BSBMGT617
Develop and implement a business plan
Release 1

Learner guide

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Aspire Version 1.2

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Release 1, version 1.1	April 2017	First release
Release 1, version 1.2	October 2018	Broken URLs fixed and updated to Rebrandly links.

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Contents

Before you begin

This learner guide is based on the unit of competency *BSBMGT617 Develop and implement a business plan*, Release 1. Your trainer or training organisation must give you information about this unit of competency as part of your training program. You can access the unit of competency and assessment requirements at: www.training.gov.au.

How to work through this learner guide

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

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

Foundation skills

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

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

Foundation skill area	Foundation skill description
Reading	• Gathers, interprets and analyses textual information when developing the business plan and monitoring operational performance • Utilises understanding of distinguishing structures and features of a range of text as well as recognising and reflecting on context, purpose and audience
Writing	• Communicates relationships between ideas and information, matching style of writing to purpose and audience • Researches, plans and prepares business plan for relevant stakeholders
Oral communication	• Presents information and seeks advice using language and features appropriate to audience • Participates in discussions using listening and questioning to elicit the views of others and to clarify or confirm understanding
Numeracy	• Extracts and evaluates mathematical information to review the market, research competitors and review pricing structures
Navigate the world of work	• Takes full responsibility for identifying and complying with legislative requirements applicable to self and the organisation
Interact with others	• Selects and uses appropriate conventions and protocols when communicating with internal and external stakeholders to seek or share information • Collaborates with others to achieve joint outcomes, playing an active role in facilitating effective group interaction, influencing direction and taking a leadership role • Provides support in field of expertise to colleagues, as required
Get the work done	• Sequences and schedules complex activities, monitors implementation and manages relevant communication • Systematically gathers and analyses all relevant information and evaluates options in order to monitor performance and identify opportunities for improvement

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 Develop a business plan	1A Review and evaluate pre-existing strategic, business and operational plans	❑ Confident ❑ Basic understanding ❑ Not confident
	1B Analyse and interpret business vision, mission, values and objectives	❑ Confident ❑ Basic understanding ❑ Not confident
	1C Consult with key stakeholders	❑ Confident ❑ Basic understanding ❑ Not confident
	1D Review market requirements, profile customer needs and research pricing options	❑ Confident ❑ Basic understanding ❑ Not confident
	1E Develop performance objectives and measures	❑ Confident ❑ Basic understanding ❑ Not confident
	1F Identify financial, human and physical resource requirements	❑ Confident ❑ Basic understanding ❑ Not confident
	1G Consider any permits or licences that may be required for new activity	❑ Confident ❑ Basic understanding ❑ Not confident
	1H Write a business plan	❑ Confident ❑ Basic understanding ❑ Not confident
Topic 2 Monitor performance	2A Communicate the business plan	❑ Confident ❑ Basic understanding ❑ Not confident
	2B Ensure skilled labour is available	❑ Confident ❑ Basic understanding ❑ Not confident
	2C Test performance measurement systems	❑ Confident ❑ Basic understanding ❑ Not confident

Topic	Key outcome	Rate your confidence in each section
	2D Ensure timely reports on all key aspects of the business are available	❑ Confident ❑ Basic understanding ❑ Not confident
	2E Report system failures, product failures and variances to the business plan	❑ Confident ❑ Basic understanding ❑ Not confident
Topic 3 Respond to performance data	3A Analyse performance and review objectives and indicators	❑ Confident ❑ Basic understanding ❑ Not confident
	3B Ensure training and development activities are implemented to improve performance	❑ Confident ❑ Basic understanding ❑ Not confident
	3C Review system processes and work methods regularly as part of continuous improvement	❑ Confident ❑ Basic understanding ❑ Not confident

Topic 1
Develop a business plan

An effective business plan is a critical tool used to ensure an organisation's success. Business plans are documents that outline the requirements and strategic objectives to be met within a 12-month period. There are other planning documents used at various levels within an organisation that relate to business plans. At the corporate level, strategic plans are used for planning the organisation's direction for a period longer than 12 months. This information is used to develop business objectives. Operational plans give more detail on shorter-term objectives. Business plans and operational plans are often developed simultaneously, as the content usually overlaps.

In this topic you will learn about:

1A   Review and evaluate pre-existing strategic, business and operational plans
1B   Analyse and interpret business vision, mission, values and objectives
1C   Consult with key stakeholders
1D   Review market requirements, profile customer needs and research pricing options
1E   Develop performance objectives and measures
1F   Identify financial, human and physical resource requirements
1G   Consider any permits or licences that may be required for new activity
1H   Write a business plan

1A | Review and evaluate pre-existing strategic, business and operational plans

It is crucial that business and operational plans are regularly reviewed because of possible changes in an organisation's direction. Managers need to review the current business goals and assess whether they are still right for the organisation.

Reasons why an organisation might need to review business
• The business may have new competitors.
• There might be new and/or better ways to market the products and services (such as using social media).
• The business might be able to develop different products that better meet the needs of the clients.
• Financial goals may have changed.

Understand how a business plan is developed

A business plan is developed by consulting with stakeholders, gathering key people in the organisation to review the current business plan, strategic plan and operational plans, and conducting research and analysis to determine requirements for the designated period, for example, the next 12 months. There are a number of steps to developing a business plan, as shown here.

Business plan development process

1 Analyse and interpret the business vision, mission, values, objectives and goals outlined in the strategic plan.

2 Begin consultation with key stakeholders.

3 Review market requirements for the product and/or service, profile customer needs, competitors and research pricing options.

4 Develop performance objectives and measures through consultation with key stakeholders.

5   Identify financial, human and physical resource requirements for the business.

6   Consider any permits or licences that may be required for a new activity.

7   Write a business plan, taking into account audience needs and timelines.

Review the existing strategic plan

The strategic plan is developed and implemented to communicate and drive organisational direction by outlining the organisation's long-term vision, mission, values and strategies. From the strategies, organisational goals, objectives or outcomes are developed and key result areas (KRAs) identified. These factors inform the development of the business plan. The objectives are precise statements of what the organisation wants to achieve, relating to the whole business. KRAs represent major areas for focus; for example, improved service delivery or improved environmental outcomes. As shown here, there are four types of corporate and competitive strategies that an organisation can implement, which are selected taking into account findings from internal and external environmental analyses.

Growth strategy

Corporate growth strategy

When an organisation chooses to grow, they can increase the number of products offered and/or their market share. They can do this by expanding operations or through diversification. Growth can be achieved through related diversification. This happens when an organisation merges with another in the same industry. Unrelated diversification is when an organisation acquires or merges with an organisation that operates in an industry that has no similarity to the one they currently operate within. For example, a clothing manufacturer may acquire an entertainment company.

Stability strategy

Corporate stability strategy

An organisation may pursue a stability strategy to concentrate on utilising existing resources to strengthen their competitive position within their markets. The focus of a stability strategy is to make incremental change to improve performance. These improvements will hopefully lead to competitive advantage. Competitive advantage is what makes an organisation more attractive than their competition to consumers or current and potential customers.

Renewal strategy

Corporate renewal strategy

To address performance problems as a result of internal issues, an organisation may implement a range of corporate renewal strategies that usually result in significant change to organisational structure, people, and processes. A retrenchment strategy is one where organisations reduce the size of operations to overcome weaknesses and improve cash flow. An organisation may also try to restructure or streamline operations to focus on its primary reason for being in business. A turnaround strategy may be pursued to arrest declining performance, and often involves some form of initial retrenchment, followed by restructuring to ensure effective leadership and achieve operational efficiencies.

Competitive strategies

Generic competitive strategies

In developing a competitive strategy to increase competitive advantage, managers can select a generic competitive strategy. Leading economist and strategy specialist Michael Porter has identified three generic strategies:

1. A cost leadership strategy where organisations compete with others in the industry on the basis of having the lowest cost.
2. A differentiation strategy where an organisation offers unique and valued products.
3. A focus strategy when an organisation implements a cost or differentiation advantage strategy in an industry segment. The selection of one or a combination of strategies depends on the organisation's strengths and the competition's weaknesses.

For further information on Porter's strategies, read Porter, M (2008) *The Competitive Advantage: Creating and Sustaining Superior Performance*. NY: Free Press

Review the current business plan

When writing a business plan for the next period, it is important to analyse, gather and interpret as much information as can be found, including the organisation's vision, mission, values, objectives and performance reports. A review involves questioning the organisation's current position and the future desired one. Here is a range of questions you can use to review the plan.

Reviewing the existing business plan
What are the current objectives?
Why is the organisation in business? What is its purpose?
What are the current strategies?
If there are performance issues, are they the result of inappropriate strategies, unrealistic objectives or ineffective management?
What has changed in the external or internal environments that may be affecting performance, and the ability to meet objectives?
How is the business performing? What do variance and other financial reports tell us?

The format of a business plan

While business plans vary between organisations, commonly incorporated aspects include:

- a business profile that includes its vision, mission and strategic objectives
- a product or service market analysis
- an operating plan
- the physical and human resource requirements
- the productivity and performance targets
- the finance plan
- the marketing plan
- the risk management plan
- permit and licence requirements.

Example: understanding a business plan

You may like to watch this video on how to write a business plan, produced by the Harvard Business Review: http://aspirelr.link/business-plan-video

Evaluate operational plans

Operational plans are planning documents that help the organisation achieve its goals over the 12 months of the business plan. They give more detail about what needs to be implemented and detail the implementation procedures for a specific area of the business, such as production or marketing. In large organisations, particularly those involved in the finance industry, there may be risk management plans. Operational plans outline activities and tasks to keep the organisation on track, promotional activities, and identify and document resource requirements. They also identify potential risks, treatment options and contingency plans. You need to constantly monitor performance to ensure that the plans are current, as there will always be internal and external changes that affect the ability to achieve the targets.

Here is a comparison between internal and external changes.

Internal changes	External changes
• Staffing changes	• Legal requirements, such as new laws
• Relocation of offices	• Political changes, such as new governments bringing in new policies
• Restructures of departments	
• Changes in senior leadership or management	• New competitors to the business
• New technology changes due to internal forces; for example, a new IT system better meets client needs	• Changes in social media for the workplace
	• Environmental changes
	• New technology changes due to external forces; for example, upgrades to production equipment

Monitor the effectiveness of plans

The business plan, as a planning document to give the organisation direction and keep it on track, needs to be monitored for effectiveness. A business and operational plan should include an effective control system. This is sometimes referred to as a performance measurement system. It enables the organisation to regularly monitor and evaluate performance, and to make changes to the plan to accommodate changes in the internal and external environments affecting performance. Changes may in fact be opportunities that the business may capitalise on, such as a reduction in interest rates that increases the organisation's customers' disposable income. Any plan, whether business or operational, needs to be flexible. A control process involves the development of a system to continuously monitor, compare and improve performance as shown here.

Measure performance

How performance is measured, and the tools and techniques to be used, and what is to be measured should be outlined in the plan. Measurement is generally focused on analysis of performance compared to what was budgeted, projected or anticipated, identified in sets of performance measures.

Compare performance

This step involves the analysis of the variance between actual performance and what was budgeted, projected or anticipated. Regular monitoring will reveal variance, but the acceptable range of favourable or unfavourable variance needs to be determined, and this is what guides action to improve performance.

Improve performance

If the variance between actual and planned performance is minimal, no action may be taken. However, if there is a strong deviation, management take immediate corrective actual to resolve issues, such as maintaining a piece of equipment to increase efficiency and effectiveness. The issue needs to be investigated as analysis may reveal that the indicator was set at an unreasonably high level.

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Practice task 1

Explain the relationship between the strategic plan, the business plan and the operational plan.
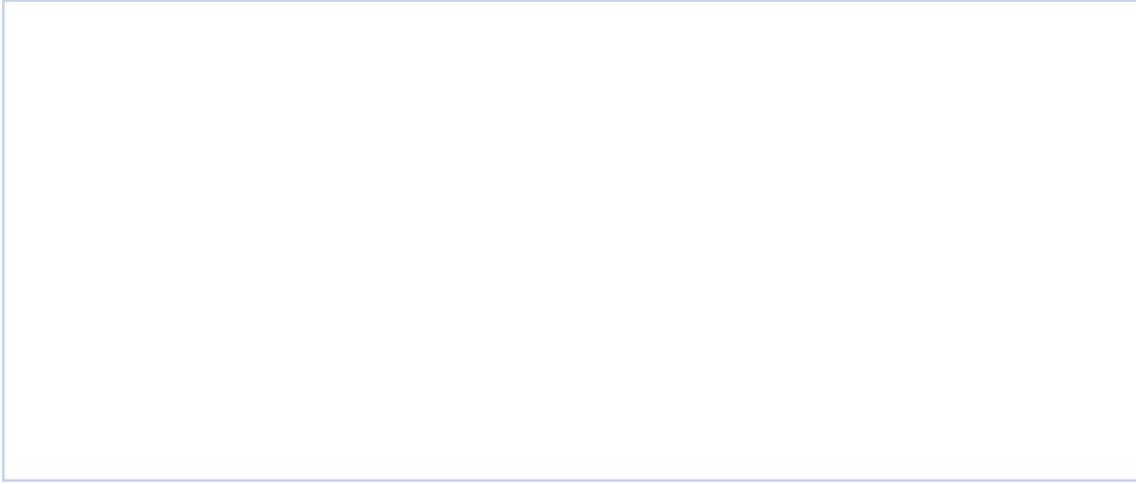
1B Analyse and interpret business vision, mission, values and objectives

To ensure the business plan is aligned to the organisation's strategic direction, its vision and its mission, you need to analyse and interpret the organisation's stated values and objectives.

Make sure you know where they are displayed within the organisation and how they can be accessed. These are crucial statements that are designed to inspire others and to let them know what the organisation stands for. It is a manager's role to be able to interpret these documents to employees, stakeholders and the wider community. If you do not have experience in developing these statements or do not have access to examples, conduct research and collect information using your networks or access organisation's websites.

Analyse and interpret business vision, mission and values

By analysing and interpreting the vision and mission statements you can determine the purpose of the organisation, its philosophy, aspirations and values, its desired future position and how it plans to achieve its goals. All statements should be written clearly and succinctly so that members of the public as well as employees can understand the intent. Their wording and length may be determined by the nature and size of the organisation.

Here is a brief summary of what is included in each document.

