. Each code has a barcode that allows it to be read by electronic scanners at goods inwards and on the shelf where each product is stored.

This way, every product has a consistent code and the distribution centre staff can quickly check the product matches up with the order and the computer system can reconcile the receipt of goods with their computer system.

Resource identification components

Many organisations use five basic components to identify different resource items as outlined here.

Name or code	The name of the item. The name may be coded according to the type of computer program used in the business. The name often links the supplier to the user in the purchasing chain. It must be clear to prevent duplication caused by a variety of similar items.
Stock number	Enables quick identification and reference of each unique resource item.
Precise description	The characteristics of the item. This will vary in complexity and detail depending on the nature of the item and the quality required.
Classification	The means by which items are grouped for purposes of effective management and accounting procedures.

Stock price

This is usually only recorded for resources re-sold by the business such as stock. For other resources, such as photocopiers or production machinery, the cost to the business of the item is recorded.

Example: resource identification components

The following example demonstrates how resources are identified by a clothing company.

Stock code	Stock number	Stock description	Classification	Price/cost (\$)
TPROA1 6LPTSNLN	15	Trackpants Nylon Royal Lined	Adults trackpants size 16	25.00
TPROA1 6LPTSNLT	16	Trackpants Taslon Royal Lined	Adults trackpants size 16	25.00
TPROA1 6LPTSNUUN	17	Trackpants Nylon Royal Unlined	Adults trackpants size 16	19.50
TPROA1 6LPTSNUU	18	Trackpants Taslon Royal Unlined	Adults trackpants size 16	19.50
TPROA1 6LPFLXX	19	Trackpants Fleecy Royal	Adults trackpants size 16	17.50

Practice task 10

1. What is the purpose of coding resources that are not for re-sale; for example, photocopiers, computers, machinery?

2. Using the five component system for identifying resources, how could stock for re-sale be coded and how would this differ to how other resources are coded?

3C

Identify improvements in resource planning

There may be occasions when the organisation's systems break down, resulting in resource shortages and surpluses. Most businesses seek to improve all aspects of their operations, a process known as continuous improvement.

Improvement can incorporate a range of different objectives but for most businesses it usually includes reducing expenditure where possible, making better use of time and generally doing things in more efficient ways.

If your organisation aims to improve how they do things continually, this means identifying how resource planning can be improved. In turn, this may involve consulting with others and seeking their feedback on the processes currently used. Once this information has been gathered, it needs to be analysed, reviewed and, where appropriate, changes to the current system implemented.



Seek feedback to improve resource planning

Methods of seeking feedback from staff, managers, clients and suppliers to improve resource planning are provided in the following information.

Client response

Asking customers and clients to provide responses on the effectiveness of your current resource planning systems using surveys, questionnaires, one-on-one discussions, feedback forms or other tools.

Staff feedback

Asking employees of your organisation to provide similar feedback using one or more of the methods listed above.

Order analysis

Analysing purchase orders and trends including the number and quantity of orders.

Financial forecasts

Using financial forecasts prepared by your organisation's finance or accounting team to see what trends are anticipated in terms of future resource orders and understanding how these forecasts have been made.

Invoice analysis

Gathering and analysing invoices from suppliers to track costs, dates of orders, delivery times and so on to understand how ordering is taking place. Is it reactive or proactive? How quickly are orders taking to be delivered? Does ordering match up closely with forecasts?

Usage readings

Taking readings from machinery or other devices, such as meters, that reliably show usage of a resource or item of machinery. If no meters are available, targets could be developed so ideal usage levels are easily understood and then compared to actual readings, to see how efficiently resources are used and whether planned resource usage reflects reality.

The importance of feedback and consultation

There may be occasions where the late arrival of resources can hinder an organisation's activities. This may occur due to inefficient ordering processes, staff not using the ordering system efficiently or simply a lack of feedback and communication.

In these instances, you need to evaluate your procedures with staff members and seek their feedback on which procedures are not being followed and for what reasons. Are administration workers or data-entry staff having difficulty accessing computers in the warehouse to record stock movements? Are there insufficient stationery items such as purchase order forms? Are incorrect forms being used?

