BSBMGT608
Manage innovation and continuous improvement
Release 1

Learner guide

Aspire learning resources

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Aspire Version 1.1

Aspire learning resources

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BSBMGT608 Manage innovation and continuous improvement Release 1

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Contents

Before you begin

This learner guide is based on the unit of competency *BSBMGT608 Manage innovation and continuous improvement*, 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
Learning	• Plans and implements strategies to review and improve own performance
Reading	• Analyses, evaluates and integrates facts and ideas to construct meaning from a range of text types
Writing	• Integrates information and ideas from a range of sources, utilising appropriate support materials • Communicates complex relationships between ideas and information, matching style of writing to purpose and audience
Oral communication	• Participates in a variety of spoken exchanges with co-workers and stakeholders when developing options and implementing the continuous improvement plan
Numeracy	• Selects and interprets mathematical information to analyse performance • Performs calculations required to establish timeframes, cost-benefits and measures for continuous improvement and innovation processes
Navigate the world of work	• Adheres to organisational policies and procedures and considers own role in terms of its contribution to broader goals of the work environment
Interact with others	• Recognises the importance of taking audience, purpose and contextual factors into account when making decisions about what to communicate, with whom, why and how • Recognises the importance of building rapport to establish positive and effective working relationships • Collaborates with others to achieve joint outcomes, playing an active role in encouraging innovation and facilitating effective group interaction

Foundation skill area	Foundation skill description
Get the work done	• Plans, organises, implements or reviews organisational strategies, systems and processes • Applies problem-solving processes to identify risks, evaluate options and determine solutions • Uses lateral and analytical thinking to evaluate options against needs, resources and constraints before making decisions • Facilitates a climate in which creativity and innovation are accepted as an integral part of achieving outcomes • Recognises that the current way is only one way of doing something and explores possibilities that challenge current approaches • Actively identifies systems, devices and applications with potential to meet current and or future needs, with the help of specialists

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 Review programs, systems and processes	1A Establish strategies to monitor and evaluate key systems and processes	❑ Confident ❑ Basic understanding ❑ Not confident
	1B Analyse supply chains and operational, product and service delivery systems	❑ Confident ❑ Basic understanding ❑ Not confident
	1C Identify and evaluate performance measures, assessment tools and techniques	❑ Confident ❑ Basic understanding ❑ Not confident
	1D Analyse performance reports and variance from plans	❑ Confident ❑ Basic understanding ❑ Not confident
	1E Identify and analyse trends and opportunities, seeking advice from specialists, where appropriate	❑ Confident ❑ Basic understanding ❑ Not confident

Topic	Key outcome	Rate your confidence in each section
Topic 2 Develop options for continuous improvement	2A Brief groups on performance improvement strategies, innovation and competitive advantage	❑ Confident ❑ Basic understanding ❑ Not confident
	2B Foster creativity and promote organisational learning	❑ Confident ❑ Basic understanding ❑ Not confident
	2C Determine the feasibility of new ideas	❑ Confident ❑ Basic understanding ❑ Not confident
	2D Understand approaches to implementing innovation initiatives	❑ Confident ❑ Basic understanding ❑ Not confident
Topic 3 Implement innovation and improvement processes	3A Develop transition plans	❑ Confident ❑ Basic understanding ❑ Not confident
	3B Support change during transitional phases	❑ Confident ❑ Basic understanding ❑ Not confident
	3C Monitor innovations and improvements	❑ Confident ❑ Basic understanding ❑ Not confident
	3D Evaluate continuous improvement systems	❑ Confident ❑ Basic understanding ❑ Not confident

Topic 1
Review programs, systems and processes

Sustainability through innovation in and continuous improvement of key organisational areas, systems and processes is critical for organisations competing in today's dynamic and global environment. An organisation's success is a result of its ability to manage and integrate customer service, marketing, production, delivery, information and finance – to deliver products and services to customers. The key to creating and sustaining this success is based on continuous improvement models and practices.

In this topic you will learn how to:

1A Establish strategies to monitor and evaluate key systems and processes

1B Analyse supply chains and operational, product and service delivery systems

1C Identify and evaluate performance measures, assessment tools and techniques

1D Analyse performance reports and variance from plans

1E Identify and analyse trends and opportunities, seeking advice from specialists, where appropriate

1A Establish strategies to monitor and evaluate key systems and processes

Continuous improvement has become one of the most important processes of management. It now operates in conjunction with the long-standing processes of planning, organising, operating and controlling. Continuous improvement is a philosophy used to create opportunities for ongoing positive change and sustainability of key systems and processes.

In this section, we explore organisations' approaches and methods to achieve sustainability, with a focus on excellence frameworks and continuous improvement models and approaches. You will find that these approaches and methods, and strategies to implement them, are identified in your organisation's plans, such as the strategic, business and operational plans relating to key areas such as production, marketing and logistics.

Continuous improvement

The concept of continuous improvement is derived from a Japanese approach called *kaizen,* which literally means 'change for the better'. Kaizen-type improvement typically involves small, incremental changes with a limited cost, and involves effort by everyone in the organisation, rather than one major change.

Continuous improvement has evolved beyond the incremental kaizen approach to incorporate innovation, sustainability and change-management processes. This enables an organisation to respond to the rapid changes of today's business environment.

Innovation

In business, innovation refers to the process of implementing a creative idea to improve a product, service, system or process; to create value for the organisation or customer; and, ultimately, to achieve organisational sustainability. Innovation may involve developing or redeveloping organisational systems, making improvements to organisational processes, or introducing or improving products and services.

Watch the 2012 TEDx presentation 'The new rules of innovation' in which Carl Bass, president and chief executive officer of Autodesk, Inc., a leader in 3D design, engineering and entertainment software, discusses the meaning of innovation, its importance and how it works in organisations. This video is available at: www.youtube.com – search for 'TEDx Carl Bass'.

The learning organisation

The term 'learning organisation' was developed by Peter Senge (a systems scientist) in 1990 to describe an organisation that has the ability to continuously adapt to changes in the environment through the development and sharing of new knowledge.

The concept of the learning organisation supports continuous improvement and promotes innovation. Without a commitment to learning and the development of the skills and knowledge required to implement new ideas, continuous improvement cannot occur.

In a learning organisation, each employee is encouraged to observe what is going on around them and attempt to understand what is happening, why it is happening, and what should be done as a result. For example, engineers and designers are looking at new technology and thinking how it could be used for existing or new processes and new products. Sales and marketing staff are analysing new markets and new competitors to identify opportunities to increase performance.

To learn more about the learning organisation, visit the Society for Organizational Learning's website at: www.solonline.org and click on 'What is organizational learning?'.

Organisational sustainability

Sustainability refers to an organisation's economic, environmental and social viability. To achieve organisational sustainability, the management team needs to continually assess relevance to stakeholders, including organisation members, shareholders or owners, customers and members of the community. It needs to ensure that the organisation's activities do and will continue to create products and services that provide value to these stakeholders. This can be done by measuring performance and evaluating capability to use human, technological and financial resources to be successful in the future.

In relation to environmental sustainability, the effective use of resources (such as electricity and raw materials) to ensure minimum waste occurs will save money and address legislative and social responsibilities.

Two popular frameworks for achieving sustainability are the Balanced Scorecard and the Australian Business Excellence Framework.

The Balanced Scorecard

The Balanced Scorecard (BSC), developed by Kaplan and Norton in 1992, is a management tool that assists in strategy development, implementation and performance management, including measurement. The scorecard measures achievement and shows it to stakeholders; it focuses on all the major elements of performance, without favouring any particular one.

Below is an overview of the BSC. For further information, visit the Balanced Scorecard Institute's site at: www.balancedscorecard.org and click on 'Resources' then 'About the Balanced Scorecard'. You should also watch the video 'The Balanced Scorecard', produced by the Harvard Business Review, in which Kaplan discusses his work. This video is available at www.youtube.com – search 'Balanced Scorecard Kaplan'.

Measurement benefits

Kaplan and Norton argue that an effective measurement system enables an organisation to:

- determine whether the activities occurring in the organisation support the achievement of organisation's goals and objectives
- determine whether those goals and objectives move the organisation closer to the stated vision
- see where the organisation is and where it is going.

BSC benefits

According to Kaplan and Norton, the Balanced Scorecard:

- measures the processes that drive performance and identifies the processes that are strategic
- complements financial measures of past and current performance with measures of the drivers of future performance
- captures critical value-creation activities
- translates a strategy into measurable objectives
- can drive organisational change, providing a focus and integration for continuous improvement
- can be used as a management system for long-term growth, therefore creating sustainability.

BSC perspectives

Kaplan and Norton believe an organisation should be viewed from four perspectives: financial, customer/stakeholder, internal business processes and learning growth.

Managers should develop objectives, measures and metrics; collect data; and analyse the data for each perspective.

The argument is that improving performance in the learning and growth perspective enables the organisation to improve its internal process perspective objectives, which in turn enables the organisation to create desirable results in the customer and financial perspectives.

Example: applications of the Balanced Scorecard

For examples of the application of the Balanced Scorecard, see:

- Australian Taxation Office, Literature review: measuring compliance effectiveness 2007, at: www.ato.gov.au – search for the report title and download the pdf
- Queensland Government, Department of Infrastructure, Local Government and Planning, 'Strategic planning frameworks', at: www.dsdip.qld.gov.au/councils-toolbox/strategic-planning-frameworks.html – select '3.5 The Balanced Scorecard'
- The Balanced Scorecard Institute, 'Examples & success stories', at: www.balancedscorecard.org – click on 'Resources' then 'Examples & success stories'

The Australian Business Excellence Framework

The Australian Business Excellence Framework (ABEF) was developed in 1987 by the Commonwealth Government and industry members to assist Australian enterprises to become more effective, efficient and competitive. It was designed to help businesses explore organisational beliefs and strategies, to look for links and measurable activity, and to test results for long-term success. The ABEF links to the ISO 9000 quality series standards. It has been managed by SAI Global, a private company, since 2001.

Understanding the ABEF

The ABEF encourages organisations to take a holistic approach to management. The framework can incorporate approaches such as the Balanced Scorecard, ISO 9001, benchmarking, process management, risk management, corporate governance, Lean Six Sigma and project management.

The ABEF uses performance categories and key principles to create an integrated leadership and management system. The seven performance categories are:

- leadership
- customers and stakeholders
- strategy and planning
- people
- information and knowledge
- process management, improvement and innovation
- results and sustainable performance.

The nine key principles that underpin the ABEF are shown below.

Key principles of the Australian Business Excellence Framework

1

Principle 1

Clear direction and mutually agreed plans enable organisational alignment and a focus on achievement of goals.

2

Principle 2

Understanding what customers and other stakeholders value, now and in the future, enables organisational direction, strategy and action.

3

Principle 3

All people work in a system. Outcomes are improved when people work on the system and its associated processes.

4

Principle 4

Engaging people's enthusiasm, resourcefulness and participation improves organisational performance.

5

Principle 5

Innovation and learning influence the agility and responsiveness of the organisation.

6

Principle 6

Effective use of facts, data and knowledge leads to improved decisions.

7

Principle 7

Variation impacts predictability, ability and performance.

8

Principle 8

Sustainable performance is determined by an organisation's ability to deliver value for all stakeholders in an ethically, socially and environmentally responsible manner.

9

Principle 9

Leaders determine the culture and value system of the organisation through their decisions and behaviours.

Source: SAI Global, GB 002-2011 *The Australian Business Excellence Framework*

Example: using the ABEF to manage improvement and innovation

The following outlines how an accounting and management consultancy firm applies category six (process management, improvement and innovation) of the ABEF to its business management system.

Management system objective

Continuously improve the business management system and develop adaptability and responsiveness based on a culture of continual improvement, innovation and learning.

ABEF item 6.2, process improvement and innovation

Excellent organisations use structured methods to improve their processes and achieve efficiency and effectiveness for all stakeholders. They learn, prepare for change and maintain the agility needed to meet new challenges as they arise.

Approach:

Defining and implementing a consistent methodology to facilitate process improvement:

- The Firm has a management system in place that outlines how activities are conducted.
- Information Technology Services uses the PRINCE2 methodology.
- The Firm has an annual review process that assesses the previous year's activities and provides opportunities for improvement for the following year.
- The Firm has staff development opportunities that are administered through the Human Resources Unit.
- The Firm has a planning team in place to provide guidance with creating functional and operational plans.

Establishing processes to capture and exploit innovative opportunities:

- Results from internal audits conducted by risk management and audit assurance are captured in a tracking database.
- Results from internal assurance reviews and customer feedback are captured in the Improvement and Feedback Register and items are tracked through management review meetings.
- The operations management team has provided opportunities to review and refine processes to avoid duplication in the areas of finance, information management and information technology.

Involving staff in the improvement process:

- All staff participate in Business Excellence Framework teams.
- Staff participate in internal assurance reviews and audits.
- Staff participate in risk management and audit assurance internal audits.
- Staff prepare for audits conducted by the ABEF to identify areas for improvement.
- Staff are able to discuss their individual performance against operational plans and the Firm's strategic goals, and address professional development activities via the performance management system.

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Learning from others:

- Staff attend conferences and disseminate information from these conferences.
- The Firm undertakes benchmarking and has a benchmarking policy.
- The Firm has networking arrangements in place; for example, Certified Practicing Accountants.
- The Firm has developed a mentoring program where staff can either elect to be mentored or act as a mentor.
- Staff are encouraged to become members of professional and industry associations.
- Staff represent the Firm on consultative committees.

Deployment:

- The Firm has achieved ISO 9001:2004 Quality Management Systems Certification.

Improvement:

- Replace the existing risk and audit assurance database with a web-based quality assurance system.
- Review and improve the performance benchmarking policy and procedures; communicate changes to stakeholders.
- Conduct a risk analysis to determine which improvements have greater priority and implement these improvements.
- Establish a process map illustrating the improvements that are to be undertaken and when.

The organisation's control system

Measuring organisational performance is the first critical stage in a control system. An organisation's control process involves continuous monitoring, regular comparisons between planned and actual performance, and corrective actions or revisions of objectives and indicators to improve performance. Here is an outline of those three organisational control processes.

1. Measure performance

How performance is measured, the tools and techniques to be used, and what is to be measured should be outlined. Measurement is generally focused on analysis of performance compared to what was forecast. Criteria are identified in performance measures.

2. Compare actual performance with planned performance

This step involves analysing the variance between actual performance and what was budgeted, forecast, projected or anticipated. Regular monitoring will reveal variance, and this variance is what will guide action to improve performance.

3. Improve performance

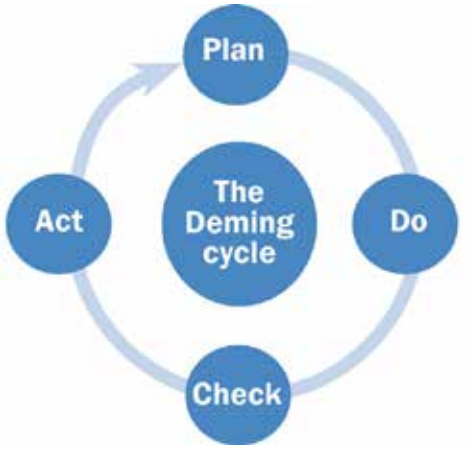
If the variance between actual and planned performance is minimal, no action is needed. If there is a large deviation, management take immediate corrective action to resolve issues, such as to redevelop a process to minimise time between steps.

Continuous improvement models and approaches

Continuous improvement practices vary depending on the goals and culture of the organisation, and the model it is following. Make sure you are familiar with your organisation's continuous improvement policy and the approaches used to identify areas for improvement, which may include improvement models and their processes such as process mapping, quality planning, problem-solving, and auditing and evaluations.

A typical improvement cycle is Deming's cycle, more commonly known as the 'plan, do, check, act' (PDCA) cycle, also known as the Deming cycle. Deming created the cycle in 1950s. The cycle involves the following:

- Plan: Identify an opportunity and plan for change.
- Do: Implement the change on a small scale.
- Check: Use data to analyse the results of the change and determine whether it made a difference.
- Act: If the change was successful, implement it on a wider scale and continuously assess results.



Begin the cycle again if the change did not work, or there are factors in organisation's external or internal environments that affect the program, system or process. For example, there may be improvements in technology that will enable the organisation to improve its product delivery efficiency.