Vision statements
A vision statement is a critical strategic tool to communicate the organisation's aspirations. For managers, vision statements help to define the organisation's purpose and values. For employees, a vision statement should inspire them to achieve corporate objectives. They also give stakeholders, including customers, an understanding of why they should work or do business with the organisation.

Mission statements
An effective mission statement should not be too specific, nor too broad to communicate to customers, employees, shareholders and the public. It should include the following: • a definition of the organisation's customers and markets served • an outline of the products and/or services produced and/or provided • a comment on the need for business and environmental sustainability, and may mention profitability • the philosophy and concern for community and employees.

... continued

Organisational values
The core values of an organisation are generally integrated in the mission and vision statements. Core values outline and define what the business represents. Values are an important part of a strategic direction because they provide a framework for manages' and employees' actions and behaviour. These values are embedded in the organisation's policies, procedures and code of conduct. They may include:

- responsiveness
- Integrity
- impartiality
- accountability

- respect
- leadership
- human rights.

Examples of vision, mission and values statements

Here are examples of a vision, mission and values statement.

Vision statement

Our vision is to be the state's leading supplier of organic bread.

Mission statement

To produce the highest quality bread using organic ingredients to exceed customer expectations.

Values statement

Each and every member of the organisation is accountable for their actions and our products.

Each and every member of the organisation is committed to provide quality products.

Each and every member of the organisation is empowered to make decisions and to strive for success.

Each and every member of the organisation is valued for their knowledge, skills, experience and differences and demonstrates respect for diversity.

Evaluate objectives

As change in internal and external environments is constant, objectives need to be evaluated to ensure they are still relevant and current in enabling the business areas to meet corporate objectives. The business plan should include sets of performance measures for each objective. By comparing actual performance to planned performance in different areas, you can identify whether the objectives are being met. The variance analysis determines the appropriateness and effectiveness of the current objectives and what is required for organisational areas to meet the longer-term strategic objectives.

All objectives need to be SMART.

S	M	A	R	T
Specific	**Measurable**	**Attainable**	**Realistic**	**Time framed**
Target and clearly define a specific area that you want to improve.	Suggest an indicator of progress; quantify if possible. Determine how you will know the goal has been achieved.	Agree what the goals should be and keep them achievable in the time frame.	Identify what results can realistically be achieved given the available resources, knowledge and time.	Specify when the result can be achieved; make sure there is enough time to achieve the goal, but not too much time.

Example: understand business plan objectives

In 2015–2020, Fabrique will consolidate its position in the market as a lead retailer for luxury lifestyle products. To do this, Fabrique will focus on the following business goals.

Financial stability:

- Increase revenue by 15% (compared to the previous 12 months) by the end of the financial year.
- Maintain annual profit levels of 15% of revenue for all products and services, calculated at the end of each financial year.
- Re-invest 75% of profit back into the business at the end of each financial year.

Market position:

- Maintain the number one rating in the national industry customer service awards.
- Launch new high quality exclusive consumer products to meet customer demand, ahead of competitors, within budget and by the agreed deadlines .

Right people:

- Provide induction training at the commencement of employment to train new employees to be knowledgeable, helpful and enthusiastic.
- Provide the financial, physical, human and time resources to support an annual professional development program for all Fabrique employees.

Practice task 2

In the following table, state whether each statement is true or false and provide a reason for your response.

Statement	True or false	Reason
The values statement should communicate to employees and other stakeholders the desired future position of the organisation.		
Objectives need to be analysed to ensure they are specific, measurable, attainable, realistic and time framed.		

1C Consult with key stakeholders

It is important to regularly consult with key stakeholders, especially when preparing to write a business plan. Stakeholders (those who have an interest in or are directly affected by the business plan) contribute to the shape of the plan, as they bring different perspectives, insights and experiences to the organisation. Consultation with all area or department managers in particular is critical; it is impossible for one person to develop a business plan without the input of each manager's operational plans. Consulting with others produces a business plan that maximises the chance of success and has the support of those people who have contributed to the development, as shown here.

Benefits of stakeholder contribution

Consultation with stakeholders ensures that each stakeholder's priorities are taken into account in the changes to the business plans.

Consultation gives a broader perspective to thinking, as internal stakeholders know the business and the external stakeholders bring in an external stimulus.

Consultation minimises the risk of employee dissatisfaction by helping them to 'own' the business plan.

Identify key stakeholders

Stakeholders are people or organisations who have an interest in the business of the organisation. Stakeholders are normally discussed in two categories:

- Internal stakeholders work in the business and have an interest in the work tasks, planning activities and management of the business.
- External stakeholders can be a wide range of experts and community people or groups depending on the organisation and nature of the business; for example, a small business would have different external stakeholders to a government or not-for-profit organisation.

Consider who has a strong interest and/or high influence in the planning and implementation processes, and in making decisions. These stakeholders need to be consulted to ensure all factors and perspectives are taken into account when making decisions during the processes.

Internal stakeholders	External stakeholders
• Business owners • Business partners • Directors and managers • Team leaders • Employees	• Community leaders • Government agency representatives • Shareholders • Suppliers and key customers • Technical or specialist consultants

Consultation methods and tools

For consultation to be effective, all stakeholders must have the opportunity to contribute to the review of the existing plan and be involved with the development of the new plan.

There are a number of processes and approaches that can be used in obtaining input and feedback from consultation as shown here.

Meetings

- Call a meeting to specifically seek feedback on current and desired performance from internal stakeholders.
- Discuss any issues as an agenda item during regular meetings, such as area/unit team leader meetings, and ask for the relevant parties to provide their views.

Interviews

- Either one-on-one or with a group of stakeholders or external stakeholders.
- Interviews may be face-to-face, over the telephone, videoconferencing or conducted via questionnaire.
- Have a defined set of questions to ask when you are seeking feedback.

Brainstorming

- An open forum where people provide input and ideas on solutions to given issues. The issue first needs to be defined.
- A key part of this approach is that there should be no analysis or negative judgment of any ideas.
- One approach when dealing with a large number of stakeholders is to break into smaller groups where each addresses specific issues.
- Each group reports back to the whole group who add additional ideas and provide feedback on the ideas presented.

Root cause analysis

To identify the root causes of any issues that arise during the consultation, the group can develop a cause and effect diagram.

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Facilitate consultation

Active listening and effective questioning are key skills in facilitating consultation. They help in gaining the views of others and clarifying and confirming understanding. Here is a summary of what is meant by active listening and effective questioning.

Active listening

Active listening is listening attentively to the speaker. The listener is an active participant in the listening process. Active listening involves:

- acknowledging you have heard what the other person is saying
- clarifying information, where necessary
- encouraging and/or probing the person for more information
- paraphrasing the information
- reflecting the feelings expressed
- summarising the full story.

Effective questioning

Questions are an important part of active listening. Questions can clarify what the person is saying. You may need to ask a number of questions to understand the person's story.

- Open questions are 'what', 'why', 'where' and 'how' questions, which allow the other person to answer in their own manner.
- Closed questions can be used to clarify information, such as 'So, what exactly do you think the reason is for the variance?'

Research how other organisations consult with stakeholders

Consider the following sites to learn more about different organisations' approaches to stakeholder identification, engagement and consultation:

- Department of Health and Human Services Victoria stakeholder engagement and public participation framework and toolkit: http://aspirelr.link/dhhs-stakeholder-engagement
- ANZ stakeholder engagement at: http://aspirelr.link/anz-stakeholder-engagement
- BSR, 'Back to basics: How to make stakeholder engagement meaningful for your company' at: http://aspirelr.link/bsr-stakeholder-report
- Deloitte Australia stakeholder engagement: http://aspirelr.link/deloitte-stakeholder-engagement

Example: plan consultations with stakeholders

Teresa is a newly appointed manager. One of her current tasks is to review and make adjustments to the current business plan. She knows that she needs to familiarise herself with all the stakeholders so she can consult with them and obtain the best information she can.

She draws up a list of questions to remind herself what she needs to know to guide stakeholder consultation during the planning process, which she then completes.

- Who are the key stakeholders?
- What is their level of involvement or interest in planning?
- To what extent should I consult them (consider their awareness, involvement and commitment)?
- What is the best way to engage key stakeholders?
- What questions should I ask to obtain the information I need from them?
- How often and when should I engage with them?
- What is the risk of not engaging them?

Practice task 3

Conduct research into stakeholder consultation methods. Make a list of the tools and methods that may be appropriate to use to identify and consult with stakeholders.

1D | Review market requirements, profile customer needs and research pricing options

A review of the market requirements for a product or service ensures that business and operational strategies are relevant and current to meet any changes. Consumer markets, such as those where the purchaser of the product or service is an individual or a household, are subject to continuous change as a result of shifting demographics, levels of disposable income and wants according to fashion trends. Typically, consumer markets require frequent reviews. Business markets, where organisations sell or supply products other businesses, government agencies or educational and healthcare institutions, may be more stable than consumer markets and less subject to sudden shifts in demand.

This review – profiling customer needs and research into pricing options – enables products or services to be produced or supplied to meet identified customer needs and at appropriate selling prices. As with any step of the business development process, consultation with area specialists (in this case marketing, sales, production and finance managers) is required for their expert opinion and ability to present findings from their market research and sales and costing analyses. You also need to have well developed numeracy skills to be able to review statistics, extrapolate figures and interpret cost margin analysis.

Understand the process for market analysis

Analysing the market involves reviewing the market requirements, profiling customer needs and researching pricing options. Information from the analysis provides major input into the development of operational plans, including marketing research for marketing strategy development, production and purchasing forecasting and budgeting.

The following outlines the steps involved in the market analysis process, as identified by leading marketing academic David A. Aaker.

Market analysis process

1 **Determine the market size**

This can be achieved by looking at previous and current sales, and research to obtain demographic and industry information from government agencies, such as the Australian Bureau of Statistics (ABS), industry groups, large banks and survey reports produced by organisations such as IBIS.

2 **Identify market growth rate**

Some organisations extrapolate the growth rate from their previous financial data. However, demographic information should be taken into consideration.

3 Determine market profitability

The profitability of the market is determined considering the barriers to entering the market, including and regulatory or technological costs, number of competitors and the threat of substitute products or services. New players may enter the market. Regarding substitutes, consider the effect of the introduction of tablets on the laptop and notebook market.

4 Identify industry cost structure

The cost structure for an industry identifies the costs involved and the percentage of fixed and variable costs in taking a product or service to market. Most industries have developed a cost structure that can be accessed from the ABS's site. Knowing the current market price helps you set your own pricing structure. Always determine a number of pricing options for different client groups, such as a basic item, a luxury item, added value items, and marketing promotions.

5 Identify distribution channels

Consideration is given to how easy the organisation has access to appropriate channels, whether they sell directly to the consumer or business client or go through retailers. Generally, the closer the organisation is to the consumer or client, the greater the ability to increase margin.

6 Identify market trends

Market changes needs to be identified to determine new opportunities of threats. Changes in the political or legal, economic, demographics and technology environments can affect the size of the market. Regular monitoring of the external environment and market research is required to determine changes and their impact on the market's size.

7 Identify key success factors

These are the factors that will enable the organisation to achieve its market objectives. Factors generally relate to the organisation's accessibility to resources, including technology and channels of distribution. As with any of the elements described in this section, factors change over time.

Review identified market requirements

In developing a new product or service or taking an existing product or service to a new market, some organisations prepare a market requirements document (MRD). This is quite common for organisations who have product managers or who manage new product development or new market penetration as projects. The document is used to guide the design and production or development and marketing of the product or service. The document may be called by another name in different organisations, or the information is incorporated into a comprehensive marketing plan for a product or product line.

Here is a summary of what is contained in a MRD and the review and action considerations associated with developing an MRD.

MRD elements

Elements of an MRD generally include:

- an explanation of the new product or service that addresses a need or a problem
- the need or want for the product by the consumers or business clients
- who the customers will be in terms of the market and the segment of the market they represent
- how the product or service enables the organisation to achieve strategic objectives
- competitors' current or future products
- existing or potential substitutes
- marketing/promotional activities

Some documents are more detailed than others, depending on the nature of the organisation and the product or service. For example, a software development company may provide a document that includes details about the product's features.

Review and action considerations

To review the requirements and determine what needs to change to meet objectives, consider the currency and relevancy of the existing document. Ask the following questions:

- Have needs or wants changed, as reflected in sales figures and environmental analysis reports?
- In what areas have you got a competitive advantage?
- What are competitors doing and how will that affect our share of the market?
- Have actual or anticipated changes in the internal or external environment provided the organisation for opportunities to expand the product line?
- Are there any new competitors or product/service substitutes since the development of the document?
- What objectives and production, purchasing and/or marketing strategies and tactics need to be redeveloped to meet changes in the market requirements?

Profile customer needs

Profiling customer needs enables the organisation to develop marketing strategies and tactics to achieve repeat sales, which may involve targeting more profitable customers using a strategy to add value through increased service. A customer profile helps to define existing customer needs by understanding their purchasing patterns and their reasons for buying your product, as well as identifying trends such as an increase in migrant customers or the fact that more customers are in the 18–25 year age group. To build a profile, you need to ensure you capture information about buying patterns in your customer database, review sales reports broken down by regions or areas and products, and question your customers directly and/or through surveys. Find out who they are, what they want, and why they want it.

Researching the Australian Bureau of Statistics (http://aspirelr.link/abs) may help to identify information about demographics. The research findings can also be used to develop marketing strategies, including pricing strategies, strategies to increase product to customers, such as online purchasing, and tactics to reach new customers.

Research should reveal:

- a definition of the target customers
- a description of how they purchase; for example, online, retail, on impulse etc.
- a description of when they purchase; for example, weekly for grocery items, yearly for Christmas gifts etc.
- identification of their gender and age
- a description of their education and income range
- identification of where they live and family arrangements; for example, single, extended family etc.
- a description of their values, wants, needs and perspectives.

Research how other organisations develop customer profiles

Visit the following sites to view templates, examples and guidance in developing customer profiles:

- Business Queensland has developed a customer profile chart that you can access at: http://aspirelr.link/customer-profile-chart
- Business Victoria webpage titled 'Define and know your customer': http://aspirelr.link/define-and-know-your-customer
- Edward Lowe Foundation webpage titled 'How to identify a target market and prepare a customer profile': http://aspirelr.link/customer-profile-edward-lowe-foundation

Research price options

A business's pricing structure effects its market place positioning. Not charging enough may affect the business's profitability. Charging too much may give its competitors an advantage. Therefore, researching pricing options is critical. Research what competitors are doing via their internet or their retailers' sites, ask your customers what they think is a fair price and analyse the cost of goods sold and your margins to determine an acceptable price for the organisation and a competitive price to retain existing customers and increase market share, in line with corporate objectives.