Examples of the importance of feedback and consultation in stock management include:

- the company's sales team might fail to communicate to you their urgent need for some advertising material about a forthcoming promotion
- the production team may be too slow placing a requisition order for some urgently needed raw material
- the inventory control function may be ineffective owing to incorrect data-entry procedures
- people may not be recording their use of resources accurately
- stock purchased may be misplaced.

Example: supplier increases costs without notification

You might discover that a supplier has increased their costs without informing you, as in the following example.

At Longs and Co., the director notices the expenditure for the month's supply of A4 paper has suddenly doubled. He asks Jim Short, the office manager, to explain. Jim consults Peter, the accountant, and checks invoices from Remy Papers. It appears the regular supplier has increased their prices. In consultation with Peter, Jim decides to include all prices on every purchase order, with a note that he must be notified about any price changes or discrepancies to the stated price.

continued ...

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The resource coordinator, or the appropriate individual or team within an organisation, must keep each department informed about:

- disruptions to supply
- unforeseen price rises
- any change in suppliers
- alternative or improved products on the market
- problems with the supplier's manufacturing or delivery schedule.



Example: staff feedback

You might decide to distribute staff surveys or questionnaires enquiring about perceived problems with resource acquisition and monitoring. It is also a good idea to hold an information session so staff can raise their concerns. If your organisation has a large number of staff, you may want to hold a workshop for particular divisions or for team managers or supervisors or, as the following example demonstrates, select a sample of employees to provide you with feedback.

The following feedback was collated by the resource manager at a recent workshop held at The Pines Management Services Pty Ltd. You can clearly see how feedback translated in a series of recommended improvements.

Feedback	Suggested improvements/solutions to resource planning issues
We have often asked for temporary staff for priority bulk mail-outs and the staff have not been hired on time.	• Marketing team to inform resource team earlier about requirements so as to order staff earlier.
	• Make enquiries with other agencies that supply temporary staff.
	• Improve relationship with contracted agency.
When we got temporary staff in last time they didn't put the right brochures in the envelopes.	• Register a complaint with the agency and express a desire for more appropriate casual staff.
The toner we have received lately for the printer has caused black marks at the bottom of the paper.	• Return toner to supplier seeking reasons for poor quality.
	• Source alternative suppliers.
We keep running out of milk in the kitchen.	• Establish a running account with milk bar next door and increase quantity of milk delivered every second day.
My computer keeps crashing.	• Discuss with IT support firm and investigate possibilities of a new computer (consult manager and review budget allocation).

continued ...

... continued

Feedback	Suggested improvements/solutions to resource planning issues
My computer keeps crashing.	<ul style="list-style-type: none"> Discuss with IT support firm and investigate possibilities of a new computer (consult manager and review budget allocation).
Our team books the meeting room and when we go in there for a meeting there are often other staff members in there with clients, and we can't interrupt.	<ul style="list-style-type: none"> All staff must comply with rules for booking the meeting room.
Goods are consistently arriving late.	<ul style="list-style-type: none"> Increase the lead-time of goods where they consistently arrive late – one way of doing this would be to have all departments provide advance information to the resource coordinator about their material requirements, on a regular basis, well in advance of delivery dates
Our paper supplier keeps supplying the incorrect number of reams for our orders.	<ul style="list-style-type: none"> Change your supplier where there are consistent errors occurring or the quality of resources ordered is substandard – it might also be worthwhile reviewing quality control statistics regarding the quality of purchased products as a basis for selection of suppliers of new products and/or change of supplier of existing products.

Practice task 11

Describe how each of the following resource planning issues from the previous example could impact on an organisation if the information was not effectively passed on to others within the organisation.

1. We have often asked for temporary staff for priority bulk mail-outs and the staff have not been hired on time.

2. When we got temporary staff in last time they didn't put the right brochures in the envelopes.

continued ...

... continued

3. The toner we've got lately for the printer has caused black marks at the bottom of the paper.

4. My computer keeps crashing.

5. Our team books the meeting room and when we go in there for a meeting there are often other staff members in there with clients, and we can't interrupt.