Identify the organisation's approach

Many organisations have designated teams responsible for establishing improvement through quality management processes. Other organisations include responsibility for improvement in management roles, so the implementation and accountability for quality is spread across the whole organisation.

Some organisations develop strategies for monitoring and evaluating systems and processes following a particular method to the letter; others develop approaches using elements of a variety of methods, and incorporating other standards such as the ISO 9000 international standards to develop and manage quality systems.

Three popular approaches – Six Sigma, total quality management (TQM) and lean management – are presented in this topic. You should also find out about your organisation's approach.

Six Sigma approach

Six Sigma seeks to improve the quality of process outputs by identifying and removing the causes of defects and variability in the development of products and services in order to reduce waste and improve efficiency. In the Six Sigma philosophy, all work is viewed as processes that can be defined, measured, analysed, improved and controlled. Further information is available at the American Society for Quality's site at: www.asq.org – click on 'Knowledge Center' and then 'Six Sigma'.

Six Sigma uses a structured method known as the DMAIC methodology (define, measure, analyse, improve, control) to improve current processes as shown below.

The key tools involve the following quantitative and qualitative techniques:

- Statistical process control (SPC)
- Control charts
- Failure mode and effects analysis
- Process mapping to identify every step, activity and task in one process

Total quality management (TQM) approach

TQM is more a philosophy than a continuous improvement system. It focuses on continuous improvement of an organisation's internal processes. It increases the quality of the organisation's products and services and therefore improves customer satisfaction. TQM aims to embed awareness of and focus on quality in all organisational activities – to do things right the first time rather than responding to problems after the fact.

A critical technique used is quality circles: cross-functional teams of people who have different duties in a process or activity work together to identify where improvements can be made. The other critical technique is benchmarking, when the organisation measures its products, services and practices against competitors or industry leaders. Tools include flowcharting, statistical process control (SPC), Pareto analysis, cause and effect diagrams, and employee and customer surveys.

Further information is available at the American Society for Quality's site at: www.asq.org – click on 'Knowledge centre' then 'More topics A to Z' and choose 'Total quality management'.

Lean management approach

Lean processes are production practices that work from the perspective of the customer. In lean management, the expenditure of resources for any goal other than the creation of value for the end customer is considered wasteful, and thus a target for elimination. Lean management can incorporate Six Sigma and TQM principles and tools, so it is sometimes called 'lean Six Sigma'. Further information is available from the Lean Enterprise Institute's site at: www.lean.org – click on 'What is lean?'

Tools and techniques used in lean management include:

- 5S to eliminate waste
- kaizen
- kanban
- just-in-time
- key performance indictors aligned with strategic goals
- process mapping
- value stream mapping.

Key systems analysis

By analysing key organisational systems, managers can identify how systems work and make improvements for increased efficiency and effectiveness.

Systems are sets of processes organised to perform activities or to solve problems. In any one organisation, there are internal systems for product, customer or stakeholder, financial and people management to ensure that the organisation can achieve business sustainability. Other systems include those mentioned earlier, such as the performance measurement and quality systems that ensure targets will be realised.

System analysis involves identifying business systems, and mapping the systems and their activities to identify how they work, how they relate to each other, and the external environment. Issues need to be identified and their root causes established, so improvements can be made.

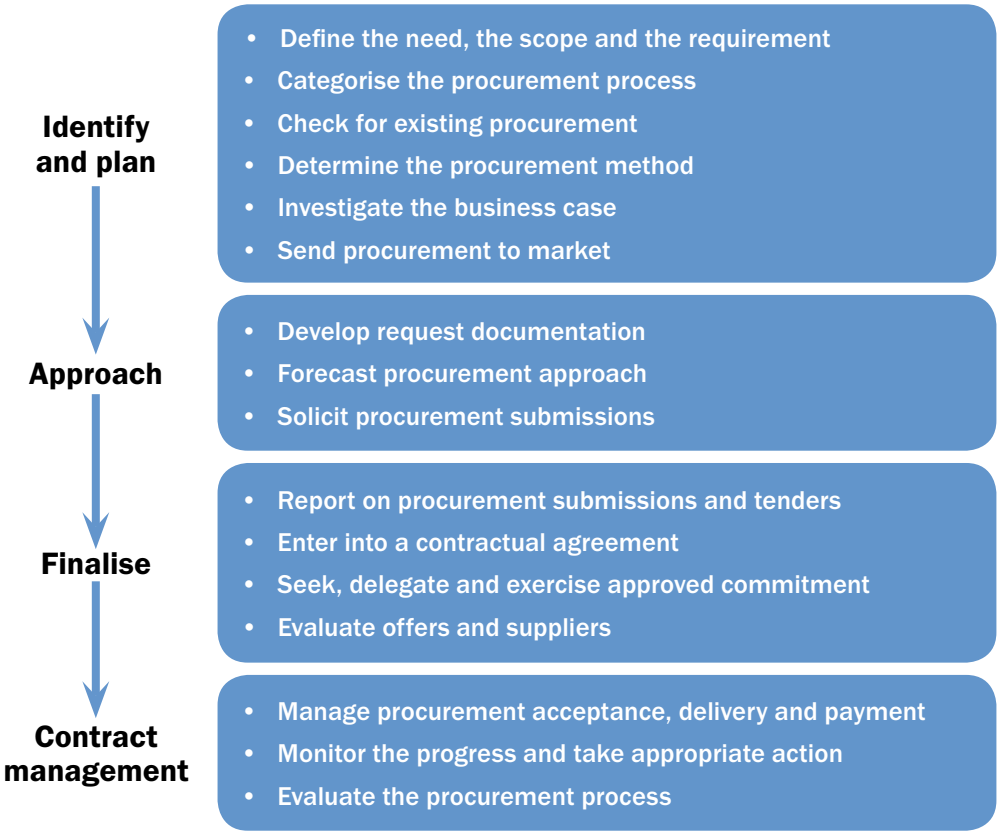
Process analysis

The process approach, a central aspect of TQM, Six Sigma, lean management and ISO standards, involves defining processes or organisational programs, determining organisational areas and identifying members as owners of the processes for control and measurement.

To analyse processes, begin by mapping the process. Process mapping involves breaking down or decomposing a process into individual steps or activities, gathering information from guidelines and procedures, and consulting managers and team members.

Example: a mapped process

The map is actually a flow chart showing the relationships between steps or activities. Consider where there are issues or where improvements can be made. These may relate to shortening the length of time each step takes or even eliminating unnecessary steps. The following is a basic example of a process for procurement.



Example: continuous improvement procedure and process analysis

The procedure takes the DMAIC approach – define, measure, analyse, improve, control. DMAIC is similar to the PDCA cycle, in that it is designed to guide a structured analysis of processes to identify and make improvements. DMAIC is used by organisations as a critical part of the Six Sigma system.

Here is an overview of the process.

Define	**Define the process or method to be analysed** This step involves identifying the improvement opportunity from performance analyses, defining critical requirements, and selecting a project team. Generally, the manager of the unit or area in which the project takes place will be the project manager and will recruit team members to work on developing solutions and implementing improvements. The team should develop an action plan, with time lines, resources required and responsibility for tasks assigned. Tools and techniques involved in the step: • Interpretation of variance analyses • Gap analysis • Process mapping, which identifies the stages, steps and tasks involved in any one process • Action planning Key outputs of the process: • Action plan • Process or methods maps, illustrating each step and task • Project team selection
Measure	**Measure process or method performance** In this step, data is collected to establish measures to evaluate the success of improvements. The current performance needs to be clearly identified so that improvements made can be measured. Tools and techniques involved in the step: • Charts • Graphs • Data analysis Key outputs of the process: • Input, process, and output indicators and current results • Data collection requirements • Baseline performance to measure variances or deviations

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Analyse	**Analyse the stages or steps involved and problem root causes** The analysis step involves identifying the root causes of performance issues to prioritise issues to fix. Process mapping will again be required for the points in the process or method where the root cause occurs. Tools and techniques involved in the step: • Process mapping • Hypothesis testing • Root cause analysis and fishbone diagram Key outputs of the process: • Data analysis • Process maps with validated root causes • Problem statement
Improve	**Identify, evaluate and select solutions/enhancements** During this step, the team needs to identify, evaluate and select the most effective improvement solutions. Using the PDCA cycle, solutions can be tested. Results will identify risks and the team can develop treatments. They will also need to develop a change management strategy to assist the affected areas through solution implementation, and to execute the plan. Tools and techniques involved in the step: • Cost-benefit analysis • Project planning • Risk management • Change management Key outputs of the process: • Solutions • New process maps and documentation • Change plan including implementation and actions to manage impacts and to communicate the need for change

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Control	**Create a control plan to monitor effectiveness** • For the improvements to be successful, control is required. In this step, the team needs to monitor the performance using the identified measures. The team needs to ensure that policies, procedures, standards and guidelines need to be updated to reflect the improvements, and that training of staff in the changes occurs. Tools and techniques involved in the step: • Project planning • PDCA cycle Key outputs of the process: • Process control systems • Updated policies, procedures, standards and guidelines • Training records • Results of team evaluation • Success stories, lessons learnt

Practice task 1

1. What is the relationship between continuous improvement, innovation and organisational learning?

2. Map the process for baking a cake. Identify where you think improvements can be made in the process. For example, can time be saved or steps eliminated?

1B Analyse supply chains and operational, product and service delivery systems

To analyse an organisation's supply chain, and its operational, product and service delivery systems, managers can undertake a supply chain analysis and value chain analysis.

The supply chain is the system of organisations and activities that are involved in getting a product or service to the customer. The activities are those that transform materials or resources into a product or service.

The value chain is the series of activities that add value to a product or service at each step in getting the product or service to the customer.

By analysing these chains, managers can identify the activities in the organisation that can be improved in order to provide higher quality products or services at reduced costs.

Supply chain analysis

Supply chain analysis is about identifying and evaluating the processes in a supply chain in order to highlight areas of inefficiency. The analysis involves mapping the product flow, from production to the delivery of the finished product to the consumer. You will be able to identify opportunities for strategic partnership with your suppliers and those you supply, allowing you to cut costs and improve efficiency.

Visit the Institute of Grocery Distribution (IGD) site at: www.igd.com. IGD is a not-for-profit supply chain research and training organisation. Explore the resources on this site such as case studies and fact sheets to help you develop your knowledge of supply chain analysis.

Map the supply chain

The supply chain map is a visual representation of the elements of your supply chain, including the products, services and processes involved in getting the product or service to the client or consumer. Supply chain mapping is best performed in consultation with the managers and staff members in your organisation who deal with suppliers and customers – you will need their expert opinion to create an accurate map.

Following are the steps involved in mapping the supply chain.

Supply chain mapping process

1

Brainstorm the suppliers' list

Identify who supplies the most products or services, their importance in getting the product or service to market, and the quality of their goods and services.

Consider whether there are environmental factors that affect them, such as regulations or changes in the Australian dollar. Are there environmental factors that affect their suppliers? This will help to identify areas of risk.

2

Draw the current chain

Identify the activities that occur between your suppliers and customers, using boxes in a flow diagram. Use arrows to show the flow of information, products/services and money between suppliers and customers. Identify how long each step takes.

3

Analyse the steps and relationships

Consider each step and the processes involved in the chain. Brainstorm areas that could be improved. You may involve process management specialists at this point to investigate the processes, or undertake a DMAIC project.

Assess the current relationship with each supplier, and whether they would be willing to work in partnership with your organisation to identify areas where material or service costs and time can be saved and value can be added.

Prioritise areas for improvement, based on the activities that will provide the most value following cost–benefit analysis. Map the potential solutions.

4

Develop an implementation plan

From the prioritised list, develop an action plan for process improvement and strategic partnerships. Ensure that the plan clearly allocates responsibilities to relevant managers and sets out time frames. Also make sure that you have an effective monitoring and evaluation strategy in place to measure improvements and the effectiveness of the analysis process.

5

Execute the plan and monitor progress

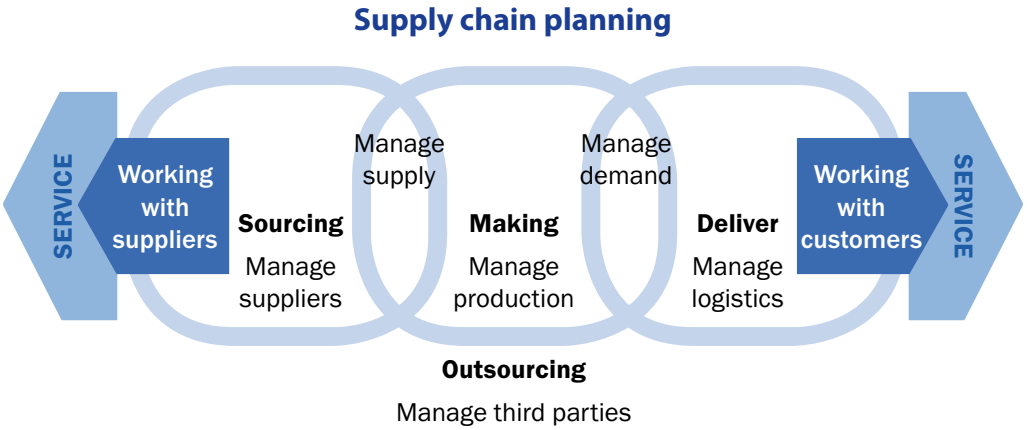
The plan needs to be driven by a supply chain champion or team leader, who should ensure that the improvements are implemented and partnerships developed. This person will also need to ensure that changes are tracked, and the value assessed.

Integrated supply chains, processes and performance measurement

To learn more about supply chains, and the need for integration of organisational systems to achieve sustainability, watch the video 'Module 1: What is supply chain management?', which is part of a series produced by Arizona State University's WP Carey School of Business. This video is available at: www.youtube.com – search for the title of the video. Modules 6, 9 and 10 are also recommended viewing.

Example: supply chain map

The key components of a supply chain map will involve the need for an organisation to work with external suppliers to help source materials. Managing the supply of these materials is a vital part of the supply chain and the management of the production process. Here is a standard supply chain map that clearly illustrates the supply chain planning process.



Understand the value chain

Value chain theory was developed by management academic Michael Porter in the 1980s, when he proposed a process view of organisations. In this view, an organisation is a system made up of subsystems, each with inputs, transformation processes and outputs. Value chain theory has evolved into a management methodology that is used to understand how value is created, make improvements to organisational systems and processes, increase value and reduce costs. Effective value chain management will lead to increased competitive advantage – the ability to outperform competitors. Value chain management underpins the Balanced Scorecard approach.

According to Porter, the various activities that comprise an organisation's value chain can be divided into primary and secondary (support) activities. These activities are organisational systems, and they create valuable products or services. The argument is that the greater the value captured, the greater the profit margin, as the consumer is willing to pay more for a more valuable product or service.

Here is a summary of the typical primary and secondary activities in an organisation.

Primary activities	Secondary (support) activities
• Inbound logistics: involves the relationships with suppliers and includes all the activities required to receive, store and move materials and equipment to the organisation's areas to create outputs • Operations: the activities required to transform inputs into outputs • Outbound logistics: the activities required to collect, store and distribute the outputs • Marketing and sales: the activities to inform buyers about products and services, and to encourage buyers to purchase them • Service: the activities required to keep the product or service working effectively after it is sold and delivered to the buyer	• Procurement: the acquisition of inputs, or resources, for the organisation • Human resource management: the activities involved in recruiting, selecting, training, developing, remunerating and dismissing staff • Technological development: the equipment, hardware, software, procedures and technical knowledge used to transform inputs into outputs • Infrastructure: the connections between functions and departments such as accounting, legal, finance, stakeholder management, quality assurance and general management

Source: Porter, M 2008, *Competitive advantage: creating and sustaining superior performance,* Free Press, New York.

Value chain analysis

Porter argues that if you can understand what the customer values, you can use value chain analysis to assess an organisation's primary and secondary activities and determine where improvements can be made to increase value. As with supply chain analysis, value chain analysis requires the input of relevant managers and staff experts.

Value chain analysis can be broken down into the following steps.

Value chain analysis process

1

Identify the organisation's primary and secondary activities

Divide the organisation by its primary and secondary activities. Each of the activities in Porter's model is generic, and your organisation's activities will vary according to the industry in which it operates. For example, a retailer will have to deal with the warehousing and the control of inventory relating to inbound logistics; whereas a consultancy firm will not.