Here are some questions to ask to guide the pricing options development and some pricing strategies.

Interpret findings

Here are some questions to ask to guide the pricing options development:

- Is the product a luxury item or a uniquely environmentally sustainable product?
- What are the costs to run the business? Material costs, labour and overheads?
- What price are competitors advertising and charging customers?
- What does profitability analysis tell us about what we can sell at?
- Can we reduce costs in producing the item to decrease price but maintain or increase our margins? For example, can raw materials to produce the product be sourced from a supplier with lower costs than the current supplier?
- How can we add value to increase our competitive advantage over other suppliers without changing prices; for example, free delivery or postage and handling, promote environmental sustainability of the product?

Pricing strategies

- Sell online to reduce channel costs and be flexible in pricing items.
- Set the price high then drop it when you have established a customer base; this is known as skimming pricing.
- Set the price low for new products to attract a high number of sales; this is known as penetration pricing.
- Price one of the products to create an image connection with the customers; this is referred to as image pricing and is often used with luxury items.
- Offer limited promotions where a product or line is discounted for a set period of time.
- Offer seasonal discounts to encourage purchase of seasonally sensitive products such as fashion items.
- Set the price so low it makes a loss, but attracts the customer so other products are purchased; this is referred to as loss leader pricing.

Example: prepare the market analysis section of the business plan

To develop the market analysis section of a business plan, the Queensland Government's Business and industry portal experts suggest the following:

1. Use a range of market research resources and different market research methods to gather important data about the market for your products/services and feasible levels of demand. Briefly describe your market in terms of:

   • whether it is a local, regional or national market

   • its target customers

   • its seasonal influences

   • the price range

   • whether it is a growing/declining market.

2. Describe any current and upcoming market trends that will provide your business the best chance to capitalise on opportunities that may arise.

   • Describe the industry you are in; for example, age, present structure, size in terms of revenue and volume.

   • Describe any major trends (both past and future) affecting your industry.

   • What are the chief characteristics of the market, for example, growth industry, competitive nature, government involvement, high production costs?

Practice task 4

1. Complete the following market analysis table for your organisation, or do some research and use an organisation you are familiar with.

Industry:	
Target customers	
Seasonal influences	
Price ranges offered	
State of market (growing/declining/stable)	
Market trends	
Competitive share	

... continued

2. List three reasons why customer profiling is important.

3. Why is it important to identify market trends?

4. List some strategies to identify the needs of your largest customer.

1E | Develop performance objectives and measures

Performance objectives and measures are critical to an organisation's control system, and they must be developed through consultation with the key stakeholders, including all department managers. Performance measures indicate how the organisation can assess the success of its objectives.

Areas of business performance

There are a number of areas that organisations typically measure. Some organisations take a triple bottom line (TBL) approach and measure three perspectives: their environmental impact, their social impact or social responsibility impact and their financial position.

Areas to measure may include:

- profit and loss
- community awareness or branding
- environmental impact
- governance

- employee performance
- quality
- workforce.

Set business performance objectives

Developing SMART business performance objectives (based on the organisation's strategic plan) means that the organisation's performance can be measured using key performance indicators (KPIs). For example, a business may have an objective to maintain 80 per cent of its returning customers over the next 12 months. It creates a customer retention strategy, such as loyalty deals for return customers, and then develops sets of performance measures. In setting objectives, many organisations use the management-by-objectives (MBO) approach. The MBO approach involves managers coming together to set mutually-agreed objectives based on analysis of previous and current performance and market analysis findings. These are then communicated through the organisation. Here is a process to guide you and your stakeholders in setting performance objectives.

Developing performance objectives

1. Discuss with relevant stakeholders ways to implement corporate strategies to meet objectives.

2. Identify what business level actions are required to meet strategic objectives.

3. Identify when business level actions are required to be completed to meet strategic objectives.

4. Determine measures that will enable the identification of progress towards achievement of the objectives.

5. Check that the objectives are SMART.

Determine business performance measures

Performance measures must be able to demonstrate a clear link between the performance objective and the organisational objective. These measures can be used to communicate to employees the importance of objectives, and how what they do affects the success of the organisation. Some organisations may refer to sets of performance measures as KPIs, which relate to a key objective. The management group must consult with relevant parties to ensure performance measures for each objective are relevant, understandable, timely, comparable, reliable and cost effective.

Identify types of performance measures

Here is a list of the types of commonly used performance measures. Note that one business objective may have a number of measures. For example, the performance of a workforce can be measured using a number of criteria: employee productivity may be measured by comparing the hours worked versus outputs or tasks achieved over time; customer satisfaction may be measured through surveys that measure workforce performance indirectly; safety results compare the number of lost days due to injuries or actual injury statistics.

Outcome measures

Outcome measures determine the benefits to the customer or financial success. Financial outcomes can be measured through analysis of financial performance, such as profitability, profit margins and market share. Break-even analysis is also a commonly-used tool. An example of a customer outcome measure is a customer satisfaction rating or the time taken to respond to customer calls and emails.

Output measures

Output measures will concentrate on the quantity or quality of the products or services delivered, and may be determined by analysis of sales and costs figures, and comparing one period to another through variance analysis. Examples might include the number of call a customer service team takes per day, measuring the numbers of products produced or the number of product sold.

Input measures

Input measures focus on how the outputs or outcomes are achieved and how effectively resources are used to achieve outputs or outcomes. Resources may include staff time, equipment, materials or 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.

... continued

Efficiency measures

These measures are used to determine productivity or cost effectiveness. Examples include the number of calls received 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 the effectiveness in meeting customer expectations related to product reliability and service responsiveness. Manufacturing organisations also measure product quality error rates. For a customer service team, a measure might relate to the level of satisfaction of customer in dealing with the team.

Example: use the balanced scorecard as a measurement tool

The balanced scorecard, originally developed in 1996 by Kaplan and Norton, is used by a major Australian financial institution as a performance management tool. At the strategic and business levels, the system integrates financial and operational measures aligned to strategic goals.

The four organisational perspectives that are measured by the bank are:

- financial measurements including profitability analysis
- customer satisfaction and needs by tracking satisfaction levels and market share
- business processes to enable the organisation to achieve objectives through efficiency measures
- learning and growth that focuses on measuring staff commitment, experience and skills, and developing leadership, motivational and human resource strategies to ensure staff are willing able to perform activities.

To learn more about the balanced scorecard, watch the Harvard Business video at: http://aspirelr.link/the-balanced-scorecard, in which Kaplan discusses the development and application of the Balanced Scorecard.

Practice task 5

1. What type of performance measure is designed to assess the quantity of products or services?

2. According to the MBO approach, how do managers set objectives?

1F Identify financial, human and physical resource requirements

To identify the required resources to perform new or existing organisational activities, the business plan development group can review previous or current operational or tactical plans that include the identification of the resources required to meet objectives. Resources are likely to include money, staffing, time, materials, equipment, space and location. Managers need to take an active role in consulting with others and facilitating group interaction to ensure a comprehensive and accurate allocation of resources.

Review operational plans

Each department will need to review their operational plans to reveal the resources required for each activity that has been identified in that plan. For each department such as production, purchasing, marketing or finance, there needs to be a plan identifying the activities required to meet the objectives and the corresponding financial resources, human resources, physical resources and time to enable the unit to complete activities. Consider the following types of resources.

Financial resources

For each new activity, an organisation needs to determine how they will be financed.

The organisation must determine its current financial situation through a review of financial statements.

- What is the cash balance?
- What about bank or other loans?
- What about shareholders' capital?
- What is the creditor's situation?
- What is already invested in stock?

Cash flow statements, profit-and-loss budgets and the budgeted balance sheet are developed from the forecasts and budgets provided by each department manager. These should include the sales and expense forecasts and production forecasts if applicable to the organisation's business.

Human resources

An organisation may develop a strategic human resources plan to determine staffing level requirements based on the corporate strategies, business objectives and operational plans. The plan should indicate skills and knowledge needed and training and development needs. From this, the plan may identify whether staffing is full-time, part-time, permanent, contract or casual.

As the business grows and changes, HR needs are likely to change. Managers and human resource staff need to continually analyse the position descriptions and work tasks of each staff member while considering the budget, changes in technology, and projected changes for the business.

Physical resources

Physical resources refer to buildings, equipment and materials, such as office space, computer, software, furniture, production machinery and raw materials. Electricity may need to be factored in. These must be identified in relevant unit forecasts and budgets.

Each activity must be analysed to identify the physical resources needed in order to achieve the performance measures set.

Resources also need to be accounted for to ensure that the organisation has the funds to acquire resources. It is important to note that when determining activities and required resources, departments are generally required to perform cost benefits analysis to assess the value of the activity or to justify the need for the activity to senior management.

Time

Time is a crucial resource because it is heavily related to the finances; if an activity runs over time, it is likely to go over budget.

Each activity and task requires the estimation of time to ensure an appropriate schedule for implementation is developed, which guides the monitoring and control of any plan.

Understand how resources are identified

It is useful to have an understanding of how department managers determine their resource requirements. Managers and team members work together to determine activities, break these down into tasks, then determine the resources required to perform the tasks. The tasks are then costed. This is called zero-based budgeting. Some organisations use a work breakdown structure (WBS) to identify tasks for activities.

The steps involved in developing a WBS are shown here.

Develop a WBS

To develop a WBS, each team considers what action is required to meet objectives, and then identifies the outputs. These outputs are broken down into the activities required to achieve them. These activities are then broken into tasks.

The team could use a tree diagram or a table to map the tasks to outputs. Each level of the diagram or table is created by asking, 'What needs to happen to achieve this?'

These answers are recorded as the next set of branches or subheadings and are checked by asking, 'Will these actions actually allow this activity or task to be completed?' and 'What do employees need, including time, to be able to perform the task?'. This information not only enables the identification of required resources, but also the development of schedules for activities.

Identify required resources

Each task needs to be analysed to determine resource requirements. Here are some considerations in determining required resources:

- What are the skills and experience necessary to do the work? What are the results of the gap analysis? Is a training needs analysis required? If yes, allocate responsibility for analysis.
- Who should do the work?
- How long will each activity and task take to complete?
- What equipment or facilities are required?
- What is the availability and cost of each resource?
- Is there alternatives available; what contingencies need to be developed?

Estimate resources

The total cost estimate of an activity is calculated by multiplying resource effort by the resource unit rate for all the tasks listed in the WBS. It is important to allow for contingency. For example, there may be issues with supply or raw materials, or updates to existing technology that requires new training for staff. The finance and human resources teams should be able to provide 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, is incorporated into the organisation's overall budget and detailed in each department's budget.

Practice task 6

1. What might happen if a manager does a poor job of allocating resources?

2. List some essential skills a manager needs to be able to accurately identify the required resources.

1G | Consider any permits or licences that may be required for new activity

Whether it's for a small business that is just starting out, or an organisation that is planning a new activity (such as a new product or service), managers need to check if permits and licences are required by Commonwealth, state or territory, or local government agencies. The permits and licences should be listed in the business plan, as they represent obligations that the organisation must meet, and are required in order for them to lawfully conduct business activities. It may be your responsibility to identify and comply with the legislative requirement, so ensure you are familiar with the nature of the organisation and the range of requirements.

Types of business permits and licences

There are often requirements to hold permits and licences for the business. These requirements depend on the staffing, business structure, location, the nature of the business and whether premises are owned or leased. For example, there are specific licences required for businesses such as motor dealers, franchisees, construction, property agents and second-hand dealers. Every state/territory has different legal obligations. The organisation should list all the activities in the business, review the business plan, then research the licences and permits it needs. Nearly all organisations need to possess an Australian Business Number (ABN), Workers Compensation, Superannuation Guarantee, GST Registration, and a Tax File Number. The organisation must operate its business with the correct licences and permits. Failure to do so could result in serious penalties including business shutdown and court procedures.

Licences, contracts or agreements may include:

- operational licences, permits or registrations
- franchise agreements
- business purchase or sale contract
- supply contracts

- loans
- leases
- distribution rights
- insurance
- employee contracts.

Source permits and licences

You can source some permits and licences online, and some by going to your local council. However, the Commonwealth government provides the Australian Business Licence and Information Service (ABLIS) with access for businesses to identify their required permits and licences. You can search on the business types and areas in which it operates.

To conduct a search, visit the ABLIS site at: http://aspirelr.link/ablis

A report can be generated and downloaded from ABLIS containing:

- a summary of state or territory, local and Commonwealth government requirements relevant to your business
- information about licence fees, how to apply, periods of cover and renewals
- how to access application and renewal forms
- where to go for more help and information.

Comply with legislation

Legislative compliance benefits the organisation by minimising the risk of penalties and loss of income that can occur if it fails to meet obligations. It is good practice to develop audit checklists to directly manage the legislation that is related to the nature of the business. Aside from some of the legal requirements identified through an ABLIS search, there are other obligations. Here are the Acts that apply to organisations and their members across Australia.

Workplace relations
Workplace relations are governed by the *Fair Work Act 2009* and the Fair Work Regulations 2009. This legislation outlines the obligations of both employers and employees with regard to the employment relationship. The Acts are in place to provide minimum entitlements to employees and to enable flexible working arrangements to ensure employees are not discriminated against. The Fair Work Ombudsman administers the acts; further information is available from their website at: http://aspirelr.link/fair-work-ombudsman
Workplace health and safety (WHS)
WHS legislation includes: • work health and safety acts • regulations • codes of practice. There is also a national compliance and enforcement policy to ensure the health and safety of employees and visitors to organisational sites. The *Workplace Health and Safety Act 2011* applies to all states except Victoria and WA, who each have their own Acts. Information relating WHS requirements is available from Safe Work Australia's website at: http://aspirelr.link/safeworkaustralia
Anti-discrimination
Commonwealth and state laws cover equal employment opportunity and anti-discrimination in the workplace. All employees should participate and comply with a workplace free from discrimination and harassment. It's important that as a leader, you understand your rights and responsibilities under human rights and anti-discrimination law. By putting effective anti-discrimination and anti-harassment procedures in place in your team, you can ensure compliance to the law. Relevant legislation can be accessed by visiting: http://aspirelr.link/workplace-eeo-legislation

Privacy legislation

The *Privacy Act 1988* (Privacy Act) is an Australian law that regulates the handling of personal information about individuals. There are 13 Australian Privacy Principles:

APP 1 — Open and transparent management of personal information

APP 2 — Anonymity and pseudonymity

APP 3 — Collection of solicited personal information

APP 4 — Dealing with unsolicited personal information

APP 5 — Notification of the collection of personal information

APP 6 — Use or disclosure of personal information

APP 7 — Direct marketing

APP 8 — Cross-border disclosure of personal information

APP 9 — Adoption, use or disclosure of government related identifiers

APP 10 — Quality of personal information

APP 11 — Security of personal information

APP 12 — Access to personal information

APP 13 — Correction of personal information

Further information is available at: http://aspirelr.link/aus-privacy-principles

Example: identify required licences and permits

Catriona is new to her managerial role in a restaurant in Victoria. She has been given the responsibility for identifying the licences and permits needed by her organisation. She refers to the recommendations supplied by her state government to help her get started.