3D

Maintain records of equipment and resource purchases

Keeping a record of the stock and equipment the organisation purchases, hires and leases is extremely important. All organisations keep documentation such as receipts, invoices, leasing contracts and purchase orders to monitor their business activities and as evidence when claiming refunds, returning goods or for tax purposes. Records are also kept to monitor usage rates and identify the resources currently in stock.

Although organisations differ as to the type of records they keep, most have specific requirements as to what should be documented, how records should be stored and filed, and for how long.



Resource records

One of your responsibilities may be to know the stationery and consumables usage and stock on hand at any given time. Stock cards are an aid to stock monitoring and can be collated and evaluated to prepare a stock report on any item at any time. Alternatively, maintaining an up-to-date computer database using the perpetual inventory system means resources on hand can be assessed at any given time.

You may be required to regularly report on resource usage, perhaps by department, or by employee in some cases, as well as provide a comparison of usage, projected usage and estimated requirements.

The types of records organisations use vary depending on their requirements, the kind of resources they need to monitor (raw materials, finished products for distribution, office supplies, etc.), the size of the organisation and the amount of money they are prepared to invest in their inventory management systems.

The records and information kept may include:

- computerised or manual data
- financial statements
- lists of stock and inventory control reports
- purchase orders
- invoices
- quotes
- maintenance schedules for equipment
- order forms
- petty cash forms
- supplier lists and alternative sources for items
- prices of goods (preferably with a cost breakdown)
- quality levels
- availability
- terms of trade.

Resource usage reports

Depending on the degree of computerisation in your organisation, you should be able to obtain records from your computer system for a range of resource usage reports and records.

Specific stock reports include:

- current stock levels
- stock movements
- goods received on any given day or week
- prices by grade
- returned goods by supplier.



Information systems and records on resource purchases and usage

The following points look at how more commonly used information systems can help organisations keep records on resource purchases and resource levels.

Computerised resource management

Most organisations with any reliance on physical stock make use of powerful, computer-based IT systems that provide users with a wealth of information that help them plan for, manage, allocate and keep records on resource purchases and levels.

As long as the system is set up and kept up to date, these systems can provide real-time data on stock holdings, generate reports on ordering trends and help anticipate future use of different resources. Without these computer systems in place, many organisations would not be able to manage stock levels as effectively as they do and could not have production planning systems in place or just-in-time stock management programs, which can lead to significant cost savings.

Resource reports and lists

These are usually generated by the types of computer systems discussed earlier and are aids for management and staff in understanding what resources are required for future use. Lists of resources help identify which items are at risk of being overstocked or under-stocked, and can help managers and staff effectively manage resource levels and ranges. In the absence of a computer-generated list, manual resource lists can also be compiled that show the item in stock and the quantity on hand at any given time.

Example: stock report

The following example is a computer-generated stock report that informs the business manager at Fashion Statements of the location of its fabric. At any given date, the manager can ascertain how many rolls of fabric and collars are at each of its warehouses.

Perth warehouse			Broome warehouse			
Colour fabric	Rolls of fabric	Collars	Date purchased	Rolls of fabric	Collar	Date purchased
Purple	7	200	04/05/15	10	700	03/05/15
Lemon	10	150	03/05/15	15	1,050	04/05/15
Navy	7	20	04/05/15	20	1,000	03/05/15
Royal	14	300	04/05/15	20	1,000	03/05/15
Cream	7	20	05/05/15	15	1,400	05/05/15
White	10	80	06/05/15	17	1,350	05/05/15
Natural	10	--	06/05/15	15	350	06/05/15
Gold	7	20	07/05/15	30	1,500	07/05/15

Taxation requirements

As in all other aspects of business, stock records must be kept for a certain period (generally between five and seven years). The Australian Taxation Office requires that records be kept for at least five years and the Australian Securities and Investments Commission requires all incorporated organisations maintain their records for a period of seven years. However, for all consumable items such as stationery, these rules apply only to the invoices from the suppliers.