2

Break down primary activities to identify sub-activities

Analyse each primary activity to identify sub-activities; these could be:

- direct activities: these create value; for example, sales activities to ensure the buyer gets the product and can use the product
- indirect activities: these allow direct activities to be performed; for example, product training delivered by a product manager to ensure the salesperson can educate the buyer on how to use the product
- quality assurance activities: these ensure the other indirect activities meet standards; for example, the product manager checking that the product works before making it available to the salesperson.

3

Break down secondary activities to identify sub-activities

For each of the secondary activities, identify the sub-activities that provide value to the buyer in the primary activities. For example, the human resources required to ensure the sales team has the appropriate communications and negotiation skills to manage buyers, and the production team has the skills required to manufacture the product. Consider how the finance systems add value. Does the system enable buyers to easily process payments?

4

Find connections between value activities

Identify the links between the value activities. A link is where the cost or performance of one activity affects another. There are cost and competitive advantages in the effective coordination of linked activities.

5

Determine strategies to increase value

Identify opportunities to increase value. Consider the processes that currently link the activities. The team may need to map the process or use a technique such as DMAIC to improve the connections. The IGD provides guidance on reshaping business flow to maximise value at: www.igd.com/Research/Supply-chain/WastePrevention/15832/Process/.

Example: value chain analysis for South Australia's agrifood industry

Primary Industries and Regions SA (PIRSA) developed a comprehensive value chain toolkit to encourage the application of value chain management in South Australia's agrifood industry. This toolkit included videos, guides, fact sheets and case studies to help organisations use the value chain approach.

Practice task 2

Choose a product or service in your organisation and map its supply chain. If you are not currently working, map the supply chain for the production of a chocolate bar. You may create a flow chart or describe the elements.

1C Identify and evaluate performance measures, assessment tools and techniques

Performance measures are used to enable you to develop an understanding of the organisation's systems and processes and their ability to meet objectives. Performance measures enable the assessment of process effectiveness and efficiency, and highlight areas where improvements are needed.

Performance measures should be linked to objectives and articulated as performance objectives or statements in the organisation's strategic, business and operational plans. A set of performance measures relating to an objective is generally referred to as the key performance indicators (KPIs). A performance statement for a customer service team could be: 'To reduce the time taken to respond to incoming calls by 30 seconds by the end of June 2016'.

To convert data into performance measures, a variety of tools and techniques are used, including the Balanced Scorecard, Six Sigma, financial ratios and benchmarking. Each of these use specific measures to determine actual performance.

Performance measures

Common performance measures include output, outcomes, input, efficiency and quality, as shown below.

Input measures

Input measures focus on how the outputs or outcomes are achieved and how effectively resources are used to achieve outputs or outcomes. Results can help to identify issues relating to resource shortages. Resources include staff time, equipment, materials and money. An example of an input measure for a customer service team is the number of customer service staff available to deal with customers via phone and email.

Outcome measures

Outcome measures commonly determine the benefits to the customer or financial success. These measures allow you to compare intended or projected results to actual results. An example of a customer outcome measure is a customer satisfaction rating or the time taken to respond to customer calls and emails. Financial outcomes can be measured through analysing financial performance, such as profitability, profit margins and market share.

Output measures

Output measures concentrate on the quantity or quality of the products or services delivered. This can be determined by analysing sales and costs figures, and comparing one period to another through variance analysis. Examples of an output measure include the number of calls a customer service team takes per day, the number of products produced or the number of products sold.

Efficiency measures
Efficiency measures are used to determine productivity or cost effectiveness, and involve comparing inputs to outputs. Examples include the number of calls taken by a customer service team per day (on average), cost per product or outputs per unit of time.

Quality measures
Quality measures are used to determine effectiveness in meeting customer expectations related to product reliability and service responsiveness. Manufacturing organisations will also measure error rates. For a customer service team, a quality measure may relate to the satisfaction level of customers who had contact with the team.

Sources of performance data

Performance data is collected from a number of sources, as is evident in the list that follows.

Sources of performance data

1. Reports, charts and other data generated by the organisation's information systems
2. Statistical reporting tools such as Gantt charts (schedule of events, milestones and measures of performance in relation to time); control charts (show upper and lower statistically acceptable limits of performance); pie charts to compare all data in the system; Pareto charts to compare one set of data against another
3. Identified benchmarking measures to establish key performance indicators for key areas of the business (these become the benchmarks that you use to measure and monitor your performance)
4. Formal and informal surveys and feedback from team members, customers, suppliers, shareholders, other staff and managers
5. Regular discussions (formal and/or informal) with key staff members, managers and others in the organisation who can keep you abreast of incidents, issues and trends

6. Audits, which can identify areas of excellence as well as areas of concern
7. Observation, which is an effective way of observing actions of individuals and gathering immediate and accurate data
8. Industry-wide surveys and reports issued by industry bodies
9. Information produced by external parties, either requested or available freely, such as newspaper reports, or commissioned market research data

The Balanced Scorecard as a measurement tool

As previously mentioned, the Balanced Scorecard was developed by Kaplan and Norton to measure organisational performance as a whole, rather than just from a financial perspective. Systems and processes are measured. Each of the four perspectives – financial, customer/stakeholder, internal business processes and learning and growth – has a scorecard linked to strategic objectives.

Here are some examples of the measures in each perspective.

Financial perspective

- Market share
- Profit margins and profit growth
- Net profitability
- Return on investment
- Cashflow
- Sales income
- Process costs

Customer/stakeholder perspective

- Customer satisfaction
- Number of complaints
- Returns
- Market share
- Failed customer interactions
- Time to process orders

Business process perspective

- Number of defects and reworks (error rates)
- Costs of inventory
- Reduced waste
- Productivity
- Information technology help desk response times
- Risk management reports
- Workplace health and safety reports

Learning and growth perspective

- Employee attitudes from satisfaction surveys and appraisal interviews
- Employee turnover
- New product sales
- Training conducted
- Research and development as a percentage of sales

Budgets and financial ratios

Budgets are an effective tool for planning and control. Organisational budgets, at all levels and in all types of plans, provide you with standards against which to quantitatively measure and compare actual performance to projected sales and expenses. Financial ratios are commonly used to measure overall organisational performance through calculation of figures presented in the income statement and balance sheet, with those relating to profit used at all levels.

Here are the key financial ratios used by organisations.

Profit and profitability ratios
The gross profit margin is a key indicator of financial health, and is gross profit expressed as a percentage of sales. The formula is: (Gross profit x 100) / Sales The net profit margin (%) shows how effectively the business converts sales into profit. The formula is: (Net profit x 100) / Sales The break-even point is the point at which total revenue equals total expenses, therefore showing the minimum sales required to cover costs. The formula is: Fixed costs / Gross profit margin The margin of safety how much sales can drop before loss is incurred. The formula is: Total sales – Break-even point The return on investment measures how efficient assets are in generating profits. The formula is: Net profit after tax / Total assets

Activity ratios
The inventory turnover ratio is used to determine the number of times in a year the stock turns over. Slow turnover means the organisation needs more money (working capital) to conduct activities. The formula is: Cost of goods sold / Average inventory value The asset turnover per annum is used to show how total assets are used to produce sales. The formula is: Total sales / Total assets

Liquidity ratios
Current ratio measures your business's ability to repay short-term debts. A ratio less than one shows liquidity problems. The formula is: Current assets / Current liabilities Acid test is a ratio used when inventory turnover is slow. The formula is: Current assets – inventories / Current liabilities

Benchmarking

Benchmarking measures a company's attempts to meet stakeholder needs such as on-time delivery of quality goods, creating a supportive workplace, providing a good return on investment and keeping up to date with technology. Data is collected and measured against objectives devised by the organisation, or by external organisations that are recognised as leaders in the field.

To learn more about benchmarking, watch 'Benchmarking your business', a case study video produced by the Queensland Government, at: www.business.qld.gov.au – search for the video title.

Analysis tools and techniques

Beyond processing mapping and DMAIC, there are a range of analysis tools and techniques that are used in the continuous improvement process. The following describes those most commonly used to find the root causes of marketing problems.

Brainstorming	Brainstorming is a useful technique to encourage the generation of ideas in a group. It allows each participant to state their opinions in a non-threatening environment. Managers can use brainstorming to unite a group with diverse ideas and needs and identify systems and processes that would support continuous improvement. The process is as follows: 1. Define and agree on the objective. 2. Brainstorm ideas and suggestions having agreed a time limit. 3. Categorise, condense and refine ideas. 4. Assess and analyse the pros and cons of each idea. 5. Prioritise options and rank the list as appropriate. 6. Agree on action and timescale for implementation. 7. Control and monitor follow-up.
Mind mapping	Mind maps are a useful tool for documenting a group's approach to a problem or process. A key word, idea or specific problem is placed in the centre. Three or four key ideas (written in different colours to help you categorise the ideas) are then written to radiate outwards from the key word. Ideas are built up by writing brief notes that spread out from these words like the branches of a tree. A manager can use a mind map to show the structure of the problem and to identify links. It is important to create mind maps in a format that makes it easy to remember and recall information.

Cause and effect diagram	One way to capture and tease out ideas on the root causes of a problem is to construct a cause and effect diagram. Also known as a fishbone, this diagram allows you to visualise the many potential causes for a specific problem. It is particularly useful in a group setting and for situations in which little quantitative data is available for analysis. To construct a fishbone, use the following steps as a guide: 1. Start with the head of the fish by stating the problem in the form of a question, such as 'Why have customer complaints risen in the last six months?' 2. The rest of the fishbone then consists of one line drawn across the page, attached to the problem statement, and several lines (or bones) coming out vertically from the main line. These branches are labelled with categories chosen by team members. 3. Once you have the branches labelled, begin brainstorming possible causes and attach them to the appropriate branches. For each cause identified, continue to ask 'Why does that happen?' and attach that information as another bone of the category branch. This will help get you to the true drivers of a problem.
Control chart	A control chart can be used to show the variation of a measure over time. The chart will help to demonstrate the consistency of a process and whether it needs adjusting, and to compare process performance to requirements, highlighting where improvement may be made. For more information on developing control charts, visit the American Society for Quality (ASQ) site at: http://asq.org/learn-about-quality/data-collection-analysis-tools/overview/control-chart.html.
Run chart	A run chart is used to show the behaviour of a variable over time. It is useful for identifying trends and predicting future outcomes. For more information on developing run charts, visit the ASQ site at: http://asq.org/service/body-of-knowledge/tools-run-chart.

Evaluate the effectiveness of measures, tools and techniques

To ensure their effectiveness, measures, tools and techniques need to be evaluated. You need to make sure you are measuring the right thing, at the right time to enable an objective assessment of performance. Should the measures be not appropriate to the objective, or the wrong tools and techniques used, you risk missing opportunities for improvement.

Consider the following questions when evaluating the effectiveness of measures, tools and techniques.

Evaluating measures, tools and techniques

- How many and what types of measures are required to effectively measure each objective identified in organisational plans?
- Does the measure enable you to identify projected or anticipated results?
- Is there data readily available to enable measurement?
- If data is not currently collected, from where can it be sourced? Will this entail additional costs?
- Is the data for a measure collected in a consistent way to ensure accuracy? Are data sources reliable and accurate?
- Will the measure allow for timely analysis to enable decision-making?
- Are measures easy to calculate, and are tools and techniques user friendly?
- Can the tools and techniques identify issues or improvement opportunities?
- Is there a balance of financial and non-financial measures?

Example: the net profit ratio

The net profit ratio indicates the efficiency of business operations after accounting for other operating expenses. The following example is of the net profit ratio for Samitch Traders. Four per cent (or four cents) of each sales dollar is left as net profit after all the costs of Samitch Traders have been covered.

Another way of viewing this ratio is to identify that the costs of the business have consumed 96 per cent of the sales dollar ($0.96 cents in the dollar). The percentage is not very informative on its own, and should be compared with expectations, previous years, other companies or industry standards. Variations may be due to a number of reasons, which all require analysis.

$$\frac{200 \text{ (net profit)} + 200 \text{ (interest expense)}}{10{,}000 \text{ (net sales)}} \times \frac{100}{1}$$

$$\frac{400}{10{,}000} \times \frac{100}{1}$$

= 4% or $0.04

Practice task 3

1. Identify the type of measure for the following objective:

   To increase market share for photocopy paper from 20 per cent to 30 per cent by March 2016

2. Consider a problem you have experienced in your everyday life, such as getting to work or school on time. Identify an analysis tool to identify the cause of the problem, and apply the tool to analyse the problem and identify a solution. Describe the tool you used, how you used it and the solution to the problem.

1D Analyse performance reports and variance from plans

By analysing performance reports you can identify the actual performance and compare it to the projected, forecast or planned performance. The difference between planned and actual performance is referred to as 'variance', and is commonly reported for key areas on a monthly basis. Variance is a critical monitoring and control tool, enabling you to identify issues, minimise delays and costs and apply corrections before issues become major problems affecting the organisation's ability to meet its objectives.

Performance reports relate to the following key areas:

- Finance
- Marketing, sales and customer service
- Quality
- Production
- Logistics
- Human resources and workplace health and safety

Variance analysis

Variance analysis allows managers to quantify the deviations from planned performance, using data collected relating to resource usage, expenses (costs) and outputs and outcomes. Generally there is an acceptable level of variation, either a fixed amount or a percentage. Variances are usually reported as positives or negatives, or favourable (F), unfavourable (U) or within expectations (OK).

The following table is used to consider if the variances are favourable (F), unfavourable (U) or within expectations (OK).

Total sales			
	Budgeted ($)	**Actual ($)**	**Variance result**
Income/revenue			
Paper	17,000	19,000	F
Pens	14,000	13,500	OK
Diaries	14,500	13,000	U
Expenditure/costs			
Paper	9,450	10,990	U
Pens	7,300	7,400	OK
Diaries	11,750	10,200	F

Determine reasons for variance and update plans

In considering the variance, it is important to determine the reason behind it, to plan for any necessary corrections. Some examples of variances and corrective actions are shown below.

Reasons for variances	Corrective actions
If there is a significant increase in sales, a favourable variance, it may be due to an increase in demand that hasn't been forecast. This will impact production planning. If sales are low, an unfavourable result, it may be due to a shift in market trends affecting demand, too-high prices, ineffective marketing or forecasting that hasn't taken into account seasonal fluctuations. The root causes for variances need to be determined and addressed.	Analyse the performance information and report the issues to relevant managers to develop corrective actions. These could include revising objectives and measures to ensure they are appropriate. You will need to make sure that changes to activities resulting from corrective action are taken into account, and plans updated. Shifting savings (low expenditure – money not spent) or additional income (excessive income – extra money received) to overruns on costs is not addressing the cause. It has the potential to disguise the true position, which, if left uncorrected, will get worse.

Example: variance from planned performance

Brewing Supplies Pty Ltd **Income statement for the month of August 2015**				
	Budget	**Actual**	**Variance**	
	$	$	$	
Sales	1,250,000	1,245,000	5,000	U
Less cost of goods sold				
Stock as at 1 August 2015	300,000	300,000		Nil
Add purchases	1,050,000	1,100,000	50,000	U
	1,350,000	1,400,000	50,000	U
Less stock as at 31 August 2015	350,000	330,000	20,000	U
	1,000,000	1,070,000	70,000	U
Gross profit	250,000	175,000	75,000	U
Add commission	900	350	550	U
	250,900	175,350	75,550	U
Less operating expenses				
Sales salaries	25,000	22,500	2,500	F
Delivery vehicle expenses	300	435	135	U
Advertising	700	890	190	U
Rent	10,200	10,200		Nil
Administration salaries	30,000	30,750	750	U
Telephone	3,100	3,300	200	U
Rates and taxes	1,800	1,750	50	F
Power and fuel	6,000	7,550	1,550	U
Office expenses	1,350	1,735	385	U
Interest	1,000	845	155	F
	79,450	79,955	505	U
Net profit	171,450	95,395	76,055	U
F = Favourable				
U = Unfavourable				

Practice task 4

1. Complete the following sentence:

   Variance analysis allows managers to _____ the deviations from planned performance, using data collected relating to resource usage, expenses, and _____ and outcomes.