1. List all of your business activities, including planned new ones.

2. Learn about licensing and registrations for your business, trade or profession by researching online.

3. Visit the Australian Business Licence and Information Service (ABLIS) site for information about any regulations related to operating your business, including:

   - a summary of the state, local and Australian government requirements for your business
   - the contact details of the agency responsible for each listing
   - application forms
   - details of fees, periods of cover, and renewals
   - online lodgement and secure payment for some licences.

Following her research, Catriona lists the range of compliance requirements. There are over 20 licences and permits required.

Major compliance requirements for a restaurant

- Australian Tax Office Australian Business Number (ABN) Registration
- City of Yarra Registration/Notification of Fixed Food Premises
- Victorian WorkCover Authority Application for WorkCover Insurance
- Victorian WorkCover Authority Code for First Aid in the Workplace
- Victorian WorkCover Authority Code of Practice for Manual Handling
- Australia New Zealand Food Standards Code
- Victorian Environment Protection Authority Accredited Licensee (EPA)

Practice task 7

Read the scenario and complete the task that follows.

Scenario

You are the general manager of an environmental consultation firm renting a floor of an office building located in Sydney's CBD. There are 40 employees, but no trainees or apprentices. Each of the directors, and yourself, has a car that is leased through the firm. The organisation does not directly impact the environment or utilise natural resources.

You are concerned that the organisation may not have the appropriate licences or permits.

Conduct a search and generate a report on the organisation's requirements. List at least five requirements for the organisation.
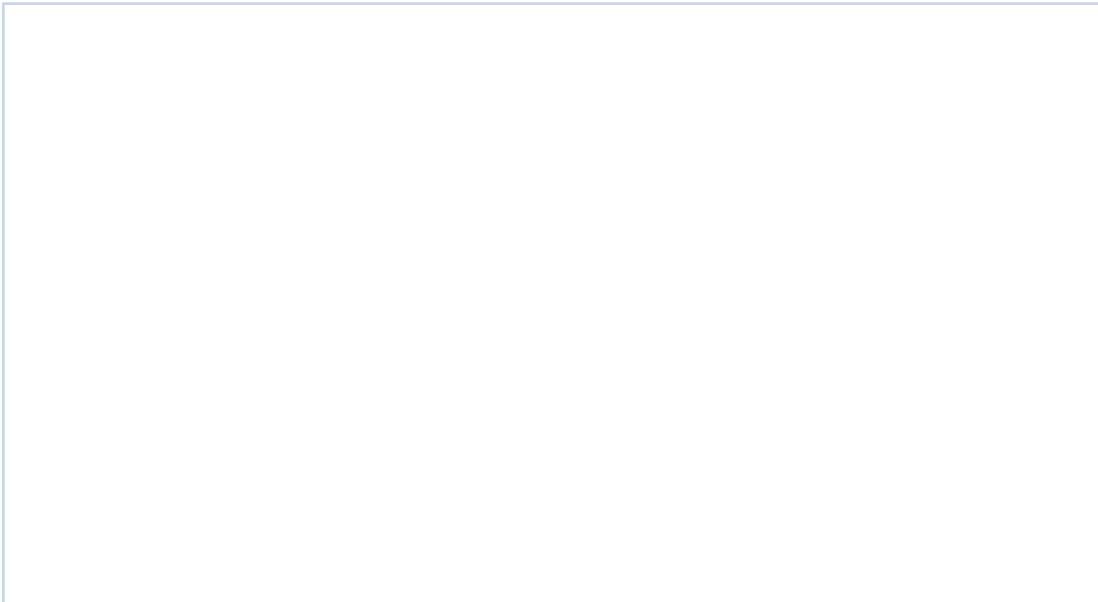
1H | Write a business plan

A business plan details the requirements that underpin the organisation's vision and mission to enable it to meet its strategic objectives. It brings together the research and consultations undertaken with key stakeholders that reviewed and confirmed organisational objectives, market share and customers, performance measures, resources, permits and licences. Writing a business plan involves determining the purpose of the plan and audience, working out the specific information that needs to go into the plan and preparing the text so it is clear and easy to understand.

Gather information

If you are writing a business plan, be prepared with the information needed so you can insert it easily into the organisation's template. You may have sought help from external sources, such as a market researcher to provide an analysis of the industry and market, so make sure all the information has been collected. Depending on your organisation's requirements, you may also need to include attachments such as a risk management plan to cover contingencies, or a full budget.

The gathered information can then be collated for incorporation into the business plan to meet audience requirements.

The key areas of business planning generally include:

- market research
- marketing planning
- legal and risk management planning
- operational planning
- human resources planning
- financial planning.

Collate information

While there are some core components of a business plan, organisations may differ depending on their size, the nature of their business, their industry and how they do business. For example, a large financial institution may have a separate business plan for its retail, corporate and government, and overseas units. These units are in themselves run as independent businesses, and the organisation has a policy, procedures, and a template for developing each business plan. Alternatively, a small manufacturer changes the components of their plan from year to year, depending on the organisation's activities; for example, when they were looking to expand their operations and needed to raise capital, their business plan included greater market analysis and financial detail to seek approval for a loan from a financial institution. Consider the following business plan components for three different types of organisations, providing plans for different reasons.

State government agency

This business plan is designed to communicate the objectives for the year ahead to external stakeholders and the managers of major programs. The major programs have been developed to address key result areas of the organisation's five-year strategic plan, and are run as business units. The components include:

- messages from the Chair and CEO
- introduction: vision, purpose, key responsibilities in line with State Government policy
- how we work: delivery model
- priorities for 2014–15: contribution to government policy and priorities, key deliverables
- our programs: description of each program, their objectives and indicators
- our four core capabilities: description of each, their objectives and indicators
- budget for running programs
- organisational structure
- board members
- appendix: agency programs.

Medium-sized manufacturer

This manufacturer developed a business plan to seek investment, so provided detailed financial details. The components include:

- executive summary
- objectives, mission, keys to success
- company summary: channels, ownership, facilities
- products summary: product descriptions, competitive comparison, manufacturing and laboratories, future products
- market analysis: market segmentation, industry analysis, main competitors, target market segment strategy, market trends
- strategy and implementation: strategy pyramid, value proposition, marketing strategy, strategic alliances and milestones
- management team, personnel plan
- financial plan: assumptions, key financial indicators, breakeven analysis, projected profit-and-loss, projected cash flow, projected balance sheet, business ratios, long-term plan.

Small business start-up

The group who developed this plan was seeking a loan from a bank to start a small wholesale business. The components include:

- executive summary
- product and market analysis: products, market analysis, industry description and outlook, SWOT analysis, competitor analysis
- marketing plan: customer profile, pricing, customer service, advertising and promotion, sales forecast
- legal and risk management: structure, licences, insurance, leases, employees, tax and other financial responsibilities, risk management
- operating plan: location, customer management, equipment, suppliers, inventory control, business continuity
- human resources plan: management, staff, training, recruitment, succession planning
- financial plan: start-up costs, profit-and-loss forecast, cash flow forecast, projected balance sheet
- action plan.

Present information clearly and concisely

In presenting the business plan, it is not only the content or structure that needs to be taken into consideration in meeting audience needs. The person ultimately responsible for collating and presenting the information needs to ensure that the language used helps to communicate the information clearly and concisely. All plans should aim to use clear, simple language, regardless of the English language skills of the audience. This is often referred to as using 'plain English'. Some plans must include complex financial or technical information, so explanations needs to be provided for those with limited experience in these areas. Consider using diagrams and graphs to present complex information.

Guidelines for using plain English

- Use active rather than passive language; for example, 'John wrote the document' rather than 'the document was written by John'.
- Use inclusive language; for example, use 'they' rather than 'he' or 'she' and avoiding discriminatory language.
- Use short sentences with one main point.
- Vary sentence and paragraph length to improve readability.
- Avoid repeating content unnecessarily.

Example: research business plans

The Queensland Government's Business and Industry portal has two examples of business plans on their site that cover the key areas of business planning. These may provide ideas that you can adapt to existing templates. These can be found at: http://aspirelr.link/business-planning-kit

Practice task 8

There are a number of business plan development guides and templates provided by government departments and agencies. Search the internet for these business plan development tools and techniques. Consider the style and structure of the various reports that are intended for different audiences. Here are some more sites to consider:

- http://aspirelr.link/business-planning-templates-and-tools
- http://aspirelr.link/write-a-business-plan

List six areas that you will use as headings or component parts of your business plan.

Summary

1. Organisations need to regularly review their strategic, business and operational plans to ensure they are current and relevant

2. To ensure the business plan is aligned to the organisation's strategic direction, you need to analyse and interpret the vision, mission, values and objectives.

3. Consultation with key stakeholders is essential when developing a business plan, as without their input, the plan would not reflect the true position of the organisation.

4. A review of the market requirements for a product or service ensures that strategies are relevant and current to meet any shifts or changes. A review profiling customer needs and research into pricing options enables products or services to be produced or supplied to meet identified customer needs and at appropriate selling prices.

5. Performance objectives and measures, critical to an organisation's control system, must be developed through consultation with the key stakeholders.

6. All objectives must be SMART and are often set using the management by objectives (MBO) approach.

7. The business plan development group should review previous or current operational or tactical plans to identify the resources required to meet objectives. A work breakdown structure may be used for costing tasks.

8. Organisations need to obtain the required permits and licences to ensure they are lawfully conducting business activities.

9. Writing a business plan involves determining the purpose of the plan and collecting and collating information to meet organisational requirements.

10. Though the components and content may vary in nature, business plans present the objectives, market analysis, resources and financial information to inform decision-making.

Learning checkpoint 1
Develop a business plan

This learning checkpoint allows you to review your skills and knowledge in developing a business plan.

Part A

1. Explain why it is critical to evaluate the organisation's strategic plan when developing a business plan.

2. What steps might you take to develop measurable business objectives?

3. List the key steps for developing a business plan.

4. Why is it important to continually review the market?

5. Describe how you would build a customer profile.

6. List three reasons why it is essential to consult with key stakeholders when developing or revising a business plan.

Part B

Use your organisation's current business plan to write notes to assist with developing a draft business plan, based on the information and questions raised in this topic. Use the following table to record your notes about the current business plan.

Alternatively, access the Lifestyle Architects Business Plan from the following web page at: http://aspirelr.link/business-planning-kit

Include:

- whether the information is current
- whether all sections that should be included in a business plan are present, including a current analysis of the market, customer profile trends, market trends and possible marketing options
- any strengths and weaknesses of the plan
- suggested options and areas for improvement.

Checked ✓	Item	Notes
	Description of the business	
	Organisation's purpose (vision, mission and values statement)	
	Organisational chart	

Part B

Checked ✓	Item	Notes
	Key personnel/stakeholders	
	Current target market and marketing strategy	
	SMART goals/objectives and key performance indicators	
	Finances	
	Products and services (including market position, unique selling position/value to customer, anticipated demand, market trends, pricing strategy, growth potential).	Customer profile trends: Market trends: Possible marketing options to take:

Checked	Item	Notes

Checked ✓	Item	Notes
	Insurance	
	Risk management	
	Legal considerations (including Acts, regulations, codes to comply with, permits and licences required)	
	Strengths and weaknesses of the plan	
	Areas for improvement	

Topic 2
Monitor performance

Plans need to be communicated, required resources need to be in place for implementation, and methods for monitoring how well teams are progressing in meeting the set objectives must be listed. Without effective implementation and monitoring of performance, there is little point to having a business plan.

In this element you will how to:

2A   Communicate the business plan

2B   Ensure skilled labour is available

2C   Test performance measurement systems

2D   Ensure timely reports on all key aspects of the business are available

2E   Report system failures, product failures and variances to the business plan

2A Communicate the business plan

As soon as senior management approves the business plan, it must be communicated to team leaders, supervisors and team members to ensure they understand their role and responsibilities, how their actions contribute to the performance of the organisation and how their performance will be measured. It is common for managers to meet with team leaders and supervisors to explain the components of the business plan so they in turn can communicate to their team members. In some organisations, the director or a senior manager communicates the plan to all staff at the one time. You need to consider how you pass on the information, in what format it is circulated and when to do so.

Identify and use appropriate communication methods

As a manager, you may need to choose an appropriate method of communicating the business plan to others. Whatever method is chosen, the aim is to explain all details of the plan and the relationship between components.

The method of communication depends on the nature and structure of the organisation, and any relevant organisational policy and procedures. There are a number of methods you could use, as shown here.

Formal meetings

Formal meetings are held where the managers and team leaders are presented with specific information relevant to their roles and responsibilities in implementing the business plan. Feedback from meeting attendees should be sought. Active listening and questioning techniques should be used to check for understanding. Videoconferencing and teleconferencing may be required for attendees in other locations.

Group information sessions

Group sessions are useful for communicating the plan using slides to a wide audience in one location and/or using videoconferencing. Sessions can be used to explain to managers, team leaders and team members how meeting operational plan objectives and targets enables them to achieve the business objectives. As with formal meetings, feedback should be encouraged and the understanding of attendees checked.

Distribute the written plan

Not all staff require a copy of the plan, given that each member should have a work plan aligned to the operational and business plans. Senior managers and directors need a finalised copy; senior management may submit the report to potential investors, shareholders or financial institutions to raise capital. The plan may be distributed via email or placed on the intranet or wikis for download.

Technology

Make use of technology to communicate information such as email, intranet, wiki, teleconference or videoconference.