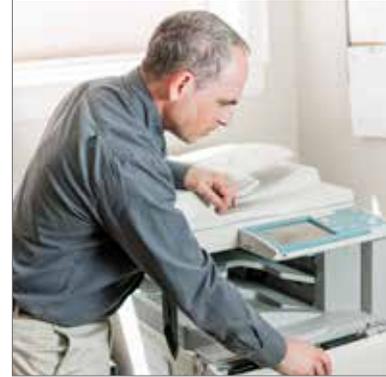
Resource transaction data

Resource transaction data includes records of purchase orders, order forms, quotations received and invoices issued. This information can help managers and staff retrospectively understand how needs for various resources were fulfilled. These records can also help identify where improvements can be made and act as a check that actual orders and usage closely reflect what was forecast.

Maintenance schedules for equipment

Most machinery and equipment used in offices or manufacturing facilities have regular maintenance schedules. If equipment suddenly requires more than normal services or seems to be breaking down a lot, then this may signal it is time for that particular resource to be replaced or to have a major service. The costs of service calls and replacement parts can be very large for an organisation, and may impact on cashflow if scheduled services and maintenance calls are factored into the organisation's financial plan.

Records should be kept of major equipment items that require regular maintenance. They should include a service history, when the next service is due and the details of the person or company responsible for carrying out the service. These records should be maintained for computers, photocopiers, printers and other plant and equipment requiring regular maintenance. By keeping reliable, up-to-date and accurate records, relevant details can be supplied when requested.



Practice task 12

What information is contained in resource usage reports and how is the information used to facilitate the monitoring of resource usage?

Summary

1. Business and operational plans, as well as historical data on resource usage, assist an organisation to forecast its future resource needs.
2. An effective resource planning system should ensure that resource levels, order sizes and ordering frequency are all planned for on a long-term and ongoing basis.
3. It is important to evaluate the actual costs and expenditure associated with stock and resources to determine whether the business is achieving the financial targets described in its operational and business plans. A computerised inventory system will facilitate this process for many organisations.
4. There are a range of costs associated with acquiring and holding resources including acquisition costs, ordering costs and carrying costs. Therefore, it is good business practice to regularly monitor and review resource quantities and costs.
5. Resource shortages and surpluses can have a serious impact on business operations. Planning resource usage and closely monitoring stock levels is an essential part of any resource coordination program.
6. There are several commonly used methods of keeping track of stock and equipment owned by an organisation. These include:
 - the perpetual inventory system
 - the physical inventory system
 - fixed asset register
 - stocktaking
 - stock coding.
7. If your organisation aims to continually improve, you will need to identify how resource planning can be improved by consulting with others and seeking their feedback on the processes currently used.
8. Keeping a record of resource purchases and usage is extremely important in order to monitor resource management performance and to make plans.

Learning checkpoint 3

Monitor and report on resource allocation and usage

This learning checkpoint allows you to review your skills and knowledge in monitoring and reporting on resource allocation and usage.

Part A

1. Explain how your organisation, or one you are able to research, can effectively plan to minimise the following resource costs:
 - acquisition costs
 - ordering costs
 - carrying costs.

2. With regard to resource shortfalls and surpluses:
 - a) What are the costs to the organisation if resource shortfalls or surpluses occur?

- b) What are some of the potential causes of resource shortfalls and surpluses?

c) How can the organisation plan to avoid resource shortfalls and surpluses?

Part B

1. For each of the major types of resources your organisation purchases, explain which of the following methods or systems are used to monitor its usage:
 - the perpetual inventory system
 - the physical inventory system
 - fixed asset register
 - stocktaking
 - stock coding.

2. How could the methods of monitoring resource usage you previously describe be improved in your organisation?

Part C

Explain how resource planning can be improved in your organisation through effective consultation and feedback from relevant people throughout the business. What methods of consultation and feedback can be used?



Part D

List the records your organisation keeps, or should keep, on resource purchases and usage. For each type of record, explain how it facilitates the business in monitoring its resource usage and planning for future resource requirements.