2. If variance analysis determines that sales income was favourable, what questions might you ask to determine the root cause?

3. If variance analysis determines that expenditure is unfavourable, what questions might you ask to determine the root cause?

1E Identify and analyse trends and opportunities, seeking advice from specialists, where appropriate

Managers need to continually analyse the external environment to identify the changes that affect performance. Analysis of the external environment, including competitors, will determine changes in trends, their effect on the organisation, and identify opportunities to increase value to the customer. Essentially, analysis enables you to determine threats and opportunities. During this process, you will need to seek advice from specialists, particularly for opportunities involving technology and electronic commerce (e-commerce).

The external environment

The external environment consists of two categories: macro and micro factors. The macro environmental factors include the politico-legal, economic, socio-cultural and technological factors that may affect the organisation. The micro environmental factors are related more specifically to the organisation and include customers, competitors, suppliers and pressure groups; for example, environmental and consumer action groups.

Macro environmental factors will present opportunities and pose threats as shown below.

Politico-legal forces	Legislative requirements and regulations affect operations and relate to areas such as taxation, corporate structure, environmental practices, workplace relations, and workplace health and safety. State/territory and local government can also implement changes that influence an organisation's activities.
Economic forces	Changes in inflation and interest rates affect not only the organisation's transactions but also customers' disposable income. Local changes may be felt worldwide, due to the global economy.
Demographic shifts	Changes in population size, location and composition affect service or product demand, and the availability and capability of the workforce. Increased levels of higher education may mean an increase in availability of workers for professional positions, but a decrease for skilled trades.

Socio-cultural shifts	Shifts in society and community expectations, values and preferences may affect organisations. For example, increased environmental awareness means products that are perceived as environmentally unfriendly will fall out of favour, and 'green' branded products will sell well.
Technological changes	Advances in technology lead to increased efficiency in communication, and the automation of work and manufacturing processes. People can work remotely, international consumers can be reached, and efficiencies in product or device development can be achieved. Consider the change in consumer spending on books and magazines caused by e-commerce and e-books, for instance.

PEST analysis

A commonly used external analysis framework that looks at politico-legal, economic, socio-cultural and technological factors is known as PEST. Below is a description of what each factor entails.

Politico-legal

- What are the political and regulatory constraints affecting operations or performance?
- What current or pending consumer, corporations and taxation laws will impact the organisation directly or our customers?
- What existing or pending workplace relations laws will affect the management of the workforce?
- Are there any trade regulations regarding transactions with overseas suppliers or customers?
- Will a new government bring change to legislation, including environmental laws?
- Sources of information include:
  - Australian government agency sites, such as ComLaw, the Australian Taxation Office, SafeWork Australia and Austrade
  - industry bodies and advisory councils
  - state/territory or federal members of parliament
  - local councils
  - state law societies.

Economic

- Will there be an increase in spending power?
- What effect will changes in the Australian dollar (or overseas currencies) have on our expenses and sales?
- When and how will inflation rates change?
- Are we in a recession? At what point are we in the general business cycle?
- What is happening in the global marketplace?
- Sources of information include:
  - the Australian Bureau of Statistics (ABS)
  - economic, industry and trade publications such as the *Australian Financial Review*
  - Australian government agency sites, such as the Reserve Bank
  - banking institutions.

Socio-cultural

- What are the demographic trends in age, education level, health, home ownership and other factors likely to affect your organisation? How will demographic shifts change market demand?
- Is there a predicted change in the values and beliefs in society that will affect product or service demand or development?
- What are the cultural groups, and what are their needs and demands?
- Sources of information include:
  - the Australian Bureau of Statistics
  - industry studies such IBISWorld reports
  - Australian government agency sites
  - research papers from universities and 'think tanks'.

Technological

- What technology will affect the organisation's product development processes?
- What is the uptake of social media and e-commerce among customers, and how will this affect public relations, marketing and sales?
- How will the trend for electronic order processing and delivery of products affect current product development and logistics management?
- Sources of information include:
  - Australian government agency sites
  - business and information technology publications
  - research papers from universities and conferences.

Competitor intelligence

To complement PEST analysis, managers can undertake competitor intelligence. Competitor intelligence involves gathering information on potential and existing competitors to identify who they are, what they are doing and how they are doing it, and how they affect your own organisation. In many organisations, marketing staff are responsible for this research and analysis.

Sources of competitor information include:

- websites and annual reports
- advertisements and brochures
- press releases and newspaper reports
- social media sites
- purchase and review of competitors' products
- employment advertisements
- trade shows
- conferences
- industry journals and papers
- network contacts
- customer surveys
- government agency searches for company information, such as patents and trademarks.

Analyse opportunities

From your analyses, you can identify the opportunities. For example, an opportunity may be to expand into a new market and to take advantage of changes in technology to increase efficiency. To analyse the opportunities, you can conduct a SWOT (strengths, weaknesses, opportunities and threats) analysis. You will have gathered information relating to opportunities and threats through your external analyses. Your systems and processes reviews will have identified strengths and weaknesses (what you do well and what needs improvement).

With this combined information, and advice from specialists, particularly for technology-related opportunities, you can perform a cost–benefit analysis, which will enable you to determine the feasibility of each opportunity. Cost–benefit analysis is discussed later in this unit.

Seek advice to take advantage of technology and e-commerce opportunities

While new technology can provide opportunities for innovation and improvement, these opportunities represent a significant expense and changes to the way the organisation delivers value to customers, so careful consideration needs to be given to their costs and benefits. To identify costs and benefits, you will need to seek advice from technology and e-commerce specialists.

Sources of specialist advice
• Industry associations and organisations to learn about successes and failures, and to gain contacts for providers of services and products • Internal IT staff and external IT consultants with knowledge of current technology and what is in development • Business process analysts to determine where technology can be implemented to improve systems and processes, and design new systems and processes • Manufacturing and engineering equipment producers and suppliers • Systems integration experts to ensure organisational systems can work with each other • Electronic resource planning (ERP) experts for the automation and integration of the organisation's key systems • Internal and external marketing specialists to identify business and consumer market demand, and strategies for e-commerce and social media • Web designers, useability experts and e-commerce consultants to develop and implement online selling solutions • Internal and external change management specialists to ensure new systems and processes are implemented • Technology and e-commerce training specialists to ensure staff are able to use new technology

Example: SWOT analysis

The following is an example of a SWOT analysis for the development of an online shop, as a result of improvement in technology and the uptake of e-commerce and social media.

Strengths
• Funds available for development • IT team leader has the skills to manage the project implementation • Strong existing customer base with customers willing to shop online already identified

Weaknesses
• Lack of experience in social media campaign development and management • Staff need training in online customer service • Order processing times

Opportunities
• Growing existing client revenue and reduction in costs related to bricks-and-mortar retailing • Access to new markets • Increased acceptance of e-commerce enables us to sell more easily online • Increased uptake of social media (use for promotional activities)

Threats
• Competitor may launch an online shop, affecting sales volumes • Pending increase in shipping rates • Key supplier may have difficulty increasing supply of raw materials; need to seek alternative suppliers

Practice task 5

You are currently studying to develop your skills and knowledge in management. Identify your objective in undertaking study.

Conduct a SWOT analysis to identify your strengths and weaknesses, the opportunities that may become available, and the threats that may prevent you meeting your objectives on completion of your study.

Summary

1. Continuous improvement is used to create opportunities for ongoing positive change and sustainability of key systems and process.
2. Continuous improvement requires a commitment to learning and the development of skills and knowledge to implement new ideas.
3. Innovation refers to the process of implementing a creative idea to improve a product, service, system or process; to create value for the organisation or customer; and to achieve organisational sustainability.
4. Organisations' approaches and methods to achieve sustainability include excellence frameworks and continuous improvement models and approaches.
5. Supply chain analysis and value chain analysis enable an organisation to analyse operational, product and service delivery systems.
6. Performance measures are used to understand an organisation's systems and processes and their ability to meet objectives.
7. To convert data into performance measures, a variety of tools and techniques are used, including the Balanced Scorecard, Six Sigma, financial ratios and benchmarking.
8. By analysing key area performance reports, specifically variance reports, you can identify the actual performance and compare it with the projected, forecast or planned performance.
9. Analysis of the external environment, combined with expert advice, allows organisations to identify trends, their potential impact, and opportunities to achieve sustainability.

Learning checkpoint 1
Review programs, systems and processes

This learning checkpoint allows you to review your skills and knowledge in reviewing programs, systems and processes.

Part A

1. What makes Deming's cycle for continuous improvement a cycle, and not a merely a process?

2. When undertaking supply chain analysis, why is it important to consider relationships with suppliers?

3. Explain the purpose of variance analysis.

4. To identify trends in Australian consumer behaviour, what sources of information might you consult?

Part B

Consider your current organisational setting, a setting you have worked in, or one that you are familiar with. Alternatively, you could select an organisation that has recently made significant improvements to systems and processes that have been featured in the media.

1. Describe the organisation's approach to continuous improvement. Identify relevant frameworks, models and methods used to make improvements.

2. Identify an organisational process to review. Map the process, and submit your flow chart. Note potential areas for improvement in the process.

3. Identify your organisation's primary activities or systems. Which of these do you think creates the most value to the customer?

4. Consider an organisational objective (objectives can be found in business and operational plans). Identify and evaluate its measures and the tools and techniques used for assessment.

5. If your organisation was investigating the opportunity to develop a new e-commerce strategy (or redevelop an existing one), where would you seek advice?

Topic 2
Develop options for continuous improvement

Continuous improvement requires innovation and a commitment to organisational learning to achieve competitive advantage. Improvement processes must take into account the links between creativity, innovation and organisational learning. Organisation members should be encouraged to learn, share knowledge, generate and contribute new ideas, and work together to determine the feasibility of new ideas.

In this topic you will learn how to:

2A Brief groups on performance improvement strategies, innovation and competitive advantage

2B Foster creativity and promote organisational learning

2C Determine the feasibility of new ideas

2D Understand approaches to implementing innovation initiatives

2A Brief groups on performance improvement strategies, innovation and competitive advantage

A critical factor in taking advantage of an improvement opportunity is ensuring that the groups involved have a strong understanding of the role of innovation in achieving competitive advantage.

The approaches the organisation uses to manage continuous improvement must be communicated clearly to all organisation members so everyone knows what is expected of them. People also need to understand why making improvements leads to competitive advantage. This awareness will give meaning to innovation activities, and motivate staff to commit to continuous improvement.

What to communicate	Conduct a briefing
• Make sure organisation members have access to continuous improvement policies and procedures. • Define innovation and competitive advantage, and explain the relationship between them. • Highlight the benefits of improvements, and describe how innovation adds value to the product or service delivered to the customer. • Explain exactly how improvements will lead to a competitive advantage. • Encourage all staff to get involved, and tell them how the ideas they share will be used to generate continuous improvements • If possible, provide simple graphics such as line graphs or bar charts to illustrate how previous innovation initiatives have led to increases in performance and market share.	• Call a special meeting of staff and stakeholders to present strategies and discuss examples of improvements. • Make sure the printed plan is made available to each member of the audience. • Encourage questions so people can seek clarification; and ask questions in return to check their understanding of key points. • Give people an opportunity to raise issues or concerns, but keep the briefing positive and focused. • Listen attentively, and make sure you respond to all questions and statements. If you can't answer on the spot, make a note and tell the person you will get back to them by a certain time. • If someone asks detailed or lengthy questions that are bogging down the meeting, ask them to make an appointment to see you, and move on to the next question. • Make sure you follow up all queries and requests that come out of the briefing.

The relationship between innovation and competitive advantage

Generating new ideas is critical for an organisation to continuously improve. Acquiring and sharing knowledge leads to creative ideas, which can be turned into new products and services, or better ways of doing things. Being able to deliver a product or service that provides greater value than your competitors will lead to competitive advantage.

Academic research has established a direct link between innovation and competitive advantage, with a recent study concluding that achieving competitive advantage requires managers to motivate innovation in staff. We explore how to foster creativity in the next section.

Source: Gentet, D, Mishra, B & Mishra, J 2014 'Competitive advantage and motivating innovation', *Advances in management*, vol. 7, no. 1, pp. 1–7.

Innovation and competitive advantage resources

For further information to help you understand the relationship between innovation and competitive advantage, visit the following sites:

- SmallBizConnect, Small Business Tool Kit, 'The competitive advantage', at: toolkit.smallbiz.nsw.gov.au – search for the article title
- Queensland Government, Business and industry portal, 'Your competitive advantage', at: www.business.qld.gov.au – search for the article title
- Queensland Government, Business and industry portal, 'Why business innovation is important', at: www.business.qld.gov.au – search for the article title

You could also watch this *Harvard Business Review* video in which Michael E. Porter discusses the development of the concept of competitive advantage: 'The five competitive forces that shape strategy' – go to: www.youtube.com and search for the video title.

Example: innovation case studies

Business Queensland has developed a library of innovation and entrepreneurship case study videos, which are available at: www.youtube.com – search for 'Innovation case study library'.

Practice task 6

Develop an outline of a PowerPoint presentation to brief staff on the organisation's performance improvement strategies, and to explain the relationship between innovation and competitive advantage.

2B Foster creativity and promote organisational learning

Innovative products and processes begin with creative ideas, and creative ideas are only generated in an environment in which collaboration, learning, sharing and taking risks are allowed. Creativity and entrepreneurial behaviour should be recognised and rewarded.

So, a characteristic of an innovative culture is organisational learning. Organisation members need to continually improve their skills and knowledge, and share their knowledge with their teams and other groups to enable the continuous improvement of products and processes.

In this section we look at how to promote organisational learning to ensure knowledge is shared among organisation members.

Foster a creative climate

Innovation is about implementing and managing creative ideas in order to make improvements. A creative climate in the organisation will lead to innovative products and processes.

Strategies to encourage creativity are discussed below.

Facilitate collaboration

- Create groups with members drawn from a range of units or departments, and ask them to focus on developing creative ideas and working on innovative projects.
- Encourage people to share creative ideas with their teams, peers and managers. Institute practices to support the sharing, such as raising and brainstorming ideas in meetings and via email, blog or wiki posts, and an open door policy for members to approach managers.
- Set up collaborative processes across teams and departments/units so ideas can be shared and work can begin on testing their feasibility. This could be done through monthly meetings, morning/afternoon teas, or ideas sessions.
- Establish effective communication channels and methods to support collaboration within and between groups and teams to create and share knowledge. Consider using wiki pages and blogs to allow people from different departments, shifts, offices or countries to work together.
- Enable collaborative decision-making, and empower teams to make decisions.

Promote learning and sharing

- Promote a learning culture and build the learning organisation (as discussed in the following section).
- Make it clear that learning is valued, and encourage people to undertake formal training, attend seminars and conferences, and participate in formal and informal networks to share knowledge.

Recognise and reward creativity

- Congratulate members on their ideas, and provide encouragement to explore these ideas. Acknowledge their efforts at meetings, via email and wiki posts.
- Establish formal recognition and reward systems to celebrate creative ideas and entrepreneurial behaviour. This could include providing the idea generator with time to explore their idea, a peer recognition scheme, vouchers and movie tickets, teas and lunches, time off, promotion or financial bonuses. Consider also the value of enabling people to attend conferences and seminars and to work on new projects.
- Entrepreneurial behaviour involves an organisation member actively promoting innovation and change; acting not as a result of management directives, but on their creative ideas to realise them.

Tolerate risk

- Risk taking should be actively encouraged to ensure experimentation relating to ideas happens. Develop a risk management policy, procedures and guidelines that allow for a high tolerance of risk.
- With experimentation, there will be failures, so ensure senior management understand that without failure, lessons cannot be learnt.
- Ensure position descriptions, performance objectives and other human resource processes reflect that people will not be punished for innovation failures so long as they are managed in line with organisational processes.
- Managers should make sure that when an idea is not successful, the people concerned come to together to identify what went wrong and share lessons learnt to inform future initiatives.

Innovation, teams and collaboration

There are many resources you can access related to innovation, teams and collaboration.

In an INSEAD Knowledge video, Professor Hal Gregersen discusses 100 innovative companies. To learn more about the characteristics of innovative organisations, go to: www.youtube.com – search for 'INSEAD Gregersen 100'.

The Australian Government has developed an innovation toolkit. To access this information, visit: www.innovation.govspace.gov.au/tools/innovation-values.