Take a leadership role in communicating the plan

The leader's role in communicating the business plan is to facilitate effective group communication to achieve a common understanding of requirements. By involving all relevant parties in an open discussion, you ensure their commitment to the plan. Always employ active listening and questioning techniques, and demonstrate that you are genuine in wanting their feedback.

Be prepared with:

- a copy of the plan for distribution
- notes of key aspects you need to explain, such as performance requirements and timeframes
- the type of language to use so it is appropriate for the audience
- answers to possible questions
- future actions, such as monitoring performance.

Example: present a business plan

Casey prepares to present a business plan to department managers and team leaders, with input from the finance and marketing managers. He opts for an electronic presentation, prepares a checklist of what needs to be covered then develops the slides, using one major point per slide.

Our Business Plan

- *Introduction (self, and team involved in developing the business plan)*
- *Articulate the vision*
- *Reinforce the mission*
- *Explain SMART objectives (highlight alignment with strategic plan)*
- *Performance requirements*
- *Our products*
- *Introduce market analysis (to be presented by marketing manager):*

  Target market

  Market trends

  Overview of marketing strategy, including timelines

  Customer profile

  Key promotions

  Summary of sales forecast highlighting targets
- *Financial plan introduction (to be presented by the finance manager):*

  Define and summarise projected profit and loss

  Define and summarise projected cash flow

  Define and summarise projected balance sheet

  Explain department financial reporting requirements: what departments need to report and by when
- *Management team and key responsibilities*
- *Timeframes*
- *Questions and answers*

Practice task 9

Identify the methods you would use to communicate the business plan within an organisation. Explain the reasons for your choices.

2B | Ensure skilled labour is available

In implementing the business plan, you need to make sure that all managers, teams and team members have the appropriate skills and knowledge to perform to the standard required to ensure business objectives are met. This may have been identified in a human resources section of the business plan, or more commonly, in each of the department's operational plans. Each operational plan should have identified the human resource requirements to conduct activities and their associated tasks. You may wish to conduct a training needs analysis. From the results, you can prepare a training and development plan in consultation with other managers to ensure organisational members have the required knowledge and skills to perform their allocated tasks.

Analyse training needs

A Training Needs Analysis (TNA) is a systematic way of identifying gaps in team members' skills. A TNA can be conducted in a number of ways, including a skills audit questionnaire or surveys, interviews with staff, observation of staff skills on the job and analysis of statistical data, such as rates of productivity and errors. This is compared to the requirements of the position, as identified in position descriptions, and/or allocated responsibilities for a person according to operational and individual work plans. This comparison enables you to identify skills and knowledge gaps.

Develop a training plan

The type of training or development required depends on the results of the training needs assessment, the requirements of the organisation, the expertise needed and the budget allocated to training. Research different training and development opportunities that address gaps; this may be done through information brochures from training providers, feedback from people who have completed training with a provider, capability of providing training in-house, such as the availability of in-house mentors and suggestions from network contacts. Following the research, develop a training plan that integrates the requirements with the identified gaps in skills and knowledge and include possible training options (such as coaching, mentoring, gaining a qualification, demonstrations, workshops) and includes costs, location and time required. The plan needs to be approved by the relevant person, depending on the organisation's procedures.

Aspects of a training plan include:

- training and development needs
- identified appropriate training or development such as coaching, mentoring or offsite training provided by a training organisation
- cost/budget for training and time allocated for training
- dates of training and the venue.

Source new skilled labour

If there are activities or tasks that cannot be performed by upskilling existing staff, the organisation may need to recruit new full- or part-time staff or engage contractors to complete specialised activities. All recruitment or contracting should be managed in line with the organisation's policies and procedures. The decision to recruit or contract depends on the level of knowledge and skills required for the activity or task, and how long the activity or task is expected to take. For example, the existing marketing team may have limited capacity and experience in market analysis, so they may decide to contract a market analyst for six weeks to determine the market requirements for a new line of products. As the organisation will not be developing the products within the next year, the analyst's skills and knowledge are not required on a day-to-day basis.

Example: a skills labour analysis in a business plan

A research organisation has recently created a new department, the Knowledge Transfer Team, to market and sell the reports produced by the various specialist research teams. They intend to develop a customer service website with a chat room, an online shop, host online information sessions and workshops, and run organisational plan development webinars for their clients to promote the use of their research findings. Here is what they proposed they would need for staffing:

Human resource needs analysis: Knowledge Transfer Team			
	Full-time ongoing	**Part-time**	**Temps from agency**
Team leader	1		
Marketing and sales	1	1	
Online learning	1	1	
Customer service	2	1	
Administrative support	1		1 (for 6 weeks to establish processes)
Total	7	3	1

Practice task 10

Conduct a Training Needs Analysis for yourself by comparing the knowledge and skills you already have to those required to perform your job using this table. Consult your position description or a position description suitable for a job you would like.

Rate each of the following areas according using the following:

- E – excellent
- AB – above average
- N – needs improvement

Name:		
Major duties:		

	Rate your current knowledge	**Rate your current skills**
Communication		
Listening		
Writing		
Facilitating meeting/ discussions		
Making presentations		
Numeracy		
Analysing budgets and/or market information		
Working with others		
Collaborating and consulting with others		
Conflict management		
Management and leadership		
Problem solving		
Negotiating		
Delegating		
Leading others		
Managing time		
Coaching		
Motivating others		

2C Test performance measurement systems

The performance measurement system, often referred to as a control system, needs to be tested to ensure it is effective and able to provide an accurate measure of performance. If it is found to be ineffective, you need to refine the system so your results will give more precise details of how the organisation is progressing. Here are the three elements of an effective measurement system.

Measure performance

Measurement is generally focused on analysis of performance compared to what was budgeted, projected or anticipated, identified in sets of performance.

The plan should outline:

- how performance is measured
- the tools and techniques to be used
- what is to be measured.

Compare actual performance to planned performance

This step involves the analysis of the variance between actual performance and what was budgeted, projected or anticipated.

Regular monitoring will reveal variance, but the acceptable range of favourable or unfavourable variance needs to be determined. This is what will guide action to improve performance.

Improve performance

If the variance between actual and planned performance is minimal, no action may be taken.

However, if there is a strong deviation, management must take immediate corrective actual to resolve issues. For example, they may need to have stricter procedures for maintaining equipment to increase efficiency and effectiveness if equipment is continually breaking down and having to be serviced.

The issue needs to be investigated as analysis may reveal the indicator was set at an unreasonably high level. For example, high production targets placed unreasonable stress on the equipment.

Test the measurement system

The performance measurement system needs to be tested following the implementation of the business plan to ensure the identified measures are appropriate, and that they can be effectively measured with the tools and techniques determined in the planning phase. For example, the measures put in place for evaluating the success of a community awareness program should provide sufficient data and information for a manager to analyse the impact of its marketing campaign, compare with previous campaign performances, and see whether the measurement system developed to identify success was effective or ineffective.

Here is a process for testing the system.

1 **Select test samples**

Select two or three critical activities, ideally in different areas such as a marketing promotions campaign and the acquisition of raw materials for a new product, and the measures you will use to test. Ensure there is enough data to test. That is, make sure the activity has been implemented and there is data, such as observations by management of tasks in progress or those that have been completed. You may also consider testing those activities that are high risk to ensure identified controls will be effective.

2 **Collect the data**

An individual within an area needs to be responsible for collecting the data and ensuring the data is accurate and relevant to the test. Examples of data include sales figures for one or two weeks; total costs of the purchase of raw materials; marketing activities to date; verbal feedback collected from customers.

3 **Analyse the data**

The raw data needs to be converted into information using the identified measures. For example, generating a cost of goods sold (COGS) report, a sales report, or identifying the completed tasks relating to a marketing activity.

4 **Compare performance and analyse results**

Compare the actual performance to the budgeted or forecasted performance.

- Are there any variances? If so why?
- Is the data difficult to collect or analyse?
- Has the right data been collected?
- Are the indicators appropriate for the objective; is the standard to high?
- Is the measure appropriate to report on performance?
- Are there better measures, such as different profitability ratios to use?
- Have there been changes in the internal environment, such as changes in staff or a new management and finance software package that affects the ability to measure or the effectiveness of the identified measure?

5

Identify and implement refinements

Generally, refinements are required, such as adjusting the indicator to better assess performance or collecting a slightly wider range of data. Other refinements may include:

- establishing a written process for ensuring the raw data is accurate
- allocating collection of analysis responsibilities to staff members with higher skill levels
- changing the measure; for example, the organisation may have merely measured profit margins, but following testing, a cost-volume-profit analysis is better measure of performance
- refining the management and finance software reporting functions to better capture and analyse data.

Understand organisational performance management

The key to understanding business performance is to first gain an understanding of how the organisation measures overall performance, that is, the sum of end results for a period of all of the organisation's activities. There is a range of performance measures and types of control that organisations may use. The following examples are those put forward by management academics and practitioners, Robbins, Bergman, Stagg and Coulter.

Source: Robbins, S, Bergman, R, Stagg, I & Coulter, M, 2012, *Management 6*, Pearson Education Australia, Frenchs Forest.

Performance measures
Organisational performance measures
Productivity to measure the overall output of goods or services, which is divided by the total cost of all the inputs.

- Output is measured by the sales revenue.
- Input is measured by calculating the total costs of acquiring and using resources to product outputs.
- To increase the ration of outputs to inputs, productivity needs to be increased.

Organisational effectiveness, which is a measure of the appropriateness of strategic goals or objectives and to what extent they are meeting these goals or objectives. A common method that incorporates cost and effectiveness measure is the balanced scorecard.

Some organisations measure performance by comparing their organisation to other organisations within the same industry.

... continued

Types of control

Types of control

Feedforward control is:

- concerned with the analysis of input, and takes place before the activity begins
- used to prevent anticipated problems
- exemplified in the risk management approach
- ideal, but it can be hard to predict the future if wrong or insufficient data is collected.

Concurrent control:

- is performed while the activity is in progress, for example, direct supervision
- can prevent issues from escalating into threats and before they become costly.

Feedback control:

- is a common form where information is collected as the task is completed
- has a major drawback in that problems are identified after they have occurred
- has the advantage of enabling an evaluation of planning and implementation processes, and can be used to assess employee performance for reward and recognition
- can include financial statements and reports.

Financial controls and measures

Financial controls and measures

A major tool is budgets to measure and compare resource usage.

Key financial ratios used (calculated from the information in the profit and loss statement, cash flow and balance sheet) include:

- liquidity ratios to measure an organisation's ability to meet its debt obligations
- profitability ratios to measure how efficiently and effectively the organisation is using resources to generate output profits
- leverage ratios to measure the organisation's use of debt to finance debt and meet interest payments on loans
- activity ratios measure how efficiently the organisation is using its assets.

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Balanced scorecard

Balanced scorecard

The balanced scorecard was developed by business theorists Kaplan and Norton to measure performance in areas beyond the financial perspective. This approach provides a clear prescription as to what organisations should measure in order to balance the financial perspective by looking at four perspectives that contribute to organisational performance:

- Financial
- Customer
- Internal processes
- People/innovation/growth assets

The balanced scorecard can ensure effective brand management, environmental sustainability and corporate governance by providing insight into all areas of the organisation.

Benchmarking

Benchmarking

Some organisations measure performance by benchmarking their practices against identified industry best practices. Benchmarking against best practices helps to identify performance gaps and areas of improvement. The Queensland Government's Business and industry portal recommends:

- buying financial benchmarking data to compare the business's income, expenses and profitability against your industry averages
- examining the financial data of similar businesses using their published annual reports
- contacting the business or industry association for information about industry standards to measure the performance against
- researching and comparing the business's products, services and practices with your competitors.

To learn more about benchmarking, watch this video produced by the Queensland Government, 'Benchmarking your business – case study video': http://aspirelr.link/benchmarking-your-business-video

Example: use financial controls

Here are the financial ratios used by a retail chain business to measure and compare overall financial performance.

Ratio	Formula	Definition
Liquidity ratios		
Current ratio	Current assets/current liabilities	This ratio is a measure of your business' ability to repay short-term debts. A ratio less than one shows liquidity problems.
Acid test	Current assets – inventories/current liabilities	This ratio used when inventory turnover is slow.
Leverage ratios		
Debt to equity ratio	Total liabilities/ owner's equity	This ratio shows the proportion of owner's equity and debt used to finance the business.
Debt to equity ratio	Total liabilities/ owner's equity	This ratio shows the relative proportion of owner's equity and debt used to finance your business's assets.
Activity ratios		
Inventory turnover	Cost of goods sold/ average inventory value	This 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.
Asset turnover per annum	Total sales/total assets	This ratio is used to show how total assets are used to produce sales.
Profit and profitability ratios		
Gross profit margin (%)	(Gross profit x 100)/ sales	The gross profit margin, a key indicator of financial health, is gross profit expressed as a percentage of sales.
Net profit margin (%)	(Net profit x 100)/ sales	The net profit margin shows how effectively the business converts sales into profit.
Break-even point	Fixed costs/gross profit margin	The break-even point is the point at which total revenue equals total expenses, therefore showing the minimum sales required to cover costs.
Margin of safety	Total sales – break-even point	Shows how much how much sales can drop before loss is incurred.
Return on investment	Net profit after tax/ total assets	Measures how efficiency assets are in generating profits.

Practice task 11

1. Why is it necessary to test performance measurement systems?

2. What might be the consequences, should an organisation fail to test their performance measurement system?

3. Which type of control is useful in anticipating problems?

2D | Ensure timely reports on all key aspects of the business are available

Managers need to plan how they are to report business performance to ensure that information is transparent, and is reported in a user-friendly format. It is important to get reports to the relevant audiences within appropriate timeframes so they are looking at recent data and information in order to make efficient and effective decisions.

Identify report requirements

Productivity, activity and financial progress reports should be produced regularly and reviewed by relevant stakeholders. It is important they are comprehensive and available to meet timeline requirements, which may be timeframes or milestones identified in each department's operational plans or organisational reporting requirements. This can be achieved by scheduling reports with details on who will create the report, what will be reported and when the report is due. Make sure reports are balanced in terms of financial and non-financial information. Too often, reports focus on quantitative data and omit qualitative information collected from surveys, interviews and meetings. Here is a comparison between financial and non-financial reports.

Financial reports

All organisations need to meet certain obligations in relation to the reporting of financials. Many financial reports are prepared to meet Australian Tax Office (ATO) and state/territory government payroll and other statutory requirements, such as the Australian Securities and Investment Commission (ASIC) submission dates.

The statutory reporting requirements are managed by the finance team; the relevant sales, revenue and expenses reports need to be made available to the team to prepare statements well in advance of their submission dates.

Non-financial reports

Some reports may be more qualitative in nature, and required to ensure that the focus is not solely on the numbers so that all aspects of the business are covered. Qualitative documents may be developed by managers to report on, for example:

- the effectiveness of risk control evaluations
- the mapping of processes to identify areas for improvement
- the current processes compared against industry best practice or competitors to assess ways of doing things
- customer satisfaction obtained through sales staff questioning and surveys
- employee satisfaction through performance appraisal, informal discussion and surveys
- suggestions from health and safety committees for improvements relating to workplace health and safety.

Ensure reports are user-friendly

'User-friendly' is a frequently used term that means to a report that is written in a style that is clear and reflects the purpose of the report for the intended audience. Here are questions to ask to ensure reports are easy to read and use.

Making business reports user-friendly
What does the audience need to know, and by when to meet their financial reporting or activity analysis requirements?
Where can I find this information to ensure needs hasn't changed?
What format is required, such as Excel sheets or variance reports generated using the accounting software?
What technical jargon needs explaining to ensure the maximum use of plain English?
What data or information is critical, and what is not critical that can be included as appendices?
What visuals such as tables, graphs and images can be included to facilitate understanding?
How should the reports be distributed in accordance with organisational produces or guidelines; such as presentations at sessions or email?

Example: generated or prepared performance reports

The following model has been developed to enable the reporting of the performance of a large business unit within a telecommunications organisation that has adapted the balanced scorecard to meet industry needs. Are the measures, metrics and reports used by this telecommunication unit similar to information in performance reports you are familiar with?

Financial

- The unit measures and generates reports on capital, project and operational expenditures.

- Expenses are collected and analysed using a customised financial management system.

- Price models are employed to enable scheduling, reporting and understanding of expenditures as revenues are attributed to the number of network users.

- Budgets are developed and used to determine expenditure variances.

Project delivery

- On-time delivery, volume of work in progress and quality of network performance and work performed is measured.

- Risks are identified, analysed and treatments developed; controls are evaluated.

- On-time delivery and work in progress are measured using variance analysis.

- Quality is measured through auditing, as outlined in quality and assurance plans.

Employee health, safety and wellbeing

- Externally commissioned surveys and internally-driven individual feedback processes are in place to capture employee opinion, satisfaction and wellbeing.

- Health and safety incidents are recorded, analysed and reported to Work Cover; and relevant managers are to develop new processes for improvements.

- Quarterly performance appraisals are used to identify performance, satisfaction, health and wellbeing.

- Training and development is regularly assessed and needs analysis reports generated to inform training and development program decisions.

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Network performance

└ Fault management is measured by the number of faults and mean time between occurrences; reports are distributed to engineers to correct performance.

└ Performance is measured against coverage, speeds, network features and capabilities; reports are generated to assist in identifying customer experience.

Competition, industry and customers

└ Industry and competitor analysis and reports provide direction and understanding of where changes in technology, work procedures and practices may be implemented within the organisation.

└ Customer experience is measured in metrics such, as net promoter score and customer satisfaction, with data obtained through social media and surveys of experience in using the organisation's products and in dealing with the organisation.

└ Satisfaction and experience reports are distributed to unit managers and the unit's team leaders to make improvements.

Practice task 12

Conduct research into the types of performance reports generated to meet requirements for organisations using the balanced scorecard or a similar approach.
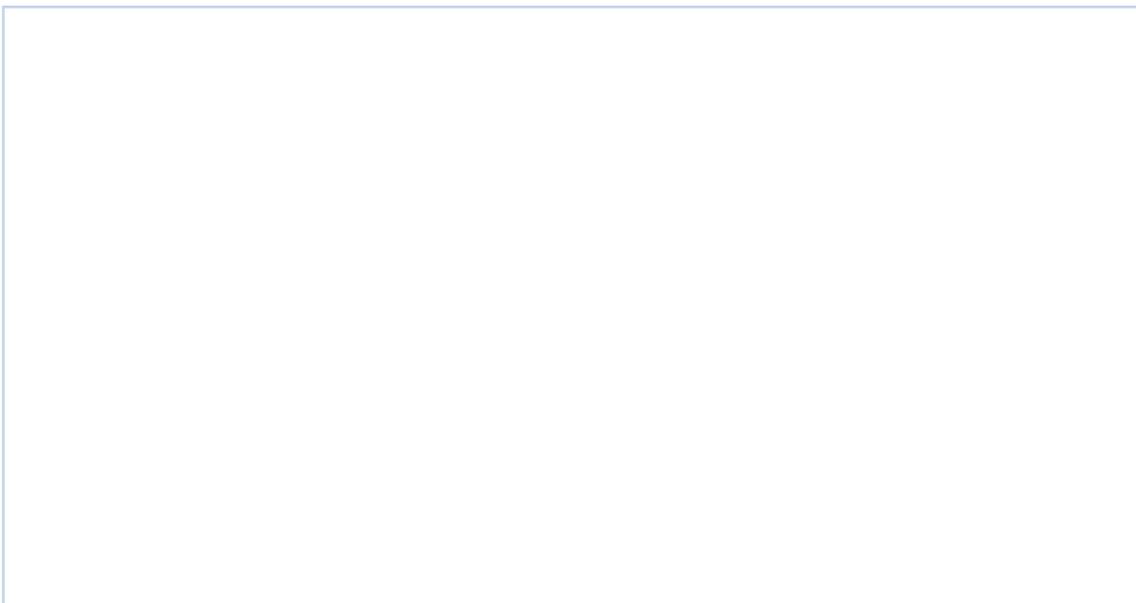
2E Report system failures, product failures and variances to the business plan

It is crucial that you know how to identify and report system and product failures to ensure that appropriate actions to address variances are developed and implemented. You may be responsible for making the adjustments that are required. Here are some questions that need to be considered.

What are system failures?

Systems are sets of methods, procedures or processes organised to perform activities or to solve problems. In any organisation, there are a number of systems in place; for the implementation of a business plan these may include the systems put in place to ensure that each of the organisation's departments interact to meet the objectives of the plan, using a number of sub-systems, such as the performance measurement system and quality system to ensure targets are realised.

A system may fail if the system is poorly designed or processes are inefficient or ineffective, affecting the ability to meet objectives.

What are product failures?

Product failures are quite common for new products developed by an organisation. According to leading marketing academic and practitioner Kotler, product failures can be categorised, into the following sections:

- Absolute product failure, where a product's sales do not cover costs
- Partial product failure, where the product's sales cover some costs, but fails to make a healthy profit
- Relative product failure, where the profit is less than forecasted or fails to meet targets

What are variances to the business plan?

Variances are the differences between the planned output or outcome and the projected or forecasted output outcome. As a result of system and/or product failures, there may be variances identified by performance analysis that require amendments to the operational and business plans. For example, a relative product failure will have an impact on the organisation's sales and cash flow forecasts and budgets.

Identify and report failures

Systems and products may fail for a number of reasons, such as poor planning and execution, or little monitoring of the external and internal environment. You can highlight the issues by analysing performance and reporting the failures to relevant managers and their teams. This enables them to identify the root causes of the issues and develop corrections. For example, if a marketing manager identifies a high variance between the

current and last month's margins, they would consult the cost of goods sold reports. There is a significant increase from the previous to the current month in the cost of materials. She reports her concerns to the production manager who conducts an analysis with his team leaders. As a manager, you should check both system and product failures. Failures can harm the organisation's operations, profits and customer relations, as is shown here.

Systems failures

Here is a list of common reasons for systems failures:

- Developers failing to test for errors during the design process
- Poor design leading to user problems whereby users find components too complex, or parts of the system do not meet requirements; for example, the performance is being measured using the wrong type of tools
- Insufficient or inappropriate training in working with or using parts of the system
- The wrong or faulty machinery or equipment affecting the ability to perform tasks

Product failures

Here is a list of common reasons for product failures:

- Changes in customer purchasing, which may be the result of issues with product quality, price or poor service, or in response to changes in the external environment, such as increases in interest rates reducing the disposable incomes of customers
- Increases in the cost of imported materials as a result of a sudden drop in the value of the Australian dollar
- Production equipment faults leading in delays of the product to market
- The target market is too limited, a result of poor analysis and segmentation
- The quality of the product is poor due to system problems

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Adjust plans to address failures

Operational and business plans need to be adjusted to incorporate any new activities, tasks or corrective action required to realign operations with the strategic objectives. You may need to change the objectives and measures or evaluate them to ensure they are still SMART. Always check that resources needed to carry out new activities or to achieve the new goals are identified and within budget. It may be necessary to incorporate an increased focus on feedforward control into the measurement system, using tools such as risk management and contingency planning.

Example: identify the failure of a product quality assurance system

A health care product manufacturer prides itself on its quality assurance system, as without a tightly controlled system, a faulty product can result in serious harm to the patients of their clients – as happened recently. An infection control product is released and distributed to a number of hospitals; however, due to a fault in the quality system the product is defective. The fault is due to human error following a change in team leadership; the new product testing team leader, under time pressure and lacking in the required skills, failed to carry out all of the required tests, and the quality manager did not analyse the measures for that week. The clients reported to the marketing department that a number of their patients are experiencing infections following the use of the product. This information is reported directly to the general manager, who begins an investigation of the problem. Due to a failure in the quality system, the product's failure is absolute, and is withdrawn from the market. The organisation experiences a significant loss of market share. The business plan and operational plans are significantly reworked to apply corrective actions, and new controls, objectives and measures are developed.

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Practice task 13

1. What is absolute product failure?

2. List two common reasons for system failure.

Summary

1. Following the development of the business plan, all staff need to understand the role their department plays in contributing to the performance of the entire business, as well as understanding performance requirements and time frames.

2. Through training needs analysis and the developing of training plans, managers and team members can identify the skills and knowledge required to perform tasks and work towards addressing those gaps. Specialised skills required can be addressed through recruitment and contracting of external people.

3. Test the performance measurement system to ensure it is effectively measuring performance by selecting test samples, collecting data, comparing performance and analysing results; identify and implement refinements as necessary.

4. Three types of controls that an organisation can implement are feedforward controls (before an activity begins to prevent anticipated problems); concurrent control (while the activity is in progress to prevent issues escalating), and feedback controls (after the activity is completed to identify issues that need to be resolved for the future).

5. Financial controls and measures include the use of ratios calculated from the information in the profit and loss statement, cash flow and balance sheets.

6. The balanced scorecard provides a clear prescription as to what organisations should measure in order to balance the financial perspective; benchmarking against best practices helps to identify performance gaps and areas of improvement.

7. Managers need to plan the reporting of the business to ensure that it is transparent, and reports the necessary information in a user-friendly format. Productivity, activity progress and financial reports should be produced regularly and reviewed by relevant stakeholders to inform decision making.

8. System and product failures can be identified through performance measures and their effects addressed using corrective actions. Business and operational plans need to be adjusted to incorporate any changes made.

Learning checkpoint 2
Monitor performance

This learning checkpoint allows you to review your skills and knowledge in monitoring performance.

Part A

1. Explain how you would test a performance measurement system.

2. Explain why it is important to get reports on all key aspects of the business to the relevant people within appropriate time frames.

3. Why is it important that reports should have a balance between financial and non-financial information?

Part B

Using either the organisation you work for or the following scenarios as examples to draw from, answer the following four questions.

Scenario A

Imagine you are the general manager for a medium-sized company. You need to communicate the approved business plan to your staff, which consists of four departmental managers, eight team leaders and 20 staff. The business plan reinforces the organisation's vision and business objectives, provides a market analysis for their products and services, includes a financial plan with projected profit-and-loss and cash-flow statements, describes performance requirements and responsibilities, and timeframes for meeting objectives. You prepare to disseminate the information.

1. What methods would you use to communicate the business plan to ensure everyone is aware of performance requirements and timeframes for meeting objectives? Explain why these methods would be appropriate.

2. How do you prepare for the session in which you communicate the business plan to staff? For example, what documentation do you prepare?

Scenario B

New customer management database software has just been introduced to your company to enable more efficient customer service. The software reporting function has made you aware that some of the customer service staff may need to be trained. You confirm this need with the customer service manager.

3. Use dot points to explain what managers should do to ensure staff have the skills to implement the business plan and meet performance measures.

Scenario C

The business plan has been implemented and you are regularly analysing business performance. You have noticed that the performance measures put in place to measure the business's environmental impact and uptake of environmental procedures (increase of sales of sustainable products; purchase only recycled paper; number of staff recycling paper; decrease in waste; increased commitment by staff) have not provided sufficient information to make effective decisions. You collect test samples, analyse the data, compare variations between actual and forecasted performance. Subsequently you report the system failure. Then, in consultation with others, you identify refinements that must be made and include them in the business plan.