In the *Forbes* article '7 ways leaders can foster innovation', Kevin Cashman discusses ways leaders foster innovation, citing examples from leaders of organisations such as Amazon and Novartis. This article is available at: www.forbes.com – search for the article title.

In a *Harvard Business Review* video, Cisco CEO John Chambers explains how the company has been able to innovate more quickly using teamwork. To develop your understanding of the importance of teams and collaboration, go to: www.youtube.com – search for 'Harvard teamwork Chambers'.

Organisational learning

Peter Senge, the systems scientist who developed the concept of the learning organisation, argues in his 1999 book *The dance of change: the challenges to sustaining momentum in a learning organization* that there are five disciplines for building a learning organisation. These disciplines enable learning and knowledge transfer between individuals in teams, and between teams.

Here is a summary of the five disciplines. Detailed information on each discipline is available from the Society for Organizational Learning at: www.solonline.org – click on 'About organizational learning'.

Personal mastery

We all need to create a vision for desired results and identify the current reality. Personal mastery is about using the gap between these two states. People need to ensure their vision can be achieved, which may involve adjusting the vision if it is unrealistic or being creative in finding ways to solve problems.

Individuals and teams need to ensure that the vision for improvement is achievable, and this may require creative thinking to identify solutions to improvement implementation barriers.

Mental models

Mental models are the knowledge and beliefs we have about the world and our organisation and how we participate and work in these environments. They can present barriers to learning and therefore innovation as they lead to assumptions that affect our ability to make decisions. To avoid making assumptions, people need to constantly question the views and attitudes they hold.

For teams to be effective, the members need to share a common purpose and to share mental models in how improvements will be realised. They also need to share an understanding of how the work will be performed. Without a common approach, conflict will occur in the team.

Shared vision

For an organisation to meet objectives, individuals, teams and units or areas need to have a shared purpose. A shared vision enables people to develop a sense of commitment in a team, unit or organisation as they share images of what the future state will be.

For improvements to be implemented, a commitment is required by organisation members to the new way of doing things, a vision for a change initiative of project should be developed prior to the implementation of the plan.

Team learning

Using listening and dialogue techniques enables members in teams to begin to think of themselves as one. Members should share ideas and experience to create a shared vision and mental models.

The dialogue technique involves creating mutual trust and engaging in meaningful discussions to encourage collaborative and creative team thinking.

Systems thinking

Systems thinking involves individuals and teams considering how elements of a situation or problem work together, and the cause and effects of actions. This leads to understanding of interdependency and consequences of action.

Tools and techniques such as systems archetypes and systems thinking maps help us to map, analyse and develop strong options for solving problems.

Learning in organisations

Watch the video 'The importance of learning in organizations' to develop your knowledge of the value of learning, and how learning organisations generate and act on new knowledge. This *Harvard Business Review* interview with David Garvin and Amy Edmondson, professors at Harvard Business School, is available at: www.youtube.com – search for the video title.

Strategies to promote a learning culture

Here are some strategies to promote a learning culture to support organisational learning.

Organisational plans

Make sure organisational plans demonstrate a commitment to learning, staff development and continuous improvement.

Strategic plans, operational plans and action plans need to highlight the commitment to learning and development. The organisation should facilitate succession planning and set up career pathways in the organisation to demonstrate staff are valued.

Policies or procedures

Develop policies and procedures that relate to learning, training and development. Make sure all staff are aware of these policies, and the support the organisation will provide for learning.

Inform the staff that they are expected to engage in training and learning, whether formally through courses or informally through networks, conferences and seminars.

Resources

Make sure that funds are budgeted to support learning, time is provided for study leave, and access is given to other resources such as the internet and relevant technology. Your staff are also an important resource for learning – consider mentoring programs or in-house lectures from subject matter experts.

Support of staff

The idea of gaining new skills and knowledge needs to be actively encouraged and supported at all levels of the organisation. Formal workplace programs such as mentoring, shadowing and job rotation should be offered, and informal methods should be encouraged.

People should be supported to identify their own learning needs in relation to their career paths as well as the organisation's needs, and guided in choosing ways to meet these needs.

Encourage people to join and participate in professional associations, and to establish their own networks with colleagues and peers from other organisations.

Knowledge sharing

Make sure there are many opportunities for sharing skills and knowledge. Conduct regular meetings of staff with an agenda item included detailing learning and new experiences in the work area; for example, toolbox meetings, or a case study based on a learning experience that can be used as a learning tool.

Encourage informal sharing of ideas and knowledge during morning and afternoon teas, and by establishing blog and wiki tools.

Feedback and recognition

Organisation members need to be provided with regular feedback and recognition of participation in learning opportunities. Consider implementing the rewards and recognition ideas discussed previously to promote creativity and entrepreneurial behaviour.

Example: foster creativity and promote organisational learning

Earls Miller is a home furnishings manufacturer providing product to 40 countries. The organisation employs more than 5,000 people. With sales declining, senior management embark on a major shakeup involving all stakeholders in the process. Key objectives include seeking understanding from the customer and developing an innovative, customer-focused management team. In order to foster creativity, the organisation will encourage and reward creative and innovative solutions.

New ideas emerge, and changes are made to product design and servicing turnaround times. A mentoring program is initiated to develop the skill sets desired for a manager. Senior management staff take an active role in all aspects of the program, from establishing a program champion to personally providing hands-on mentoring. Up-and-coming managers are paired with leaders from other divisions who have already achieved success in the organisation. The objectives of the program are to help managers think from a customer's perspective and to develop work strategies with their teams that support this perspective. The program proves to be very successful.

To encourage entrepreneurial behaviour, Earls Miller introduce an employee reward scheme for idea generation. Ideas that are adopted and implemented by teams resulting in increased sales will be rewarded with individual and team bonuses.

Earls Miller used the following strategies during its shakeup:

- Customer surveys
- Focus groups with customers and employees
- Brainstorming sessions with employees

Practice task 7

Consider the characteristics of learning organisations and the strategies that promote organisational learning. Assess your organisation, or one with which you have previously worked.

Is your organisation a learning organisation? Why or why not?

2C Determine the feasibility of new ideas

To evaluate new ideas and to determine whether they should be taken any further, you can conduct a feasibility study to determine whether an idea is financially, commercially and technically viable.

Financial viability refers to whether the amount the organisation invests in the product, service or process will lead to an increase in net profits in an appropriate amount of time. Commercial viability refers to whether the implementation of the new idea will result in competitive advantage and, therefore, organisational sustainability. Technical viability refers to whether the new or adjusted product, service or process will perform as it is supposed to; that is, the product, service or process will work.

Financial viability

To establish the feasibility of a product, service or process, it is critical to conduct a cost–benefit analysis and establish a payback period. The following explains the steps involved.

Identify costs

Identify the costs involved in creating a new product/service or in making the improvement, such as time, physical resources and equipment. It may be difficult to assign a monetary value to some requirements, and to benefits, so input from the organisation's finance team is critical. External resources are also available; for example, the Commonwealth government has developed such resources for organisations implementing e-business.

Consider also the costs of not acting – the costs incurred taking the new product/service to market and making the improvements to systems or process may be less than the costs that could be incurred if the organisation does not innovate.

Identify benefits

Benefits may be articulated in terms of improved products, increased market share and reduced operation costs, and the effect of these improvements on the organisation's competitive advantage. When quantifying benefits, enlist the support of the organisation's finance team to assign values.

Benefits need to be considered in light of their relationship to meeting organisational objectives. You must also work on the basis that the benefits you identify are predictions, not certainties.

Compare costs and benefits

To determine whether the benefits outweigh the costs, calculate total costs and total benefits. Compare them by dividing the total costs by the benefits. Should the costs only slightly outweigh the benefits, a risk analysis will help to identify strategies to manage costs and maximise benefits.

Establish a break-even point

You can use the cost–benefit analysis findings to calculate how long it will take to reach the break-even point (the point when the benefits have repaid the costs) by calculating the payback period. In other words, how many months or years it will take for the savings or profits generated by the innovation to 'pay back' the costs incurred by the organisation in implementing the innovation.

Market viability

Consideration of whether an idea will lead to competitive advantage is critical in any feasibility study of product or service innovation.

You need to identify whether your current customers and consumers will want the new or changed product or service, and how much they are willing pay for it. If the innovation does not increase the value for the type of product or service to the customer, there is little point in pursuing the idea. Close collaboration with internal or external marketing specialists is required in determining market viability, as market research is essential during this process.

The Queensland Government and the Australian Institute for Commercialisation have developed an innovation toolbox. The toolbox provides guidance to evaluate an idea, suggesting that organisations need to look at the market and their potential customers; the broad requirements to take the product or service to market; and the resources required to make develop, market and deliver the product or service. The organisations advocate asking a series of 18 questions to determine the commercial feasibility of product or service innovations.

The toolbox commercial feasibility questions are available as a pdf at: www.innovationtoolbox.com.au – go to 'Evaluate your idea' then click on the link saying 'Is it commercially feasible?' The PDF is at the 'following questions' link in the third paragraph.

Technical viability

If an idea is financially viable and has potential to be valuable to consumers, then the organisation can proceed to the technical feasibility stage. To begin, team and groups need to consider and answer many questions.

Teams and groups need to consider the following questions:

- Is there a full design for the new or improved process or is there a working model (or prototype) of the product?
- If not, how can we obtain one? Who needs to be involved in the proof of concept?
- How should we test the prototype or process?
- What external factors do we need to consider; for example, legislation and regulations?
- What are our time frames?
- What organisational processes are involved; for example, who approves prototype development and trialling funds?

Proof of concept and trials

The proof of concept process enables the organisation to design and cost a prototype of the product, service or process for testing and trialling with customers or staff. The activities involved in the proof of concept process depend on whether you are trialling a new or adjusted product or service, or a new or adjusted process.

The steps in the proof of concept and trialling processes are outlined below.

Proof of concept and trials

1

Prototyping

- Production of a new or improved product prototype
- Design of the new process or redesign of an existing process
- Design of the service process and coordination of elements such as outbound logistics

2

Evaluation criteria and metrics

- Establish testing objectives, acceptance levels and how you will measure results
- Identify the tools and techniques that will be used, which may include productivity calculations, quality tests and usability feedback
- For example, testing a manufacturing process may measure the rate of product output per hour, and the criteria to assess the viability may be 200 items per hour

3

Testing

- Testing the product in-house to determine whether it can be used as designed and to meet requirements
- Delivering a service to a demonstration or mock client
- Testing a new or adjusted process in the organisation with limited trained staff to determine that it effectively transform inputs to outputs; for software and information technology systems, there may be a pilot test run by the developers

4

Results analysis, redesign and retest

- Analyse results from the tests, using identified tools and techniques
- If the findings show that some adjustments are required, redesign the product, service or process and retest

5

Trialling with customers and organisation members

- Conduct trials of products and services with customers, ensuring the members of the organisation have trained customers and are monitoring usage
- Conduct a full trial of the process in the organisation, ensuring staff have been trained and support is on hand to manage implementation issues

6

Analysing trial results

- Analyse trial results and determine the feasibility of the product, service or process
- Consider the financial and market viability
- Analyse cost–benefits, risks and payback periods

7

Developing recommendations

- Submit a report to senior management giving a recommendation on whether to proceed with the full implementation of the product, service or process

Identify and analyse risks

An innovative company should have a high tolerance of risk. Review your risk practices and consider the organisation's tolerance for risk. Is it high enough to enable innovation? If you feel it isn't, approach your manager and discuss the possibility of promoting increased tolerance.

The following provides an outline of how risks can be identifying and analysed.

Identifying risks	Analysing risks
Risks can be identified through brainstorming likely risk scenarios and issues, and consulting with teams, specialists and other managers. The team or group can also review documentation related to previous projects or change initiatives to identify indicators of risk. These could include: • budget overruns • impact on service delivery and loss of production capability • loss of key organisation members • resistance from staff and senior management • delays in installing new equipment or receiving supplies.	You need to determine a risk's likelihood and its consequences. The likelihood of the risk occurring may be deemed 'very likely', 'likely' or 'unlikely'. (Alternative terms used are 'expected', 'probable' and 'improbable'.) The consequences of the risk may be rated 'major', 'moderate' or 'minor'. (Alternative terms used are 'unacceptable', 'severe', 'minor' and 'negligible'.) Risk management is also able to identify opportunities. For example, analysis may reveal that a member of the team may have process design skills that had not been taken into account previously.

Evaluate risks

A risk assessment matrix can be used to evaluate a risk. The likelihood and consequences of a risk intersect on the matrix, showing you the level of risk. High-level risks become priorities for treatment, and may require contingency plans. Moderate-level risks will need attention. Low-level risks may be resolved through routine procedures or practices.

Consider the likelihood and consequences of an activity you have been involved in and use the matrix below to estimate the risk level.

Level of likelihood	**Level of consequences**				
	1 (insignificant)	2 (minor)	3 (moderate)	4 (major)	5 (catastrophic)
A (expected)	Low	Medium	High	Very high	Extreme
B (probable)	Medium	Medium	Medium	High	Extreme
C (possible)	Low	Medium	Medium	High	High
D (improbable)	Low	Low	Medium	Medium	High
E (rare)	Low	Low	Medium	High	Medium

Treat risks

Even when risk tolerance is high, risks will need to be treated. The objective is to eliminate or avoid the risk where possible. Should the risk occur, the objective is to control the outcome.

Following are five options to manage or control risks.

Avoid the risk

- Do not become involved in activities that could lead to the risk eventuating.
- Outsource risk-related tasks to contractors or specialist providers.
- Discontinue practices that may cause the risk to eventuate.

Retain the risk

- Negative risks may be rendered acceptable if the likelihood and consequences can be adequately managed internally.
- Low-level risks may not warrant any action. For example, occasional staff absences may not have a significant effect on meeting time lines, so this risk can be retained.

Change the consequences

- Contingency plans can reduce the impact or consequence of a risk event.
- Establish measures to control or minimise damage if the risk is realised, such as fraud control planning, public relations, disaster recovery planning or pricing controls.
- Develop administrative measures, controls, policy or procedures to provide guidance.

Share the risk

- If a risk is at too high a level to take on alone (for example, expanding the business into a new industry), partnerships and strategic alliances allow for risks to be shared.
- Sharing the risk may also commonly involve external investors, such as venture capitalist, or insurers and underwriters, and may include insuring against an event occurring.

Change the likelihood

- The likelihood of risks can be lowered by removing stimuli or situations likely to materialise the risk.
- This can be done by reducing exposure to the risk environment, and removing or reducing activities that may lead to the risk being triggered.
- Using inspection controls and quality assurance measures and ensuring that time lines are realistic will also reduce the likelihood of some risks.

Accept failure

Earlier we discussed that innovation requires tolerance for risk and acceptance of failure. If the analysis following product, service and process trials shows that the costs far exceed the benefits, and that the new or adjusted product, service or process should not proceed, then take the opportunity to learn from the process.

Many successful entrepreneurs claim that organisations learn from failure – what they did wrong, and what they did right. Such lessons can lead to better products, services and processes.

Read the *Forbes* article 'Creating an innovation culture: accepting failure is necessary' at: www.forbes.com – search for the article title.

Celebrate success

If the trial analyses are favourable, new products and services need to be planned for, and new processes need to become embedded in the organisation as the regular way of doing things through new policies and procedures. However, the organisation first needs to celebrate success. Recall the strategies to foster creativity and innovation. Provide recognition and rewards to inspire organisation members and ensure that products and services are successfully delivered and processes embedded.

Example: likelihood and impact and their risk descriptors

The following provides a description of how an organisation with a high tolerance of risk classifies the likelihood and impact of identified risks relating to the implementation of new software across the organisation.

Likelihood		Impact	
Very likely	• The incident will most probably occur under almost all circumstances • 95 per cent chance of occurring • Will occur within the next six months	Major	• Financial impact $1,500,000 and above • Potential for ERP system shutdown • Significant impact on the ability to meet objectives
Likely	• The incident may occur under certain circumstances • 50–94 per cent chance of occurring • Will occur within 12 months • Example: Software requires modification to work with a supplier's system	Moderate	• Financial impact $800,000–$1, 499,000 • May affect more than one area of operations • Requires effort to deal with consequences • Moderate impact on the ability to meet objectives
Unlikely	• The incident will probably not occur • Less than 50 per cent chance of occurring • May occur within 24 months • Example: IT manager resigns	Minor	• Limited financial impact – less than $799,000 • Limited effect on timing and people • Risk consequences are dealt with using routine IT and operational procedures and practices

Practice task 8

1. To obtain assistance in quantifying benefits, who might you contact in your organisation?

2. Conduct some research into free trials of consumer products. Consider how software and beauty product companies offer free trials to consumers. For your organisation, or one you are familiar with, why might you offer a free trail of a new product?