4. What should you do when you notice that a system is not working well? Provide specific examples.
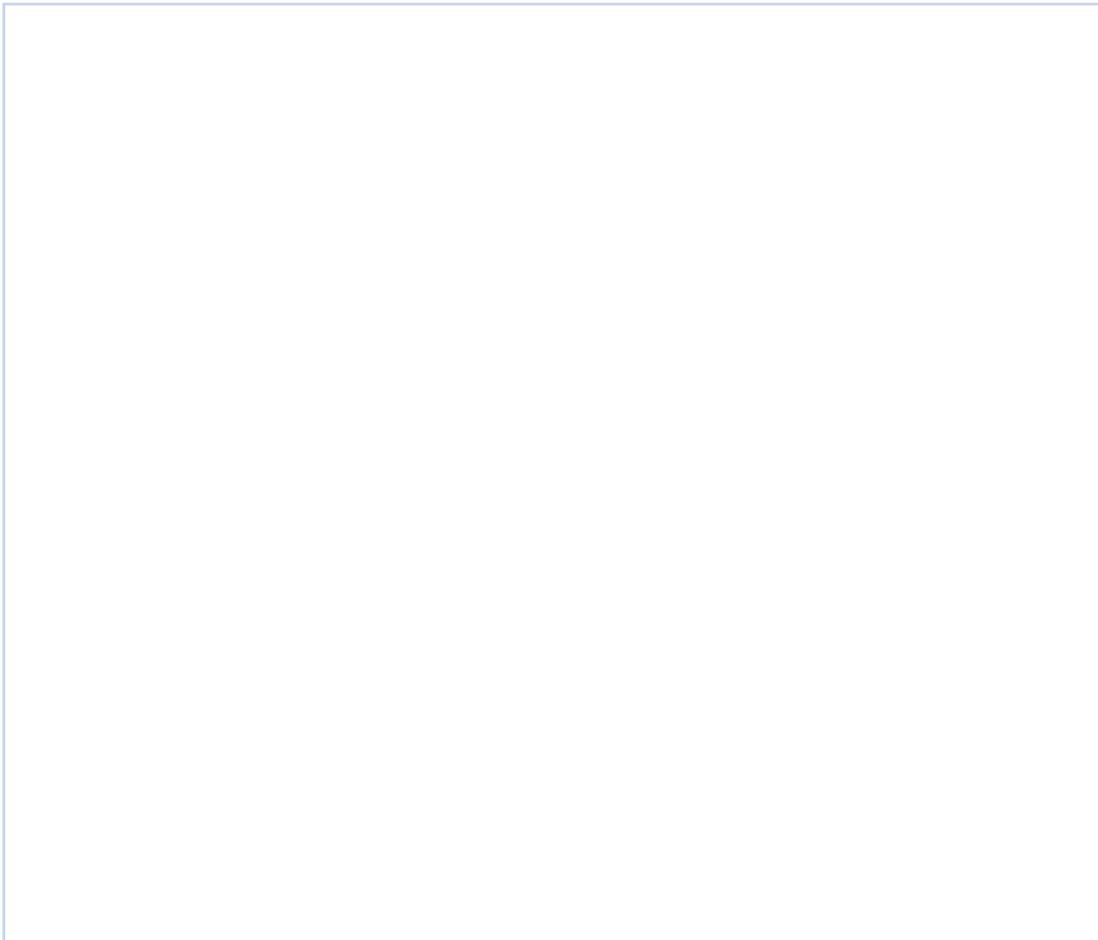
Topic 3
Respond to performance data

Once performance reports have been prepared, you need to compare the results with the planned objectives and respond to any system or product failures. You may need to adjust the performance indicators, the performance of teams and staff, and the systems and methods in place that measure effectiveness.

In this topic you will learn how to:

3A   Analyse performance and review objectives and indicators

3B   Ensure training and development activities are implemented to improve performance

3C   Review system processes and work methods regularly as part of continuous improvement

3A | Analyse performance and review objectives and indicators

As a manager, you may need to analyse the information contained in the performance reports against the planned objectives and performance indicators set out in the business plan to determine whether they are being achieved within time lines and with the available resources. You will need to include all areas such as the financial position, environmental impact, and social responsibility. For example, is the new product helping to achieve a profit? Are the quality assurance methods introduced increasing the customer base? Is staff training improving morale? Has the Green Awareness campaign been successful in improving environmental practices? Is the feedback system working?

An analysis should not only answer these questions but should highlight issues surrounding the achievement of the objectives, such as whether there is less traffic through the organisation's website, whether there are less returning customers, whether internal administrative and planning processes are causing delays or inaction or whether the budget is on track.

It may be that objectives and their indicators are not SMART, or need to be revised to accommodate corrective actions to improve performance.

Perform variance analysis

Variance analysis is used to determine the difference between planned and actual results. In relation to organisational performance measurement, variance analysis is used to measure expenditures (inputs) where the planned amounts of resources used are compared against the actual amount used. Similarly, variance analysis can be used for income (outputs) by comparing the quantity of products produced and sold (income/revenue) against the planned amount. The difference between the planned value and actual values is called the variance, and is commonly reported on a monthly basis. The following table is used to consider if the variances are favourable (F), unfavourable (U) or within expectations (OK).

Income and expenditure	Budget ($)	Actual ($)	Variance result
Income/revenue			
Sale of diaries	17,000	19,000	F
Sale of paper	14,000	13,500	OK
Sale of calendars	14,500	13,000	U
Expenditure/costs			
Raw material	9,450	10,990	U
Organisational fixed costs	7,300	7,400	OK
Marketing	11,750	10,200	F

Determine reasons for variance and plan corrective actions

Generally there is an acceptable level of variation, either a fixed amount or more commonly, a percentage, which needs to be determined. In considering the variance, it is important to determine the acceptable variance level and the reason for the variances so you can plan for any necessary corrections. Some information about variances is shown here.

Variance levels

In determining acceptable levels of variance, care should be taken to ensure that annual expenditure patterns or fixed costs are taken into account. For example, if insurance was $35,800 for the year, the expected monthly expenditure would be listed as $2,984 per month. However, if insurance is paid annually in August (the second month of the financial year) then the budgeted amount could read $2,984 but actual would show $35,800: an unfavourable position. In reality, it is not unfavourable since the insurance is paid for the whole year.

Corrective actions

The root causes for variances need to be determined and addressed. Simply shifting savings (low expenditure – money not spent) or additional income (excessive income – extra money received) to overruns on costs or to offset a lower than expected income area is not addressing the cause. It has the potential to mask the true position which, if left uncorrected, will get worse. Analyse the performance information and report the issues to relevant managers to develop corrective actions; for example, revise objectives and their indicators to ensure they are SMART; provide additional staff training; implement more targeted marketing; improve customer service; provide value-added products; the making improvements to processes or methods.

Reasons for variances

If there is a significant increase in sales (a favourable variance) it may be due to an increase in demand that hasn't been forecasted. This will impact production planning. Low sales (an unfavourable result) 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.

Review objectives and performance indicators

Some organisations conduct regular performance indicator reviews, which involves department managers coming together to analyse the currency and relevancy of objectives and indicators. In other organisations, managers may only get together when significant issues have been identified through variance analysis, and corrective actions are required. Regardless, reviewing and revising the objectives and their indicators helps to address weaknesses to ensure the organisation can work towards meeting identified strategic goals. Effectively, the management group needs to provide answers to the questions of whether corrective actions require changes in objectives and indicators, or whether the current objectives and their indicators meet the SMART principles. The group can then revise the objectives to ensure each is SMART, incorporate the changes in the plan and ensure changes are communicated throughout the organisation.
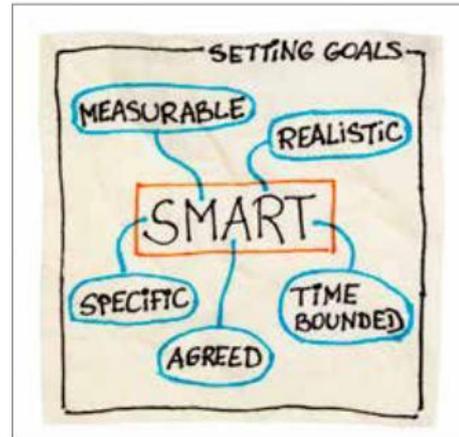
Example: revise objectives and key performance indicators

There has been a slight drop in sales over three months. Anecdotal evidence tells Nick, the sales manager, that some customers are disappointed in the customer service they are receiving.

Nick decides to assess the performance of his team's responsiveness to customers who respond to the 'Contact us' invitation on its website to see whether this has had an effect on sales.

The organisation engages the services of a mystery shopper consulting business who provide five people to act as customers. The people send enquiries via the website 'Contact us' form as if they are a real customer. Results show that sales staff are slow in responding to customers and are providing them with only basic information. Nick reviews the current objective and key performance indicator (KPI), which is: 'Provide efficient customer service'. He hopes that by revising the objective and key performance indicators he will have a clearer and SMARTer performance indicators that will help staff know exactly how their performance will be measured.

After consultation with the marketing manager, and his own team, they revise the objective to: 'Provide friendly, efficient and prompt customer service that provides customer satisfaction on a daily basis'.

New performance indicators include:

• phones should be answered within three rings

• all customer queries, whether by telephone, in person or via the website, must be responded to within 24 hours

• the customer's query must be responded to with sufficient information to satisfy the customer

• a log of all queries and responses for each month must be kept.

The revised performance indicators are incorporated into the business plan and the revised plan communicated to senior management. Each department manager consults with their teams to ensure their own objectives and indicators are aligned with the revised business objectives. The organisation's customer service charter is also revised.

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Practice task 14

Explain how the SMART model can be used to evaluate the business plan objectives and their indicators.

3B — Ensure training and development activities are implemented to improve performance

A root cause analysis of performance variance may indicate underperformance by groups or individuals. All managers need to work with the groups or individuals to improve performance through training and development. Appropriate coaching, mentoring and/or formal training opportunities to address performance gaps need to be identified and made available to those staff who need to improve specific skills and knowledge.

Identify needs

Underperformance of groups or individuals may be due to lack of following through on the training plans developed during operational planning. Team members may not be taking advantage of the training opportunities, or they may be failing to complete the programs identified to address essential skills and knowledge gaps to help them perform their tasks competently. Underperformance affects everyone's ability to contribute to meeting the objectives. Managers need to ensure the identified coaching, mentoring or training is captioned. As professional development is part of a continuous improvement cycle, corrective actions may have resulted in the requirement for a new set of skills or knowledge. In this case, a new training needs analysis needs to be conducted and training plans identified to address gaps.

Underperformance may include staff:

- who consistently fail to deliver on time
- whose work does not meet quality standards
- who fail to demonstrate customer service values
- who do not understand current business practice when completing tasks
- who do not understand or follow organisational procedures in key areas, such as safety and operating procedures.

Improve performance

Individuals and teams have targets in every industry. Some organisations use team targets to motivate individuals and the team to perform at a higher level. Individuals can coach and mentor those who have skill gaps. Managers and team leaders can set up paired learning, shadowing or create mentor plans. For example, if a team underperforms in a particular area of the business, such as customer service, then the manager may organise a one-day internal workshop. The contextualised training would hopefully stimulate the team to think and reflect on current processes and plan strategies to move forward and improve their performance.

There are many different performance development options, as shown here.

Coaching

Sometimes it is appropriate to pair a team member with a more experienced manager or employee to act as a coach. The coach can show them how they complete the tasks or guide them to identify appropriate ways to complete the task, give them a chance to try the task and complete the task independently while under supervision. Providing constructive feedback and encouragement helps learners build their skills and their confidence. Coaching is effective in getting employees to take responsibility for their underperformance.

Mentoring

Managers may wish to appoint an experienced person as mentor to improve someone's performance. This is a more informal arrangement than direct supervision and the mentor's role is to regularly review performance and provide support and guidance, rather than give specific training. Mentoring is often targeted at managers and team leaders.

Job rotation

Job rotation is when people are temporarily placed in other roles within 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 within the work team.

Online training

Online training is most appropriate for teaching people about things they need to know to do their job, such as processes. Many organisations develop online training programs that explain ways of completing tasks, or working within the organisation's policies and procedures. An example is how to enter transactions in the organisation's management system. Trainers can make use of videos and apps.

Workshops

From time to time industry bodies, training organisations and other providers offer workshops covering topics such as dealing with customers, using software packages, communicating with others, leading others and delegating tasks. Keep in contact with organisations that offer training relevant to your organisation.

Accredited training

Participants who successfully complete accredited training receive a statement of attainment or a qualification. Accredited training can be provided by registered training organisations in traditional classroom settings, through distance education, online or in the workplace.

Conduct coaching conversations

A successful coaching model used by many is the GROW model.

GROW stands for:

- **G**oal: What behaviour needs to change? What SMART goal will enable the behaviour to change?

- **R**eality: What is the current reality; what is happening and what is the effect?

- **O**ptions or **O**bstacles: What will enable you to solve the problem and what are the barriers?

- **W**ill or **W**ay forward: What will you do to reach the goal and what will enable you to commit to meeting the goal?

v1213

Example: coach for improved performance

A sales and support team for a medical scanning equipment business consists of five people:

- Vi, the sales manager

- Samuel, who is responsible for identifying potential buyers and making initial contact

- Aiysha is the sales representative and follows up on the leads that Samuel provides

- Caleb, the post-sales installer who also provides technical support

- Noah, who provides post-sales training and operational support.

Feedback from clients identifies that confusing and conflicting information has been provided throughout the process of initial contact, agreements to purchase the medical scanning equipment and the post-sales support and training.

Vi consults with Faizel, the human resources manager, 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. Faizel has a great deal of experience and strong skills in communicating with others. He creates a program with Vi 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 holds discussion sessions so people can explain how they feel.

Practice task 15

Imagine you have a team member who never seems to complete their work on time. Use the GROW model to list the questions you will ask to help this team member improve their performance.

GROW model	Questions to ask
Goal	
Reality	
Options or Obstacles	
Will or Way forward	

3C Review system processes and work methods regularly as part of continuous improvement

System processes should be reviewed regularly to ensure objectives remain relevant and achievable. The business plan must continue to be a comprehensive but flexible document.

Process and methods reviews may be conducted annually as part of the organisation's continuous improvement cycle, or following the identification of performance issues stemming from ineffective processes or work methods during regular performance appraisal sessions.

Reviews should be conducted in accordance with the organisation's continuous improvement policy and procedures to resolve problems. Be familiar with a range of continuous improvement models. Some of these are described here.

Deming's cycle

Among the most widely used models for continuous improvement is the four-step plan-do-check-act (PDCA) cycle. It is also known as the Deming Cycle. Quality expert Dr W. Deming refined the cycle in the 1950s, adapting a concept introduced by Walter Shewhart in the 1930s. The still-relevant cycle involves the following steps:

- 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 your results. Begin the cycle again if the change did not work.

Other models

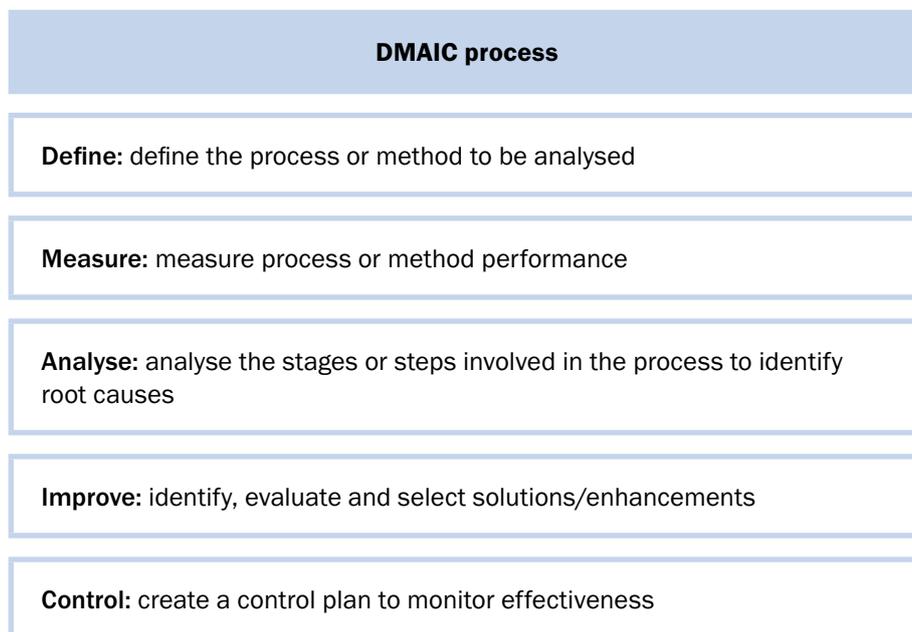Other commonly used continuous improvement models, quality standards and techniques are:

- quality management system standards
- Balanced Scorecard
- Six Sigma
- lean management
- benchmarking
- just-in-time (JIT).

To learn more about these, visit the American Society for Quality's site at: http://aspirelr.link/asq-continuous-improvement

Lead reviews using a structured process

It is useful for a manager to be aware of a range of different review processes so they can decide which one is approriate for the situation under review. Research various models using the internet, networking contacts and organisational review processes. Another process, similar to the PDCA cycle, is one that provides comprehensive ways to improve processes and work methods. Termed DMAIC after the inititals (**d**efine, **m**easure, **a**nalyse, **i**mprove, **c**ontrol), the process is used by a number of organsiations, and is a critical part of the Six Sigma system. Six Sigma seeks to improve the quality of process outputs by identifying and removing the causes of problems and variability in the development, manufacturing and delivery of products and services, and reduce waste and improve efficiency. Six Sigma is based on the philosophy that all work is viewed as a processe that can be defined, measured, analysed, improved and controlled.

DMAIC is a specialised process that requires a high level of skills and knowledge and is likely to run for at least three months. The process is summarised here.

DMAIC process
Define: define the process or method to be analysed
Measure: measure process or method performance
Analyse: analyse the stages or steps involved in the process to identify root causes
Improve: identify, evaluate and select solutions/enhancements
Control: create a control plan to monitor effectiveness

Define what is to be reviewed

Using the DMAIC system, your task is to define the process or method that needs to be reviewed. This step involves identifying the improvement opportunity from performance analyses, defining critical requirements, and developing solutions to improve the process or work methods. You will need to develop an action plan with time lines, resources required and assigned responsibilities to tasks. For example, if analysis has identified an ongoing problem with the process for receiving and communicating customer orders to the warehouse, your goal would be to redesign the process to achieve increased efficiency and effectiveness in processing customer orders. The problem statement for this situation should identify how long the issue has existed, the impact on the customer and the impact on the business in terms of productivity, efficiency, revenue and profit.

The tools, techniques and key outputs for this process are shown here.

Tools and techniques involved in the Define step

- Variance analyses interpretations
- Gap analysis
- Process mapping, which identifies the stages, steps and tacks involved in any one process
- Action planning

Key outputs of the process

- Action plan to review the process
- Process or methods maps, illustrating each step and task in the customer order process
- Project team to redesign the process to achieve increased efficiency and effectiveness

Measure the process or method

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; this is where a process map is a valuable tool. Start by checking customer and staff feedback, either received directly or via surveys for both quantitative and qualitative data. This will help establish a baseline to measure performance once a new process is implemented. The tools, techniques and key outputs for this process are shown here.

Tools and techniques involved in the Measure step

- Charts
- Graphs
- Data analysis

Key outputs of the process

- Input, process, output indicators and current results
- Data collection requirements
- Baseline performance to measure variances or deviations

Analyse opportunities

The analysis step involves identifying the root causes of performance issues to prioritise the issues that need attention. The process map should clearly identify where the problem actually occurs. A comprehensive root cause analysis will identify the likely causes. For example, a problem with orders not being processed promptly may be because customer orders don't go immediately to the warehouse, but sit in the computer system until sales staff can transfer it. The problem is magnified when there is a rush of orders. Here is a list of the tools, techniques and key outputs for this process.

Tools and techniques involved in the Analyse 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 the process

During this step, the team needs to identify, evaluate and select the most effective improvement solutions. Use the PDCA cycle to test solutions and develop treatments for any risks that have been identified. Develop a change management strategy to implement the improvements.

For example, to improve the process for receiving and communicating customer orders to the warehouse, review the process map and consider steps that can be shortened by adding resources, such as increased staff, and identify whether there are any steps than can be eliminated. A system to generate daily reports for sales staff may decrease delays in getting the information to the warehouse. Here are tools, techniques and key outputs for this process.

Tools and techniques involved in the Improve 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, actions to manage impacts and to communicate the need for change

Control the process

Controlling the process means that measures are put in place to ensure the improvements are applied consistently and provide the identified results. This may include performance measures; policies, procedures, standards and guidelines that reflect the improvements; training of staff in the changes; and regular monitoring and evaluation.

For example, customer service staff may need training in generating reports for the sales team members using new software add-ons purchased to reduce times. Project planning, the PDCA cycle and key outputs for this process are shown here.

Tools and techniques involved in the Control 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 learned

Map a process

Process mapping is a simple method of flowcharting a process. In this process, you will map each stage of the current process, indicating the time taken for each task. You will then analyse the map to show where improvements can be made to increase efficiency and reduce waste of time and resources. The next step is to develop a second map to show the future (desired) state. This map is used to measure the improvements made.

## Example: research continuous improvement approaches

Visit the following websites to improve your understanding of how different organisations review their processes and methods to make improvements.

- Victorian Government service coordination continuous improvement framework: http://aspirelr.link/continuous-improvement-framework
- City of Melville continuous improvement framework: http://aspirelr.link/melville-continuous-improvement-framework
- Australian Aged Care Quality Agency continuous improvement: http://aspirelr.link/aacqa-continuous-improvement
- Fujitsu Australia managed services: http://aspirelr.link/fujitsu-managed-services

Practice task 16

1. Use Deming's cycle to show how a manager may improve system processes and work methods.
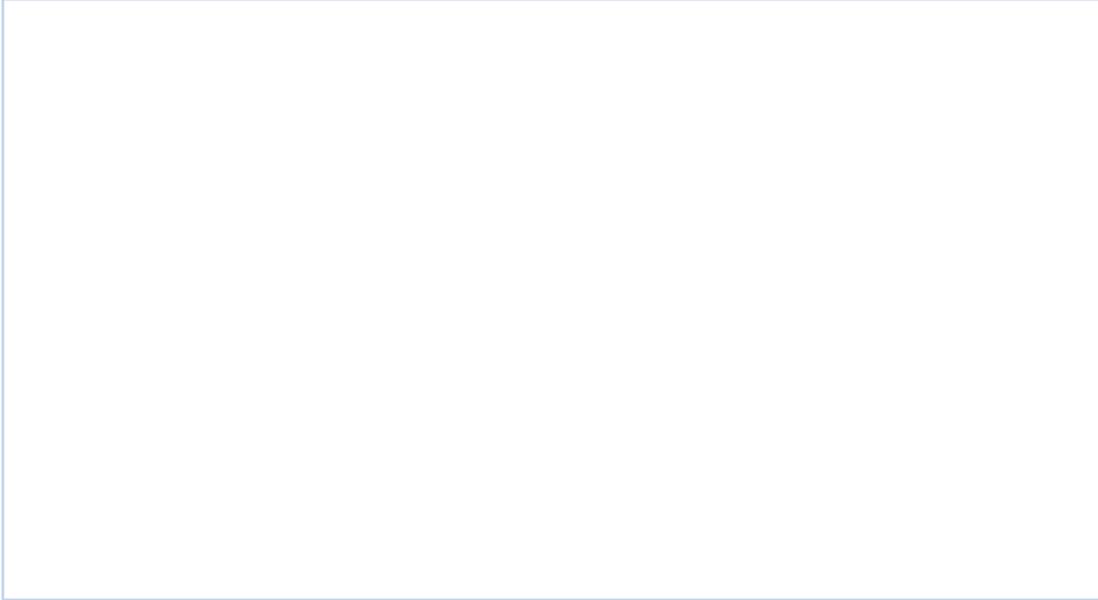
2. Apart from using the DMAIC process, what other business improvement/continuous improvement approaches might an organisation use?

Summary

1. An organisation analyses performance reports against its planned objectives to determine if the results will be, or are in the process of being, achieved within the identified time frames, using the available resources.

2. Variance analysis identifies the actual to projected performance, and root cause analysis determines the reasons for variances. With the causes identified, corrective action can be planned and implemented.

3. Corrective actions may include the revision of objectives and their indicators. Those actions resulting in changes in systems, processes or methods will also mean that objectives and their indicators need to be analysed to ensure they accommodate the changes.

4. When root cause analysis of performance variance identifies that groups or individuals are underperforming, managers need to work with the groups or individuals to ensure training and development opportunities are made available to improve performance. Coaching and mentoring are common methods for improving team and individual performance.

5. To improve performance, organisations need to review processes and work methods. The organisation's continuous improvement framework provides guidance and procedures for implementing methods.

6. DMAIC is a commonly used process for addressing issues in business or production processes and methods. The steps involved in the DMAIC process are: Define, Measure, Analyse, Improve and Control. Preparing a process map is an important tool in this process.

Learning checkpoint 3
Respond to performance data

This learning checkpoint allows you to review your skills and knowledge in responding to performance data.

Part A

1. Explain the value of variance analysis in analysing performance against planned objectives.

2. Using your experience or research, list at least three reasons why there may be a favourable variance and three reasons for an unfavourable variance.

3. Why is it crucial to regularly review objectives and performance indicators?

4. What is the purpose of root cause analysis in analysing the performance against planned objectives?

5. What is process mapping and why is it a valuable tool?

Part B

Using either the organisation you work for or the following scenarios as examples to draw from, describe how you respond to performance data and make improvements where necessary.

Scenario
Living Outdoors is a furniture manufacturer supplying outdoor furniture products at the premium end of the market. The company has been in business for over 50 years. It has always relied on the processes and work methods it has had in place for all those years, and a steady stream of customers for its expensive products. However, a number of factors are driving down the success of the company, such as the current poor economic climate, new employees not being as well trained as in previous years, and a lack of modern technology for production and customer service staff. These factors mean that production values are slipping and sales are decreasing.
In the last four months, the variance between actual sales and forecasted sales has reached an unfavourable variance of 15 per cent. Many of the management staff have been with the firm for 20 years or more. There has never been a rigorous continuous improvement process in place, as the company has always relied on its reputation for success.
Imagine you have just been hired as a manager at Living Outdoors. You have been asked to review system processes and work methods to identify opportunities for improvement.

1. Explain how you would utilise process improvement tools and techniques, in line with Deming's PDCA cycle, to ensure continuous improvement. Provide possible examples for each stage of the cycle.
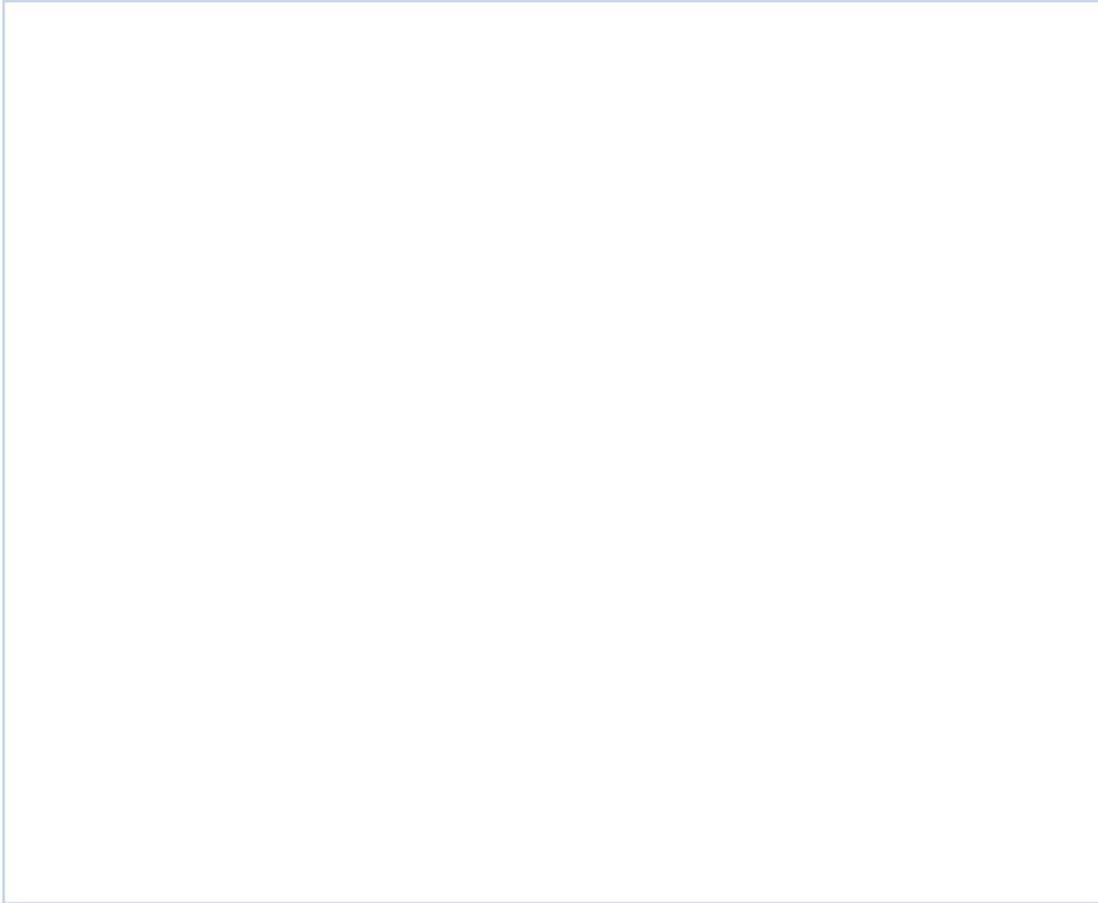
2. Describe a range of appropriate coaching or training opportunities to help develop staff who underperform, either in your workplace or at Living Outdoors. For each strategy, explain how this will improve specific staff performance.