3. Innovative organisations are characterised by a high tolerance of risk and an acceptance of failure. To increase your organisation's tolerance of risk and acceptance of failure, what suggestions could you make to your manager?

2D Understand approaches to implementing innovation initiatives

Once opportunities for innovation have been trialled and approved by senior management, relevant groups need to be informed so they can develop and implement innovation or improvement action plans. Those innovations or improvements that result in large or significant change are generally managed using project or change management approaches – this ensures a smooth transition to new ways of doing things in the organisation.

The approach will depend on the opportunity. For example, implementation of new technology across the organisation will generally be managed as a project. Adjustments to an administrative or product delivery process may be made by using a change management approach.

Seek approval

Following testing and trials of products, you will need to seek approval from senior management. The approval process will depend on your organisation's policy and procedures, which should state who needs to approve the recommendation, and how long the process may take. The policy and procedures may also indicate how recommendations should be presented. For example, some organisations require a business case or proposal in which the benefits realised from the initiative are explained and supported by evidence from the feasibility analyses to justify the investment of funds.

Consider the following content for a proposal to take a new product to market.

Project proposal
• Project introduction and background: introduction to the initiative, the reason for the proposal and current status following tests and trials • Objectives: the relationship between the project and organisational objectives • Purpose of proposal: the need for approval and funding to realise benefits • Benefits to the organisation: how the new product will increase net profits, supported by summaries from analyses • Implementation strategy: what is involved in taking the product to market, identified outcomes and outputs, and indication of funds required • Method: the framework to be used, such as the organisation's project management methods • Appendices: cost–benefits analysis, risk analysis

Project management approach

Project management is a management discipline that focuses on the initiating, planning, execution and control of a one-off project that will produce a unique product, service or outcome. For improvement projects, the outcome is the planned benefits of changes to existing or the development of new systems and processes. There are a number of frameworks and methodologies that organisations use or adapt to manage projects. These include the Project Management Body of Knowledge (PMBOK), PRINCE2, agile project management, and critical chain management. In managing an improvement project, be guided by your organisation's policies and procedures.

The following outlines the generic steps that are common to most methodologies, even if phases and processes vary.

Project management phases and processes

1

Define project objectives

Objectives are developed from a business case or a proposal that includes a cost–benefit analysis. The objectives are generally set by a dedicated project team, whose members come from areas affected by the project and may include external experts. This is common for technology and e-commerce projects. The project objectives need to be aligned to organisational objectives to ensure that benefits will be realised.

2

Determine activities and resources required to implement the project

The project is broken down into activities required to meet objectives, then the tasks to complete activities. For example, an IT project will require system design. This activity will then be broken down into tasks such as investigating the current system, establishing user requirements, and addressing current gaps.

A commonly used tool is the work breakdown structure (WBS). Once tasks have been identified, the resources to perform them can be estimated. These may include time for an IT staff member to review the current system or money to hire specialists to design functions. The resources need to be costed to develop a project budget.

3

Sequence activities and estimate times for activities

All activities need to be sequenced to establish the order in which they should be carried out. Remember to take into account that some tasks cannot be started until others are finished. Determine the time each task takes to complete, and add these together to obtain the total time to complete an activity. At this stage, responsibilities for the activities may be assigned to team members.

4

Develop a project schedule

The schedule should set out what is to be done and when activities need to start and finish. Monitoring and control activities should be built into the schedule. The end of the project generally becomes a milestone, when performance is measured and reported.

The schedule provides the team with the project timings, and the combined time of the activities provides the end date for the project. These timings enable the manager to monitor and control the activities. The team must take into account risks of not meeting deadlines, such as a delay in a product component. Gantt charts are commonly used to illustrate a project schedule.

5

Develop the plan

Some organisations use the schedule as their project plan; others develop a separate document. Regardless, the manager needs to articulate the scope of the project – what is being developed and why – so team members and other managers are clear on their responsibilities.

The plan or schedule must include the following:

- Objectives
- Key roles and responsibilities
- Key activities and what they will produce (deliverables)
- Required resources
- A time line based on the schedule
- The project budget
- A communication strategy, between team members and with other stakeholders, such as senior management or unit managers
- Monitoring and evaluation methods

The plan needs to be approved by senior management.

6

Implement the plan to execute activities

The project manager guides the team in executing the planned activities. During this process, the project manager ensures team members have the resources they need at the appropriate time to enable them to perform tasks.

7

Monitor and control activities

The project manager ensures that all project monitoring and control activities are conducted to identify progress. Any variance between planned and actual performance is identified and managed by making corrections and implementing contingency plans. The project needs to be on time and within budget, with improvements becoming embedded as the usual way of doing things or new products being accepted by customers.

8

Close the project

As a project is a unique endeavour, closing it is an important step. The success of the project deliverables and the approach need to be evaluated. The lessons learnt need to be communicated to senior management in order to inform future projects. Team members who have been seconded to work on the project need to go back to their usual roles and resources such as equipment need to be returned.

Critically, success needs to be celebrated – this acknowledgment could be as simple as having an afternoon tea, or as elaborate as a product launch party.

Project management resources

There are many useful resources related to project manage that you can access, as listed here.

The PM Podcast shares project management knowledge for beginners and experts. You can stream or download episodes at: www.project-management-podcast.com, or via iTunes.

The Tasmanian Government has developed a site with comprehensive guidelines and tools for project management – visit: www.egovernment.tas.gov.au/project_management.

Another useful source of information and tools is the Project Management Institute's site at: www.pmi.org.

Change management approach

Change refers to the adjustment, modification or transformation of people, structure or technology in response to the external environment in which the organisation operates, its effects on the internal environment, and any internal problems affecting performance.

Change management consists of three major stages: identifying change requirements and opportunities, change management planning, and implementing the change in the organisation. In these three stages, the number and nature of steps will vary according to the type of change and the organisation's preferred approach.

Identify requirements and opportunities

- Identify internal and external drivers of change
- Identify the organisational requirements needed to make the change
- Prioritise the identified change needs

Develop change management strategy and plan

- Analyse costs and risks, and barriers to change
- Develop change management plan
- Assign resources to begin plan implementation

Implement and evaluate change

- Implement change management plan
- Communicate the reason for change and the plan to manage resistance
- Carry out change interventions and activities to ensure change becomes embedded
- Monitor the plan and evaluate the change

Change management resources

There are many change management resources available on the internet to help you manage a change project, should your organisation take this approach.

- Australian Public Service Commission, 'Change management', April 2014 issue of *Human Capital Matters*, at: www.apsc.gov.au/projects/resources – click on '*Human Capital Matters*' in the right-hand column, then choose 'Change management' from the list of issues
- Kotter International, 'Insights', change management blogs, articles, videos and newsletters, at: www.kotterinternational.com/insights/videos
- Queensland Government, *Change management best practices guide: five (5) key factors common to success in managing organisational change*, at: www.psc.qld.gov.au – search for the publication name
- Tasmanian Archive and Heritage Office, *Information management advice 55 change management: preparing for change* – do a general web search for the title
- University of South Australia, *Managing change tool kit*, at: w3.unisa.edu.au/hrm/resources/managing.asp
- Western Australian Government Chief Information Office, *Change management plan: workbook and template*, at: www.nrm.wa.gov.au – do a general search for the title

Example: project approval process

At Burke Australia, a toy manufacturer, the process for obtaining project approval for new product development is handled by a dedicated project office. The project office oversees the many projects run by the company to develop new products, improve service delivery and ensure work processes get products to retailers quickly and efficiently.

A project business case submitted to the project office for review. If the project is accepted, a project manager is appointed to form a project team and write the project implementation plan.

The project office:

- evaluates the objectives of the project and their strategic fit with organisational objectives
- reviews cost–benefit analyses and risk-management controls, which may involve consultation with the finance team
- checks whether sufficient resources are available
- seeks clarification from those responsible for the business case
- accepts, rejects or asks for resubmission of the business case.

Practice task 9

If you were developing a new product for your organisation (or an organisation you have previously worked for or are familiar with), what documentation would you be required to submit to obtain approval to proceed with the project?

Summary

1. If an organisation is to succeed, its members must have a strong understanding of the role of innovation in achieving competitive advantage.
2. The approaches the organisation uses to manage continuous improvements need to be communicated clearly to organisation members so everyone knows what is expected of them, and the role they play in achieving competitive advantage.
3. Creative ideas for innovative products and processes are only generated in an environment in which collaboration, learning, sharing and taking risks is fostered. This includes recognising and rewarding creativity and entrepreneurial behaviour.
4. Organisation members need to continually improve and share their skills and knowledge with their own and other teams to enable the continuous improvement of products and processes.
5. The evaluation of new ideas involves investigating the financial, market and technical feasibility of the proposed product, service or process.
6. Technical viability refers to whether the new or adjusted product, service or process will perform as it is supposed to, and involves testing and trialling of the product, service or process.
7. Failure needs to be accepted as part of the cycle of learning, and success celebrated to encourage creativity and innovation.
8. Innovation initiatives require approval from senior management. The process is determined by the organisation's policies and procedures, which may require specific reports to justify recommendations.
9. The approaches to implementing the innovation initiative may take the form of project management methodology or a change management framework.

Learning checkpoint 2
Develop options for continuous improvement

This learning checkpoint allows you to review your skills and knowledge in developing options for continuous improvement.

Part A

1. Explain the relationship between continuous improvement strategies, innovation and competitive advantage.

2. Explain how a cost–benefit analysis can help you to determine your investment payback period.

Part B

Read the information below, then answer the questions that follow.

Consider your current organisational setting, a setting you have worked in, or one that you are familiar with. Alternatively, you could select an organisation recently featured in the media that has made significant improvements to processes or implemented new products and services.

1. What strategies would you recommend for the organisation to more effectively foster a creative climate?

2. Investigate the organisation's culture, and its approaches or policies related to organisational and individual development. Are there effective supports in place to classify this business as a learning organisation?

3. Provide five suggestions for ways to better recognise, reward and celebrate new ideas, entrepreneurial behaviour and successful trials.

4. Are organisational members punished or consoled when an idea fails? Identify three strategies to increase the organisation's acceptance of failure.

5. Imagine your organisation is testing the idea of adding features to a new product/ service. Conduct a risk analysis of this idea. For one of the risks identified, evaluate its likelihood and possible effect, and identify treatment strategies.

6. Consider the process for seeking approvals for innovations. Does the organisation take a project management or change management approach? Explain.

Topic 3
Implement innovation and improvement processes

Improvement and innovation initiatives require careful planning to ensure the smooth implementation of change. Managers need to develop transition plans to manage the effect of the initiative on the organisation and staff. Transition needs to be monitored to make sure challenges and new opportunities are managed and objectives are met. Evaluation of initiatives and of the continuous improvement system is required to ensure organisational sustainability.

In this topic you will learn how to:

3A Develop transition plans

3B Support change during transitional phases

3C Monitor innovations and improvements

3D Evaluate continuous improvement systems

3A Develop transition plans

To ensure that the innovations or improvements are successfully embedded in the organisation, a transition plan is required. Whether the innovation or improvement idea is run as a project or as a change management initiative, a transition plan is essential to achieving competitive advantage and therefore organisational sustainability.

Process for developing a transition plan

There are several approaches to developing a transition plan; the appropriate approach is determined by an organisation's policies, procedures and practices, and the size and nature of the innovation or improvement project.

Here is one process for developing a transition plan.

Transition planning

1

Identify likely effects of change

What will the consequences of change be? You should:

- identify gaps between the current and desired situation, including the skills and knowledge staff need to implement the change and to work in the desired situation
- identify barriers to change
- conduct a risk analysis and develop treatments, including contingency plans (recall that 'change the consequences' treatment involves developing contingency plans).

2

Determine change readiness

Determine how ready organisation members are for change, and identify potential barriers to successful implementation by using surveys and interviews to garner feedback. Analysis of findings will identify potential member ownership of the change; group, team or individual resistance; and organisation system and process barriers to the implementation.

To view an example of a change readiness questionnaire, download the Northumberland County Council's Change management toolkit at: jisc.cetis.ac.uk/crm-tools/documents/change-management-toolkit-v2.doc

3

Determine transition activities

Identify the activities and tasks that will produce the outputs and outcomes identified in the objectives. A useful tool to use is the work breakdown structure (WBS). To develop a WBS, the team considers the change outcomes, and then identifies the outputs. These outputs are broken down into the activities required to achieve them. These activities are then broken into tasks.

For each task, identify the human resources, equipment, money and time required. Remember to take into account the requirements for training and development, communication and performance reporting.

4

Estimate required resources

To estimate resources to produce outputs and outcomes, multiply the resource effort by the resource unit rate for all the tasks listed in the work breakdown structure. It is important that all costs are included, allowing for contingency. For example, there may be staff movement or training, which will involve additional costs. The finance and human resources teams should be able to estimate costs relating to such issues and any standard percentages of contingency required in planning for budgets.

The total estimated cost of all activities (generally by month) until the project is finished becomes the cashflow, which is the project's budget.

5

Allocate roles and responsibilities

Use the findings from the WBS to identify who will lead the transition process and who will take charge of activities or groups of similar activities. Consider the current roles and responsibilities of managers and team leaders, and their knowledge and leadership skills. If the required knowledge or skills aren't available, then you may have to consider employing or contracting a person with the required skills and knowledge.

At this stage, you can also identify who the leader of the transition needs to report to.

6

Prepare the schedule of activities

Develop the schedule by calculating the time required to complete tasks.

Take into account that one activity or task may require the completion of another before it can start. For example, training needs for a new work method must be identified before training plans can be developed to address those needs.

Activities and tasks that are not dependent on each other can be undertaken at the same time. For example, new human resources procedures can be written while planning for training occurs.

The schedule of activities is often presented in the form of a table; managers with project management software experience may create a Gantt chart.

7

Determine communication requirements

Change implementation requires a communication plan to ensure that people understand the reasons for the improvements and are provided the full facts and expectations on how they will need to change. Information sessions, team meetings, newsletters and blogs can be used to communicate requirements, and to keep staff up to date.

Those responsible for the change – the change leaders – need to build trust with those affected by the change. This can be achieved through employee participation in the transition planning process. Feedback should always be encouraged, and suggestions for improvements sought at every briefing, training session or meeting.

8

Develop strategies to manage barriers and resistance

Change leaders must make training and development available to the people who will be required to change. Training and development will address skills and knowledge gaps, and build organisational learning. Opportunities to share skills and knowledge need to be made available during the transition process. As noted earlier in the unit, a reward system may be useful in encouraging organisation members' behavioural change.

Consider recruiting people who are adaptable to change as 'change champions'. As with creativity and entrepreneurial behaviour, those who readily accept new values and change should be supported and promoted where possible. These champions can be asked to speak at forums and to contribute to blogs or wikis to promote the value of continuous improvement.

9

Identify methods for monitoring and evaluation

Evaluation criteria need to be developed to assess progress and success of the transition. Considerations include the following:

- How will performance results and feedback from those involved be collected?
- How will you know when you have reached a milestone; that is, when a major stage or activity has been completed?
- What activities need to be reported on, what types of reports need to be generated, when, and who will be responsible for each?
- How will progress be communicated – forums, meetings, email, intranet, social media?
- What factors indicate success of the transition – achievement of organisational objectives, increase in productivity, sales or profit?
- When will final evaluation of the transition be conducted and who will be involved in conducting the evaluation?
- What tools can be used to determine whether the change has been embedded – interviews, surveys, focus groups?

10

Prepare the final plan for approval

The plan needs to include the following elements:

- Explanation of the reasons for change, the change vision and strategy
- Time lines or schedule for activities and activity responsibilities
- Resources required for the change, including training needs and all associated costs
- Risk management and contingency plans
- How requirements will be communicated
- Explanation of how the change will be monitored and evaluated

Ensure audience needs are taken into account, by matching the style of writing to purpose and audience. For example, the plan requires a formal tone, and should be structured to ensure requirements and justifications are clear for managers.

Ensure activities take into account and promote sustainability practices

It is widely accepted that climate change and environmental degradation caused by human practices are altering the ecosystem of the planet. Environmental sustainability – the ability to manage our planet's resources economically and environmentally – has emerged as a key factor. Sustainability is a worldwide movement that involves a conscious and committed approach to reducing and offsetting consumption. In the workplace, this requires a move from traditional economic values that rate profit and efficiency above all else, to reporting that includes accounting for environmental and social activities as well.

Sustainability must now be considered a crucial part of any continuous improvement process. When considering any changes, organisations should refer to their sustainability policy to ensure that improvement and innovation initiatives meet sustainability requirements. The organisation's environmental policy should reflect legislative and social requirements. Leaders need to ensure that organisation members have a full understanding of the need to meet these requirements and the organisational sustainability benefits of doing so.

Environmentally sustainable practices

Sustainability initiatives will depend on the size and type of the organisation, the industry and the change being implemented. Sustainable practices can approached through:

- regulatory and social responsibility
- environmental impact and resource use
- value chain management.

These areas should be considered holistically as they combine to reduce the organisation's ecological footprint; for example, a green office program should incorporate all aspects of sustainability such as green purchasing, strategies to reduce emissions, waste reduction and the use of renewable resources.

Regulatory and social responsibility

Ensure changes comply with relevant regulations. By complying with legislation and codes of practice, an organisation demonstrates that it recognises the level of responsibility it has towards the environment. This can enhance its standing in the community and business environment.

Each state and territory has departments that administer environmental legislation and enforce environmental protection policies relating to noise, pollution and construction planning. They issue licences, act as regulatory authorities and can prosecute non-compliant offenders through the courts with fines and jail terms. Access the Commonwealth and environmental requirements for your state or territory at the through the Department of the Environment website at: www.environment.gov.au. This site also includes resources to help you promote environmental sustainability in your organisation.

Another aspect of social responsibility is ensuring that raw materials and labour sourced outside Australia are obtained responsibly. For example, workers are paid a living wage, materials are sourced ethically, and no child labour is used. You can read about the philosophy of fair trade at the Fairtrade International website at: www.fairtrade.net.

Environmental impact and resource use

Make sure proposed changes take into account any environmental initiatives the organisation has implemented such as:

- environmental management systems; for example ISO 14000 – Environmental management
- environmental performance standards; for example, the Balanced Scorecard
- green office programs
- environmental surveys and audits
- waste management programs to reduce, re-use and recycle resources from production materials through to office paper
- waste treatment, including waste to landfill, recycling, re-using, recoverable resources and wastewater treatment.

Information relating to ISO 14000 Environmental management is available at: www.iso.org – click on the link to this standard under the 'popular links' heading at the top right of the home page.

Value chain management

Check that continuous improvement approaches will ensure that new or improved products, services or processes support a sustainable supply chain, whereby you purchase sustainable products from suppliers who have adopted environmentally sustainable approaches. Supply chain management means that all suppliers at all stages of production – from the basic raw materials to the consumable product – have sustainability policies in place and sustainability requirements included in their contracts.

Always research potential suppliers and those you supply to ensure you are working with companies that share your commitment to the environment; for example, use producers or importers of products who take all reasonable steps to minimise environmental impact from production, use and disposal of a product.

Assess the need for training and development

Gap analysis of current and desired situations identifies the skills and knowledge required to make and embed improvements and innovations. To determine whether the organisation has the right people with the right skills and knowledge, a training needs analysis (TNA) can be performed.

The analysis can draw on skills audits, surveys, interviews with staff, observation of staff skills on the job, position descriptions and training records. From the results, identify appropriate professional development opportunities such as coaching, mentoring, on- or off-the-job training, workshops, demonstrations, networking or joining an association.

Develop the communication plan

To make the transition to the new situation or state, a communication plan is required. The aim of the communication plan is to engage the people affected by the change (the stakeholders) and to reduce uncertainty, particularly for those whose ways of doing things will need to change. The communication plan needs to describe the specific communication methods that will be used to communicate with all stakeholders.

The preparation considerations and plan elements are shown below.

Preparation considerations	Plan elements
Consideration needs to be given to the resources and tools available, which may include methods used to communicate information, such as videoconferencing, social media and internet channels. A review of the impact, readiness and risk, and activity and assignment analyses, will identify target audiences and gain an understanding of their needs. Actions for educating and training staff on the need for change in the current way of doing things –producing a new product or service or implementing a new or improved process – will need to be included; as will strategies on managing resistance to change. Continuous improvement and sustainability must be promoted as essential to doing business.	The communication plan sets out: • information to be communicated by the group/audience (format, content and level of detail) • when the information is required and how often (time frames and frequency) • responsibilities for preparing information • responsibilities for delivering information • who will receive the information • methods and technologies used to convey the information (email, wiki, meeting, forum) • time and costs allocated for communication activities (printed documents, workshop facilitators, training resources) • escalation processes for issues that cannot be resolved at a lower staff level • templates to be used for progress reports, meeting minutes or status emails.

Use Kotter's change process to manage transition

John Kotter, an academic who studies leadership and change, developed the 8-Step Process for Leading Change. In his model, Kotter outlines an approach to change that reduces barriers and promotes enablers of change. An enabler is a person or action that will help the change to happen. Further information is available on the Kotter International site at: www.kotterinternational.com – click on '8-Step Process' at the top of the home page.

The following outlines Kotter's approach.

Kotter's 8-Step Process for Leading Change

1

Create a sense of urgency

Change leaders need to ensure that employees feel an urgent need for change. They can do this by formulating a compelling and persuasive reason for why change is needed. Continuous improvement and innovation needs to be consistently promoted to ensure people understand the role they play in sustaining organisational success.

2

Build a guiding coalition

Leaders need to get senior management and other stakeholders with power to affect outputs and outcomes and influence over inputs on board. A stakeholder with high power and influence over transition would be the senior manager or management group ultimately responsible for approving the project and making funds available to implement change.

3

Form the strategic vision and initiatives

Leaders need to create a strategic vision, one that will direct the change and initiatives. This is critical in promoting innovation and continuous improvement. The vision needs to be effectively communicated throughout the organisation and to external stakeholders.

4

Enlist a volunteer army

Leaders need to empower a broad group of people as change agents, people who can act on the vision and drive change. These agents need to be encouraged to engage in creative problem-solving to ensure issues don't become major problems.

5

Enable action by removing barriers

Leaders need to remove barriers to change threatening the achievement of the vision. They need to increase the driving forces for change and decrease the resisting forces. To identify driving and resisting forces, a force field analysis can be conducted. In some cases, the driving forces can be increased, while in others the resisting forces can be decreased.

6

Generate short-term wins

Leaders need to plan for and track accomplishments, rewarding short-term wins that move the organisation towards achieving the new vision.

7

Sustain acceleration

At this stage, leaders should be able to change organisational policies and processes that don't support the vision. This may mean hiring or promoting people who can implement change and/or create new processes.

8

Institute change

Embed the change by demonstrating the relationship between organisational success and the new behaviours.

Ensure managers and team leaders become change agents

For managers and change leaders to become change agents, they may need training on implementing the change, and managing barriers, including resistance from team members. Here are some ideas for managing change.

Workshops on developing a change action plan specific to their area or team
Workshops for implementing organisational strategies to manage barriers, including interventions to manage resistance
Coaching and mentoring to enable managers to develop the leadership and communication skills required to enable change in their areas or teams

Example: meet sustainability requirements

Eric is the production manager in a small company that manufactures storage products. He has recently developed changes to work practices that are designed to improve efficiency and reduce costs. Eric knows that any proposed changes must meet the organisation's newly developed sustainability policy in regard to reducing energy consumption, reducing waste and improving the staff's awareness of environmental responsibility. Eric checks relevant legislation and organisational policy and consults with other organisations that have successfully managed changes in line with environmental concerns.

He develops the following table.

Introduce green purchasing
Consideration • The sustainability policy states that the organisation is to use the list of preferred suppliers of products. • Use local suppliers to reduce transport costs. • Use local suppliers with a good environmental record. • Purchases should include recycled paper; recyclable toner cartridges and equipment with the international 'Energy Star' rating. • Refuse excess packaging. • Ensure the entire value chain supports sustainability.

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Introduce a green office program

Consideration

- Research successful green office programs.
- Gain staff support by explaining the benefits of a green program.
- Encourage minimum use of paper; re-use paper; recycle; use non-disposable items such as cups and cutlery; switch off lights when not in the room; dress appropriately to reduce heating and air conditioning costs; run dishwashers only when they are full.
- Provide rewards for meeting targets.

Report on environmentally sustainable initiatives

Consideration

- Research how others report on social and environmental activities.
- Report sustainability successes that have helped reduce the organisation's ecological footprint.
- Publicise achievement of targets in in-house newsletters, on the intranet and in newspaper articles for the local community.

Practice task 10

Find several examples of change communication plans. Review the plans and consider the methods used to encourage stakeholder participation. Find an example of an improvement process that your organisation, or one with which you are familiar, is planning to institute.

1. What are some of the more common methods used to communicate and promote the benefits of change and continuous improvement?

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2. Explain what tools and techniques you would use to identify the effect of change.

3. How will you ensure that the change meets sustainability requirements? Give examples of legislation, initiatives, programs, policies and work practices you should consider.

3B Support change during transitional phases

In moving from the current position to the planned one, the transition activities need be supported by the identified change leaders and relevant managers and team leaders. Change leaders need to ensure that activities are participative and that employees are constantly supported by the change team and relevant managers.

In the video 'How can leaders encourage employees to take action?', John Kotter discusses how to help change leaders overcome their concerns about applying pressure on their employees to respond to change. This video is available at: www.youtube.com – search for the video title.

Activities to support change

The activities to change the behaviour and attitudes of organisation members are referred to as 'change interventions'. This term is used in organisational development to describe the actions designed to improve the effectiveness, efficiency and relations of individuals, teams and groups.

Some interventions will simply focus on what organisation members do, the tasks they undertake, and the processes they use to meet objectives. Others focus on training and development to ensure change in team behaviour, attitudes and practices, and that change is embedded.

Team building

Team building helps people to get to know each other, learn what to expect from each other and understand how they can best work together. The actual activities depend on whether the team is new, has a new member or has been together for a while. Brainstorming workshops, where members develop change goals and identify strengths to build on and weaknesses to overcome, are popular. Team leaders, HR members and transition team members can facilitate sessions.

Inter-group development

This intervention involves changing the attitudes and perceptions that work groups have of each other. A common technique is that of conflict resolution meetings – groups or teams get together to brainstorm issues affecting cooperation and efficiency and work together to resolve them.

Common goals should be identified and actions undertaken to develop and achieve these goals. Team building and inter-group development underpins Senge's five disciplines for building a learning organisation.

Process consultation

This method is used to continuously improve the new or adjusted process being implemented. Groups and teams come together to work on process effectiveness and efficiency. The process is re-mapped at various points during the transition and performance reviewed to identify habits and practices that could be improved to better meet objectives. For example, the consultation could lead to removing unnecessary approvals on completion of steps and revising procedures to manage reworks so other steps are not affected.

Survey feedback

Survey feedback involves presenting employees with questionnaires to obtain feedback to identify and assess attitudes. The survey results help to identify issues or inconsistencies. The questions may look at the organisation and team cultures, employment and pay conditions, the chain of command and senior leadership styles, and team structures. Differences between the current attitudes and those required during the change and for the future can discussed and resolved in feedback groups.

Sensitivity training

Sensitivity training involves the use of unstructured group interaction to change behaviour. It is an intervention designed to help people understand how their behaviour affects others, and involves each member of a group or team putting themselves in another's position to be able to better relate to that person and their position. Team and groups members need to be encouraged to share their perceptions of others and their values, beliefs and attitudes.

Training and development

Training is a critical component of any strategy for assisting organisation members to implement new ways of working, and is a key principle of building a learning organisation. It can take many forms including:

- mentoring to provide encouragement and guidance
- developing an employee's formal qualifications to help them adjust to new responsibilities
- offering internal and external opportunities to build communication, leadership, problem-solving and decision-making skills
- coaching for support and to resolve underperformance
- having redeployment strategies in place
- retraining when a redundancy is made to help the person find employment.

The training needs analysis (TNA) undertaken during the planning phase will have identified requirements. Leaders need to encourage team members to participate in the required training.

Job redesign
Positions are analysed to fit new structures, technology or processes. A position may be redesigned to ensure a better fit between individual capabilities, job requirements and changes to elements of the organisation's structure. Any redesign needs to consider how the change affects the team's and organisation's culture and any skill development required. Some positions may be enriched to include greater responsibility and areas of interest to motivate staff, with the individual involved in deciding how tasks are managed and decisions are made.

Career and succession planning
Career planning involves managers working with their team members to plan their futures and motivate change. People are encouraged to set and meet personal career goals. Succession planning involves identifying those who may be able to take on greater responsibility in the future and implementing a development program to build their skills and knowledge.

Health promotion programs
Health programs are designed to reduce or prevent stress and anxiety. Fitness, stress management and counselling programs that aim to reduce risk factors (such as obesity, smoking, drinking and burnout) by changing behaviour will improve employee performance and reduce staff turnover.

Counselling
Change is stressful, not only for those who have experienced significant change to their position or have been redeployed or retrenched, but also for those who remain. People should be offered personal and professional counselling to present their skills in a positive way in preparation for finding new employment. Some organisations choose to outsource this counselling to behavioural and occupational psychologists.

Training and development options

There are a range of training and development options to manage change, and to improve performance. Consider those presented here.

Training and development options

1

Coaching

Coaching is based on the concept that teams and individuals are capable of success and that, as a manager, your job is to help them be successful. It is therefore often used to resolve underperformance. In the framework of continuous improvement, coaching can provide highly skilled and motivated employees who contribute to organisational growth and development.

2

Mentoring

Mentoring is a relationship between two people in which a more experienced person agrees to support the development of a less experienced person. The relationship allows junior staff to benefit from the wisdom and experience senior staff can offer, and provides the opportunity for the less experienced person to raise questions, issues and concerns with no fear of being frowned upon or reprimanded. Senior staff benefit as well, by consolidating their knowledge, getting to know their staff better, and improving their teaching skills.

3

Job rotation

Job rotation is when people are temporarily placed in other roles in the organisation to help them learn new skills. Job rotation gives workers a chance to broaden their skill base and gain a better understanding of the roles of others in the work team.

4

Training programs

Training programs are ideal for learning new skills or processes. Many organisations develop online training programs that explain how to complete tasks, and explain the organisation's policies and procedures. For example, how to enter transactions in the organisation's management system, or how to work safely in an office.

Training programs are offered by many providers, and can be tailored to organisational needs. Trainers can make use of videos and apps, presentations and exercises. Programs can be delivered off site or at the organisation. Learners may be able to work through online or distance courses at their own pace (self-paced study).

5

Workshops

Industry bodies, training organisations and other providers offer workshops in customer service, software packages, communication, leadership and time management. Workshops usually run for one or two days, and incorporate an interactive or practical component, such as role-playing, group discussion or hands-on practice.

Keep in contact with organisations that offer training relevant to your initiative or area in the organisation.

6

Accredited training

Participants who complete accredited training receive a statement of attainment or a qualification such as a certificate or diploma. Accredited training can be provided by registered training organisations and TAFE institutes in classroom settings, through distance education, online or in the workplace. These qualifications are recognised Australia wide.

7

Higher education

Staff who wish to progress further in change management may pursue a higher education qualification such as a graduate degree or master of business administration (MBA). These qualifications require extended study and research, and can lead to promotion and further career opportunities. Graduate degrees, MBAs and other higher education qualifications are offered by universities in classroom settings, through distance education and online.

Ensure underperforming groups and individuals receive coaching

Coaching generally comes in the form of one-on-one sessions between a manager and a team member. Typically, coaching assignments are finite and designed to help an employee build a skill or improve performance in a few specified areas. Coaching is fundamental in a continuous improvement context as it mirrors and reinforces all of the major principles of the process. A manager or team leader who acts as a coach is trying to achieve more, and perform better.

Problem-solving and feedback are central to the success of the coaching relationship and all experiences – even bad ones – are used as a basis for future improvements.

Identify barriers

A manager or team leader in coaching mode spends time with the underperforming person or team establishing what is holding them back. It could be a lack of skills or knowledge relating specifically to the work, or more generally to time management or organisation. The aim is to remedy the situation by addressing skill and knowledge gaps through discussions or training, or helping them practise in the area concerned. Coaches follow up and look for improvements, encourage and motivate their teams to do better and praise them when performance is improved.

Understand needs

A coach needs to understand the people they are working with and select methods and strategies to suit them. Learner characteristics and needs can shape how the training is structured and delivered, the length of the training sessions, resources required and even the environment in which the training takes place. For example, a coach may use examples, verbal explanations, written instructions, demonstrations or shadowing, depending on the situation. If learners have language or literacy issues, these can be addressed with graphics, support in the person's first language, audiovisual material or a translator.

GROW model

The GROW model is a successful coaching model.

- G – goal: What behaviour needs to change? What SMART goal will enable the behaviour to change?
- R – reality: What is the current reality; what is happening and what is the effect?
- O – options or obstacles: What will enable you to solve the problem and what are the barriers?
- W – will or way forward: What will you do to reach the goal and what will enable you to commit to meeting the goal?

Success factors

Coaching is most effective when:

- the coach understands that their role is to help people learn and develop
- individuals and teams have the motivation to learn and improve the way they do things
- the coach gives guidance on what needs to be learnt and feedback on efforts and performance as learning progresses
- the learner's needs are taken into consideration (including language and literacy issues)
- the approach to learning is proactive, not simply a response to a problem
- the coach listens to individuals and teams and understands the complexity of the issues
- the coach uses the learner's past experiences and new experiences as a tool and opportunity for learning
- there are specific and definable goals to achieve, areas an individual or team can improve in, tasks to complete or challenges to meet.

The need to implement controls for embedding change

It is important to note than even after the innovation or improvement has been successfully implemented, there is a risk that employees will revert to the old processes if problems are encountered with the new ones. To prevent staff regressing, managers must put controls in place, such as policies and procedures formalising the processes and monitoring systems to identify reversals. Further interventions may be required to reinforce the new behaviours, attitudes and practices to ensure the successful embedding of change.

Example: use coaching to improve performance

A sales and support team for a software development business consists of five people:

- Alla is the sales manager.
- Jasmina is responsible for identifying potential buyers and making initial contact.
- Nandi is the sales representative and follows up on the leads that Jasmina provides.
- Adam is the post-sales installer and provides technical support.
- Matt provides post-sales training and operational support.

Feedback from clients identifies that confusing and conflicting information has been provided during the sales process – initial contact, agreements to purchase the software and post-sales support and training. Alla, the sales manager, and Tony, the human resources manager, begin consultation to ensure that systems, processes, objectives and indicators are appropriate. They identify that the issue is the team's inability to effectively communicate with each other. The group decides to appoint a coach to the team.

Tony, a consultant, has a great deal of experience and strong skills in communicating with others. He develops a program with Alla to develop the team's communication skills. He provides input into regular debriefing meetings about each of their clients. He observes how they deal with customers and each other. He conducts role-plays and discussion sessions so people can explain how they feel from their own perspectives.

Practice task 11

Consider the scenario, then complete the task that follows.

Case study

One of your team members seems unable complete her work on time, preventing your team from meeting weekly organisational reporting requirements.

Use this GROW model to list the questions you will ask to help your team member improve her performance.

GROW model	Questions to ask
Goal	
Reality	
Options or obstacles	
Will or way forward	

3C Monitor innovations and improvements

To ensure the effective implementation of change, regular meetings should be conducted with those involved in the transition. Implementation issues will need to be discussed, and the steps required for the innovation or improvement to move forward agreed upon.

It is essential to the success of any initiative that the change is monitored for its effectiveness and that the new or amended product, service and process are regularly evaluated.

Monitor and review of progress

There are several methods that can be used to measure the progress of the transition; a commonly used technique is to conduct a variance analysis between the planned and actual performance, based on the identified objectives and measures outlined in the transition plan. A review of the effect on barriers in reaching milestones is also required.

If milestones are not reached or objectives not met, the reasons why this is so need to be identified and solutions to issues developed, which may include implementing new or further interventions.

Adjustments to the timings, costs, interventions and communications elements of the transition plan may need to be made to ensure corrective action activities and tasks are incorporated. Corrective actions are usually approved by the senior manager.

Manage issues and challenges

Negative or unfavourable variances (differences) between planned and actual performance need to be promptly addressed to get the project back on track. To identify the reasons for variances, conduct a root cause analysis and implement problem-solving techniques.

Ways to carry out corrective actions and implement contingency plans are shown below.

Implement corrective actions	Implement contingency plans
The corrective action will depend on the nature of the issue. For example: • if the issue is a result of unrealistic objectives, the objectives should be revised to better reflect the situation • if the issue is a result of the underperformance of one team, training and coaching can be initiated to improve performance • if the issue stems from external environmental pressures, such as an unforseen cost increases of materials from a supplier, then management may need to negotiate a better price with the supplier or find an alternative one.	If the issue was identified as a trigger for a contingency strategy in the risk management section of the transition plan, then that strategy can be put into action after consulting relevant managers. For example, there may have been a contingency strategy developed during the planning process to manage the risk of a key supplier not being able to provide a raw material for a new product. When the material shortage is identified, the contingency response to use an alternative supplier can be implemented.

Take advantage of opportunities

Analysis may reveal a positive or favourable variance in actual performance. As with negative variances, the root cause needs to be established to identify potential opportunities.

Consider the situation of a three-stage process to make significant improvements to a product and thereby increase your market share. At the end of stage one, variance analysis reveals that sales have increased. You discover that the root cause is that your only competitor for this product is experiencing quality problems. You could take advantage of this by seeking an increase in funding from senior management to get your product to market sooner than originally planned. This increased value to your customers could push your competitors out of the market.

Evaluate effectiveness of the initiative

To evaluate the effectiveness of the improvements or innovation, team, unit and organisational performance can be measured in relation to organisational objectives.

Evaluation questions
• Have the forecast benefits been realised? • Has organisational performance improved as a consequence of the initiative? • Are there any unforseen positive or negative consequences of the initiative? • Have the costs outweighed the benefits of the initiative? • What has the team learnt and what needs be done to improve future initiatives and continuous improvement approaches?

Capture lessons learnt

Once the improvement or innovation has been introduced and is being evaluated, managers and team leaders should spend time with their groups, encouraging people to reflect on the learning and experiences that have come out of the process. This process should occur whether the change was successful, unsuccessful, or somewhere in between.

Through the debriefing process, organisation members can understand that they have the skills and capabilities to adapt to change and to accept and learn from failure. This is a critical and essential step in helping organisations promote learning and innovation. The organisation will increase its capacity to develop creative ideas and respond effectively to change internally and externally.

It can be easy for observations, suggestions and problems to be forgotten unless they are documented systematically in an organisation's knowledge management system (KMS). The aim of a KMS is to collect, analyse, organise and store information accurately and promptly and make it easy to retrieve and distribute.

An effective KMS ensures the organisation's business activities can be managed efficiently, leading to improved performance and competitive advantage. As an additional reference, watch the *Harvard Business Review* video 'Learn from failure' in which Amy Edmondson, Harvard Business School professor, describes strategies for analysing workplace mistakes and learning from failure. Go to: www.youtube.com and search for 'Learn from failure Edmondson'.

Report results

Monitoring and evaluation results need to be communicated to team members, managers and senior management. The information sharing and reporting methods used should be in accordance with the communications plan. On completion of the project, the costs and benefits of innovations and improvements need to be communicated to relevant managers and organisation members.

Consider the following outline of a project closure report for the implementation of a new customer relationship management software system to understand how the organisation communicated results. Note that the report specifies the process for ongoing evaluation of benefits. This is because some of the benefits, such as an increase in market share or productivity, may not be fully realised for months, or even years.

Executive summary

- A brief background to the project
  - Reason for closing the project; i.e. the software system has been successfully implemented
- Recommendations
  - The project should be formally considered closed by senior management
  - The lessons learnt should inform the redevelopment of the continuous improvement practice guide
  - Develop a process for continued improvement of the system
  - Establish responsibility for ongoing benefits realisation measurement

Project performance

- An overview of current cost–benefits analysis.
- Actual performance against planned performance and reasons for variances.
  - Performance against organisational and project objectives
  - Performance against outcomes explaining the benefits currently realised
  - Performance against outputs, identifying that all outputs were successfully delivered and that the quality met expectations
  - Performance against schedule
  - Performance against budget
  - Recommendations to improve performance measurement

Lessons learnt

- A description of what project management, change management and continuous improvement methods, techniques and tool worked well
- A description of the methods, techniques and tools that could be improved
- Recommendations for improvement of methods, techniques and tools

Closure activities

- Reallocation of project staff to other projects or regular team.
- There is also a description of the post-implementation activities relating to:
  - who will be responsible for managing the day-to-day operation and improvement of the system
  - who will be responsible for continuously evaluating the benefits of the initiative.

Celebrate success

Initiative successes need to be celebrated through workplace reward and recognition programs. The closure of a change project may see the change team organising a significant celebratory event. Following the development of a new product, for example, there may be a launch party to celebrate success with internal and external stakeholders, including customers.

Example: review and evaluate change

Recently, an Australian airline announced a five-year Game Change program to reposition itself in the market as Australia's airline of choice. This program involved major restructuring and transformation. Ticketing processes were changed and new electronic technology systems implemented. In addition, the organisation acquired two airlines to reposition the business across all key markets.

During this time, management reviewed progresses against the change plan and evaluated the effectiveness of change strategies. The organisation reported these successes in its annual report and published financial wins on its website.

The change strategies used included:

- measuring sustainable efficiency gains
- quantifying changes in frequent flyer membership
- measuring interline and codeshare revenue and capacity increases to identify access to global markets
- seeking feedback from staff and customers on the effect of changes to customer experience, and getting results from external studies.

Practice task 12

1. What strategies enable you to review your own work performance?

2. What workplace activities or learning options would enable you to improve your performance?

3. If your employee was to pay or is paying for your program, how would you:
   - determine the benefits of your study
   - effectively communicate the results to the appropriate people in your organisation?

4. Why do you think triggers are a critical element of a contingency plan?

3D Evaluate continuous improvement systems

Continuous improvement approaches and processes must be regularly reviewed if an organisation is to remain competitive and profitable. Without evaluation, it is not possible to determine whether a system is working properly. Improvements need to be identified, implemented and monitored to ensure an organisation continues to achieve its financial objectives. The regular evaluation of processes can be achieved through process analysis.

To evaluate the continuous improvement system, the organisation needs to take a holistic approach and consider the processes involved and the methods, tools and techniques used. This could include review of the performance result from a previous evaluation, policies and procedures, process mapping, interviewing those involved in the processes to determine actual practice, and comparing actual practice to procedures.

Evaluation processes

An evaluation program can be used by the organisation to regularly collect and analyse data. This will assist in identifying the effectiveness and efficiency of the underpinning continuous improvement policies and procedures. As with any continuous improvement of a system or process, the program should be cyclical. That is, the results from the assessment of implemented improvements should become an input for the planning phase of the next evaluation.

The four steps commonly involved in evaluating a continuous improvement system are outlined below.

The evaluation program

1

Prepare for evaluation

- Identify the participants.
- Identify criteria and set time lines.
- Access previous evaluation data, if applicable.
- Select the techniques and tools.
- Identify the information requirements, and how the data will be sourced.
- Specify actual tasks required to perform the review.
- Assign employees to tasks and inform them of deadlines.

2

Gather and analyse data and information

- Collect the data through review of documentation and figures, interviews and questionnaires.
- Organise the data.
- Examine collected information.
- Brainstorm information with the team.
- Compare information to evaluation criteria.
- Identify root causes of issues through cause and effects analysis.
- Prioritise issues for improvement.

3

Develop recommendations and plan improvements

- Determine what can be done to improve the policies, procedures and processes.
- Develop recommendations.
- Identify tasks to implement improvements and resources required.
- Prepare an action plan for improvement.
- Assign responsibilities to tasks required to implement improvements, such as new policies and procedures or software add-ons to improve reporting.
- Seek approval from senior management.

4

Implement and monitor improvements

- Implement the approved action plan.
- Ensure relevant staff are aware of changes and any training required in new procedures is carried out.
- Monitor performance according to identified time lines.
- Assess the effectiveness of improvements.
- If successful, inform stakeholders and adopt the improvements as the new standard practice.
- If not successful, then reassessment is required and the implementation of adjustments must be monitored.
- Set up processes to continue to monitor the improvements.
- Determine the timing for the next holistic evaluation.

Example: evaluate the continuous improvement system

Macprairies and Azure Services is a large consulting and training organisation; it is structured according to the consulting and training areas in which staff operate. The major units are Business Services, Executive Education and Community Services. The organisation has a continuous improvement committee, made up of members from each unit, including the director, quality manager, business development manager and at least one trainer. The committee is responsible for the cyclical evaluation of the organisation's continuous improvement system, which is done in four phases, described below.

Data collection

Data includes client and student numbers, profit and margin reports. Surveys can be used to generate data to answer specific questions.

Data analysis

The committee enlists the support of the marketing and finance specialist in each unit to perform qualitative and quantitative analysis of survey results and ratio analysis of financial data. They also analyse the variance between planned and actual performance.

Proposing improvements

The committee identifies areas of concern. Using root cause analysis, the reasons for underperformance or success are examined, and risk management informs priorities for improvement. Issues relating to processes are resolved by engaging business process specialists. The marketing managers in each unit are responsible for monitoring the environment to identify opportunities and threats.

Implementing changes

Each change is formulated as a project, managed by a relevant manager in the unit most affected by the change. Change management techniques are used to make the transition to the new situation or state.

Practice task 13

In this practice task you are required to conduct research into how organisations regularly evaluate their continuous improvement system and processes. Use your organisation and another one that you are familiar with. For the two organisations, identify the methods, tools and techniques that are used to evaluate the system and process.

Summary

1. A transition plan ensures that the innovations or improvements are successfully embedded in the organisation.
2. The plan sets out the transition activities, training and development needs, performance measures, change promotion strategies, and reporting and communication methods.
3. Organisation members need support as the organisation moves from the current state to the new state; this can be achieved through organisational development interventions and activities.
4. Coaching and other options for training should be implemented to deal with underperformance.
5. Effective implementation of change requires regular meetings and the monitoring of progress to identify challenges and opportunities. Challenges identified through variance analysis will need corrective actions.
6. The lessons learnt need to be captured and performance reported; this includes informing people about the benefits realised from the initiative.
7. As with any system or process in the organisation, continuous improvement systems and processes must be regularly reviewed if the organisation is to remain competitive and profitable.
8. A holistic approach is required to evaluate the system, involving assessment of systems elements and processes, and including the methods, tools and techniques used to identify and implement innovations or improvements.

Learning checkpoint 3
Implement innovation and improvement processes

This learning checkpoint allows you to review your skills and knowledge in implementing innovation and improvement processes.

Part A

1. Describe how promoting environmental sustainability may contribute to organisational sustainability.

2. Explain the value of the GROW model in coaching individuals who are underperforming.

3. What is the purpose of root cause analysis in analysing actual performance against planned performance?

4. If you were asked to resolve production performance problems during the implementation of an innovation, what would you do? (The problems are caused by a supplier not being able to provide a sufficient quantity of a key raw material.)

5. Explain why the evaluation of continuous improvement systems and processes should be cyclical.

6. How can organisations capture lessons learnt and share knowledge to inform the future workplace?

Part B

Consider your current organisational setting, a setting you have worked in, or one that you are familiar with. Alternatively, you could select an organisation recently featured in the media that has made significant improvements to processes or implemented new products and services.

Consider organisations that require innovation and continuous improvement to respond to environmental pressures to achieve competitive advantage, such as those that produce consumer information technology products or retail solely via e-commerce.

Research how the organisation implements or has implemented innovations and improvements.

1. Outline the organisation's environmental sustainability practices, identifying key programs or initiatives.

2. What communication strategies or organisational development interventions have been implemented to ensure successful transition and minimise organisational member resistance to change?

3. Explain how the organisation communicated the costs and benefits of the initiative to stakeholders (internal and external). Did the communication match the purpose and audience?